

SOM INNOVATION BIOTECH, S.A.

Annual Accounts for the year ended
31 December 2021

CAMILA ENRICH SCHRÖDER
INGLÉS - ESPAÑOL
Nº 802
TRADUCTORA E INTÉRPRETE JURADA
10.06.2022



AUDIT REPORT ON ANNUAL ACCOUNTS ISSUED BY AN INDEPENDENT AUDITOR

To SOM INNOVATION BIOTECH, S.A.'s shareholders

Opinion

We have audited the annual accounts of SOM INNOVATION BIOTECH, S.A. (the Company), which comprise the balance sheet as at 31 December 2021, the profit and loss account, the statement of changes in equity, the statement of cash flows and the notes for the financial year ending on that date.

In our opinion, the attached annual accounts give, in all material respects, a true and fair view of the Company's equity and financial position as at 31 December 2021 and of its profit or loss and cash flows for the year then ended, in accordance with the applicable regulatory framework for financial reporting (as identified in note 2) and, in particular, with the accounting principles and criteria contained therein.

Basis for opinion

We carried out our audit in accordance with the regulations governing the audit of accounts in force in Spain. Our responsibilities under these standards are described below in section *Auditor's responsibilities in relation to the audit of the annual accounts* of our report.

We are independent of the Company in accordance with the requirements of ethics, including those of independence, which are applicable to our audit of the annual accounts in Spain as required by the regulations governing the auditing of accounts. In this regard, we have not provided services other than those of the audit of accounts, nor have there been any situations or circumstances that, in accordance with the provisions of the aforementioned regulatory legislation, have affected the necessary independence in such a way as to have been compromised.

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

Material uncertainty related to the going concern

We draw attention to Note 2.4 of the attached notes to the annual accounts, which states that the Company focuses its activity on research in the field of rare or orphan diseases, with the aim of developing safe and effective therapies for their treatment, requiring significant financial resources to ensure that they can continue to carry out the research and development activities necessary to obtain products which may be marketed or licensed, if appropriate, to a third party. In this regard, as a result of the company's own activity and the stage at which the Company is, it incurred losses both in 2021 and in previous years, the net equity as at 31 December 2021 being less than 50% of its share capital and, therefore it is in one of the situations provided for in Article 363 of the Companies Law as a ground for dissolution and on that date, the Company's current liabilities exceeded its current assets by EUR 2,714,760. These facts, together with other issues set out in Note 2.4, show the existence of material uncertainty which may give rise to significant doubts as to the Company's ability to continue as a going concern. Our opinion has not been changed on this issue.

The most relevant aspects of the audit

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

Except for the aspect described in section *Material uncertainty related to the ongoing concern*, we have determined that there are no other more significant risks considered in the audit to be reported in our report.

Other information: Directors' Report

The other information includes only the annual report for the financial year 2021, the drafting 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 directors' report. Our responsibility for the directors' report, in accordance with the requirements of the regulations governing the auditing of accounts, is to assess and report on the consistency of the directors' report with the annual accounts based on the knowledge of the entity obtained in carrying out the audit of those accounts and to assess and report on whether the content and presentation of the directors' report complies with the applicable regulations. If, on the basis of our work, we conclude that there are material misstatements, we are obliged to report this.

On the basis of the work carried out, as described in the previous paragraph, the information contained in the directors' report is consistent with that of the annual accounts for the financial year 2021 and its content and presentation are in accordance with the applicable regulations.

Directors' responsibility for the annual accounts

Directors are responsible for drawing up the attached annual accounts in such a way as to give a true and fair view of the Company's equity, financial position and profit or loss, in accordance with the regulatory financial reporting framework applicable to the entity in Spain, and of the internal control that they consider necessary to enable the preparation of annual accounts free from material misstatement, due to fraud or error.

In preparing the annual accounts, directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as appropriate, matters related to the going concern and using the going concern accounting principle unless the directors intend to liquidate the Company or cease operations, or there is no other realistic alternative.

Auditor's responsibilities in relation to the audit of the annual accounts

Our objectives are to obtain reasonable assurance that the annual accounts as a whole are free from material misstatement, due to fraud or error, and to issue an audit report containing our opinion. Reasonable assurance is a high level of security, but it does not ensure that an audit carried out in accordance with the regulations governing the audit activity in force in Spain always detects material misstatement where it exists. Misstatements may be due to fraud or error and are considered material if, individually or on an aggregate basis, they can reasonably be expected to influence the economic decisions made by users relying on the annual accounts.

As part of an audit in accordance with the regulations governing the audit of accounts in force in Spain, we apply our professional judgment and maintain an attitude of professional scepticism throughout the audit. Also:

[Grant Thornton letterhead]

- We identify and assess the risks of material misstatement in the annual accounts, due to fraud or error, design and implement audit procedures to address such risks, and obtain sufficient and adequate audit evidence to provide a basis for our opinion. The risk of not detecting a material misstatement due to fraud is higher than in the case of a material misstatement due to error, as fraud may involve collusion, forgery, deliberate omissions, intentionally erroneous statements or circumvention of internal control.
- We obtain knowledge of the internal control relevant to the audit in order to design audit procedures that are appropriate to the circumstances, and not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- We assess whether the accounting policies applied are appropriate and the reasonableness of the accounting estimates and the related information disclosed by directors.
- We conclude on whether the directors' use of the going concern accounting principle is appropriate and, based on the audit evidence obtained, we conclude on whether or not there is material uncertainty related to facts or conditions that may give rise to significant doubts about the Company's ability to continue as a going concern. If we conclude that there is material uncertainty, we need to draw attention in our audit report to the relevant disclosures in the annual accounts or, if such disclosures are not appropriate, to express an amended opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Company to cease to be a going concern.
- We assess 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 way that is able to give a true and fair view.

We communicate with the SOM INNOVATION BIOTECH, S.A.'s directors in relation to, among others, the planned scope and timing of the audit and the significant audit findings, as well as any significant internal control weaknesses we may identify in the course of the audit

Among the material risks that have been communicated to the entity's directors, we identify those that have been most significant in the audit of the annual accounts for the current period and which are therefore the most significant risks.

We describe these risks in our audit report unless public disclosure is prohibited by law or regulation.

Grant Thornton, S.L.P. Sociedad Unipersonal
ROAC ("Official Register of Accounting Auditors") No S0231

[Association of Chartered Accountants of Catalonia]

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2022 Number 20/22/15168
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Account audit report subject to the Spanish or international
account audit regulations]

[Signature] Carlos Capellá Bruguera
ROAC no. 2242
11 July 2022

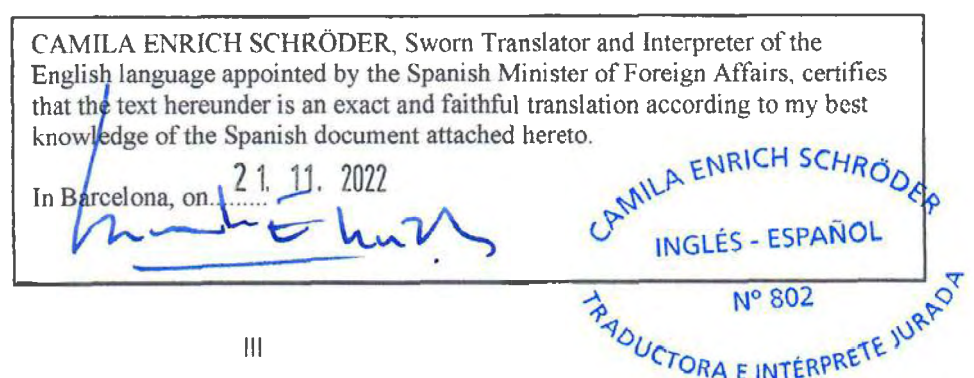


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Balance sheet as at 31 December 2021 and 2020

(Euro)

ASSETS	Notes	2021	2020	EQUITY AND LIABILITIES	Notes	2021	2020
NON-CURRENT ASSETS:		179,925	181,153	NET EQUITY:		(3,860,592)	(508,487)
Tangible fixed assets —	Note 5	12,819	15,134	SHAREHOLDERS' FUNDS —		(3,928,656)	(750,241)
Technical plant and other tangible fixed assets		12,819	15,134	Share capital —	Note 8	522,138	522,138
Long-term financial investments —	Note 7	167,106	166,019	Authorised capital	Note 8	8,208,123	8,208,123
Other financial assets		167,106	166,019	Share premium —	Note 8	26,879	26,879
				Reserves —		26,879	26,879
				Legal and statutory		-	-
				Other reserves		-	-
				Previous years' losses —		(9,503,562)	(7,501,646)
				Profit or loss for the year		(3,182,234)	(2,005,735)
				SUBSIDIES, DONATIONS AND LEGACIES RECEIVED —	Note 8,3	68,064	241,754
						1,325,757	1,564,289
CURRENT ASSETS:		699,882	1,082,818	NON-CURRENT LIABILITIES:		1,303,069	1,483,704
Trade and other accounts receivable —	Note 10	155,958	132,043	Long-term debts —	Note 9	14,007	-
Current tax assets		155,200	131,285	Creditors for long-term financial lease	Note 6	1,289,062	1,483,704
Other debt to general government		758	758	Other financial liabilities	Note 9,3	22,688	80,585
Short-term financial investments —	Note 7	288	1,087	Deferred tax liabilities	Note 10	3,414,642	208,169
Other financial assets		288	1,087	CURRENT LIABILITIES:		3,136,751	118,377
Short-term accruals		35,371	25,104	Short-term debts —	Note 9	2,706	386
Cash and equivalent liquid assets —		508,265	924,584	Debts to credit institutions		3,629	20,046
Treasury		508,265	924,584	Creditors for short-term finance lease	Note 6	3,130,416	97,945
				Other financial liabilities	Note 9,3	277,891	89,792
TOTAL ASSETS		879,807	1,263,971	Trade and other accounts payable —		9,312	1,238
				Suppliers	Note 9	230,919	61,180
				Sundry creditors	Note 9	37,660	27,374
				Other debt to public administrations	Note 10		
				TOTAL NET EQUITY AND LIABILITIES		879,807	1,263,971

Notes 1 to 17 described in the report attached hereto form an integral part of the annual accounts as at 31 December 2021.

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Profit and loss account for the years ended 31 December 2021 and 2020

(Euro)

	Notes	2021	2020
ONGOING OPERATIONS:			
Net turnover —		-	20,000
Procurement —	Note 11.1	(72,381)	(67,530)
Consumption of raw materials and other consumable materials		(72,381)	(67,530)
Other operating income —	Note 8.3	177,616	262,870
Operating subsidies incorporated into the profit or loss for the year		177,616	262,870
Staff costs —	Note 11.2	(614,373)	(509,769)
Wages, salaries and similar		(523,544)	(428,103)
Social security contributions		(90,861)	(81,666)
Other		32	-
Other operating expenses —	Note 11.3	(2,544,652)	(1,635,869)
External services		(2,544,356)	(1,635,614)
Taxes		(296)	(255)
Depreciation of fixed assets —	Notes 5	(6,758)	(6,939)
Allocation of subsidies on non-financial fixed assets and others		-	-
Other results		(1,766)	2
OPERATING INCOME		(3,062,314)	(1,937,235)
Financial income —	Note 11.4	795	733
Of negotiable securities and other financial instruments —		795	733
Third-party		795	733
Financial expenses —	Note 11.4	(110,395)	(67,307)
For debts to third parties		(110,395)	(67,307)
Exchange differences		(10,320)	(1,926)
FINANCIAL RESULT		(119,920)	(68,500)
PRE-TAX PROFITS		(3,182,234)	(2,005,735)
Income tax		-	-
PROFIT/LOSS FOR THE YEAR ARISING FROM ONGOING OPERATIONS		(3,182,234)	(2,005,735)
PROFIT OR LOSS FOR THE YEAR		(3,182,234)	(2,005,735)

Notes 1 to 17 described in the report attached hereto form an integral part of the annual accounts as at 31 December 2021.

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Statement of changes in equity for the year ended 31 December 2021 and 2020

a) Statement of recognised income and expenses for the years ended 31 December 2021 and 2020
(Euro)

	Notes	2021	2020
PROFIT OF PROFIT AND LOSS ACCOUNT		(3,182,234)	(2,005,735)
Income and expenses directly allocated to equity	Note 8.3		
Subsidies, donations and legacies received		9,254	375,893
Subsidies received		9,254	339,507
Soft loans and/or zero rate	Note 10.3	(2,313)	36,386
Tax effect			(93,973)
TOTAL INCOME AND EXPENSES DIRECTLY ALLOCATED TO EQUITY		6,941	281,920
Transfers to the Profit and Loss Account:			
Subsidies, donations and legacies received	Note 8.3	(240,841)	(219,219)
Subsidies received		(159,204)	(189,558)
Soft loans and/or zero rate		(81,637)	(29,661)
Tax effect	Note 10.3	60,120	54,805
TOTAL TRANSFERS TO THE PROFIT AND LOSS ACCOUNT		(180,631)	(164,414)
TOTAL RECOGNISED INCOME AND EXPENSES		(3,355,924)	(1,888,229)

Notes 1 to 17 described in the report attached hereto form an integral part of the annual accounts as at 31 December 2021.

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SOM Innovation Biotech, S.A.
Statement of Changes in Equity for the years
ended 31 December 2021 and 2020

b) Statement of total changes in equity for the years ended 31 December 2021 and 2020

(Euro)

	Authorised capital	Issue premium	Reserves	Previous years' losses	Profit for the year	Subsidies Donations and legacies	Total
BALANCE, BEGINNING OF 2020	522,138	8,208,123	26,879	(5,678,034)	(1,823,612)	124,248	1,379,742
Total recognised income and expenses	—	—	—	—	(2,005,735)	117,506	(1,888,229)
Other changes in equity	—	—	—	(1,823,612)	1,823,612	—	—
BALANCE, YEAR-END 2020	522,138	8,208,123	26,879	(7,501,646)	(2,005,735)	241,754	(508,487)
Total recognised income and expenses	—	—	—	—	(3,182,234)	(173,690)	(3,355,924)
Other changes in equity	—	—	—	(2,005,735)	2,005,735	—	—
Other adjustments	—	—	—	3,819	—	—	3,819
BALANCE, YEAR-END 2021	522,138	8,208,123	26,879	(9,503,562)	(3,182,234)	68,064	(3,860,592)

Notes 1 to 17 described in the report attached hereto form an integral part of the annual accounts as at 31 December 2021.

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**Statement of cash flows for the years ended
31 December 2021 and 2020**

(Euro)

	Notes	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES (I):		(3,116,863)	(2,167,925)
Pre-tax profit for the year		(3,182,234)	(2,005,735)
Adjustments to profit/loss —		7,006	(143,980)
Depreciation of fixed assets	Note 5	6,758	6,939
Allocation of grants	Note 8.3	(130,875)	(219,219)
Financial income	Note 11.4	(795)	(733)
Financial expenses	Note 11.4	110,395	67,307
Exchange differences		10,32	1,926
Other income and expenses		11,203	(200)
Changes in current capital —		97,248	19,555
Debtors and other accounts receivable		(23,915)	52,163
Other current assets		(9,468)	(513)
Creditors and other accounts payable		188,0	7,375
Other current liabilities		(14,290)	(2,373)
Other non-current assets and liabilities		(43,178)	(37,097)
Other cash flows from operating activities —		(38,883)	(37,765)
Interest payments		(39,678)	(38,498)
Interest collections		795	733
CASH FLOWS FROM INVESTMENT ACTIVITIES (II):		(4,443)	(31,40)
Investment payments —		(4,443)	(31,40)
Tangible fixed assets	Note 5	(4,443)	-
Other financial assets	Note 7	-	(31,409)
CASH FLOWS FROM FINANCING ACTIVITIES (III):		2,704,987	1,091,0
Collections and payments for equity instruments —		-	375,893
Subsidies, donations and legacies received	Note 8.3	-	375,893
Collections and payments by financial liability instruments —		2,704,98	715,10
Issuance of other debts	Note 9	2,816,00	825,634
Refund and repayment of other debts		(111,013)	(110,525)
EFFECT OF EXCHANGE RATE CHANGES (IV) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (I+II+III+IV)		(416,319)	(1,108,332)
Initial cash and their equivalents		924,584	2,032,916
Ending cash and their equivalents		508.265	924,584

Notes 1 to 17 described in the report attached hereto form an integral part of the restated annual accounts as at 31 December 2021.

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SOM Innovation Biotech, S.A.

Report corresponding to the year ended 31 December 2021

NOTE 1. ACTIVITY OF THE COMPANY

SOM INNOVATION BIOTECH, S.A. (hereinafter "the Company") is a joint stock company incorporated for an indefinite term in Spain on 30 December 2009 in accordance with the Spanish Companies Act.

The Company's activity consists of the research and development of pharmaceutical products for the treatment of human diseases, as well as any other activity related to that corporate purpose.

Its registered office and tax domicile is located in calle Baldiri Reixac No 4, Torre I planta 7, Barcelona, and the Company carries out its activities in Spain.

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

The Company's functional and presentation currency is the Euro. Transactions in currency other than functional currency are recorded in accordance with the policies set out in note 4.

NOTE 2. BASIS OF PRESENTATION OF THE ANNUAL ACCOUNTS

2.1 Regulatory framework for financial reporting applicable to the Company

These annual accounts have been formulated by the directors in accordance with the regulatory framework for financial reporting applicable to the Company, which is established in:

- a. Commercial Code and other commercial legislation.
- b. General Accounting Plan approved by Royal Decree 151/00, which has been amended by Royal Decree 602/2016 and Royal Decree 1/2021, and its sectoral adaptations.
- c. The mandatory rules approved by the Institute of Accounting and Auditing of Accounts in development of the General Accounting Plan and its accompanying rules.
- d. The rest of the Spanish accounting policies that may apply.

2.2 True image

The attached annual accounts have been obtained from the Company's accounting records and are presented in accordance with the applicable regulatory framework for financial reporting and, in particular, with the accounting principles and criteria contained therein, so that they show the true image of the assets, the financial position, the Company's profits and cash flows during the corresponding financial year. These annual accounts, which have been formulated by the Company's directors on 27 May 2022, shall be submitted for approval to the Ordinary General Shareholders' Meeting, which are estimated to be approved without amendments. Meanwhile, the annual accounts for the year 2020 were restated on 27 May 2022 and are pending approval by the General Shareholders' Meeting to be held on 30 June 2022.

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These annual accounts do not contain any information or breakdowns which, although not required for detail due to their qualitative importance, have been considered not material or not of importance in accordance with the concept of materiality or importance defined in the regulatory framework described in Note 2.1 to the report.

2.3 Non-mandatory accounting principles applied

There is no accounting principle that, being significant, has ceased to apply.

2.4 Critical aspects of the assessment and estimation of uncertainty. Going concern.

In drawing up the attached annual accounts, estimates have been made that are based on historical experience and other factors considered reasonable under current circumstances and which form the basis for establishing the carrying value of certain assets, liabilities, income, expenses and commitments whose value is not easily determined by other sources. The Company reviews its estimates on an ongoing basis.

Although these estimates have been made on the basis of the best information available at the end of 2021, it is possible that future events may require changes (up or down) in the coming financial years, which would be done, if necessary, in a prospective manner.

The Company mainly focuses on research in the field of so-called rare or orphan diseases, with the aim of being able to develop safe and effective vaccines for their treatment. Therefore, the main forward-looking assumptions and other relevant sources of uncertainty in the estimates as at the closing date, which could have a significant effect on the annual accounts for the coming year, have been related to the classification of the expenditure incurred as research and development activities and the determination of their possible activation (see Note 4.1).

The Company's activity and the phase in which it is operating have entailed significant operating losses over the past few years, as well as in the current one, and therefore, as at 31 December 2021, there have been accumulated losses, including the loss for 2021 of EUR 12,685,796. This implies that significant financial resources are needed to ensure that it can continue undertaking the research and development activities necessary to obtain the marketable products or that can be licensed to a third party. These facts indicate a material uncertainty that may give rise to significant doubts about the Company's ability to continue as a going concern.

At the end of 2021, the company had negative shareholders' funds of 3,928,656. At the same time, the total conversion into participating loans signed and paid up at the end of 2021 amounts to EUR 2,816,000 and as subsequent events, in 2022, new participating loans were also signed for a total of EUR 4,150,000, bringing the total number of participating loans at the date of formulation of these accounts to a total of EUR 6,966,000.

However, much of these losses were already included in the Company's growth plan and form part of the expected costs of its activity. In fact, the Company has repeatedly benefited from the financial and strategic support of major investors who have repeatedly guaranteed the viability of the business plan. In particular:

- On 26 May 2021, one of the current shareholders of the Company, Santi 1990 S.L.U., granted a participating loan of EUR 1 million (EUR 1,000,000), which subsequently included the option to adhere to the terms of credit setoff set out in the Convertible Participative Loan described below.
- On 5 August 2021, Angloxell Valores y Participaciones, S.L., a shareholder of the Company, signed a convertible participating loan contract for eight hundred and sixteen thousand euros (EUR 816,000) to adhere to the Convertible Participative Loan described below for this amount.

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- In addition, on 29 November 2021, another of the Company's current shareholders, Anangu Grup S.L.U., granted the Company another participating loan for the amount of EUR 1 million (EUR 1,000,000), which also included the possibility of future convertibility of the capital lent and the interest accrued in shares of the Company, in accordance with the terms set out in the Convertible Participative Loan mentioned below.
- On 7 February 2022 another of the Company's current shareholders, Anangu Grup S.L.U., granted the Company another participating loan in the amount of one million, eight hundred thousand euros (EUR 1,800,000), which also included the possibility of future convertibility of the capital lent and the interest accrued into shares in the Company, in accordance with the terms set out in the Convertible Participative Loan described in Note 2.4 to the report.
- On 7 February 2022, the Company entered into a participating loan agreement with one of its current shareholders, Santi 1990, S.L.U. for one million eight hundred thousand euros (EUR 1,800,000), which gives the lender the option to adhere to the terms of credit offset provided for in the Convertible Participative Loan approved at the General Shareholders' Meeting on 29 October 2020.
- On 7 February 2022 new investors (DETRES Inversiones e Inmuebles, Carmen Miarnau Banús, Stanislaw Knaflewski) signed a participating loan agreement totalling five hundred fifty thousand euro (EUR 550,000), which provides the lender with the option to adhere to the terms of credit offset set out in the Convertible Participative Loan approved at the General Shareholders' Meeting on 29 October 2020.

At the date of the formulation of these annual accounts, i.e., 27 May 2022, the Company's Business Plan includes a number of complementary channels within its funding strategy, which should materialise within a period of less than 12 months, in particular:

- a) Convertible Participative Loan: On 29 October 2020, the General Shareholders' Meeting approved the launch of a Convertible Participative Loan with a maximum value of EUR 15 million. This loan may be signed by both current shareholders of the Company and new investors. The loan provides for a mandatory conversion of the amounts due (principal and interest) into shares of the Company, so its subscribers waive any right to repay the debt in a format other than that of credit offset in the context of a future capital increase.

In addition, this loan qualify as participating in view of its adaptation to *Royal Decree Law 7/1996 of 7 June on urgent tax measures and the promotion and liberalisation of economic activity*.

Two shareholders of the Company, as described above, have already adhered to this Convertible Loan, while the others, mentioned above, who initially granted participating loans to the Company (with the explicit possibility to adhere to the conversion method in the future) have already confirmed their interest in restating such loans so that they become convertible.

In addition, the aforementioned shareholders who initially granted participating loans and who have declared their intention to convert them into convertible loans in the course of 2022 have also shown additional interest in the Company's plans, confirming their intention to subscribe to additional amounts of the said Convertible Participative Loan for a total amount of three million six hundred thousand euro (EUR 3.600,000.) All of this implies, to date, a financial commitment under contract by the current shareholders amounting to EUR 6,416,000.

As of the date of the formulation of the accounts, new investors have participated in an additional EUR

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550,000 in the convertible loan of the entity. The total signed thus amounts to EUR 6,966,000.

The Company has advanced discussions with new investors, who are not current shareholders of the Company, in order to reach new underwriting commitments on the convertible loan throughout 2022. As at the date of formulation of these accounts, new agreements with new shareholders for an addition total amount of EUR 550,000 has been entered into and concluded under a contract.

- b) The due diligence process in which the Company engaged with the European Investment Bank (EIB) has almost completed and in fact the Company has already received a letter of intent from the Bank using the fundamental terms of what would be a hybrid financing mechanism that could provide the Company with a financing amount of between seven and ten million euros, depending on the final adjustments to the negotiation and closing process. These terms have already been pre-approved by the Company's Board of Directors on 2 December 2021 and the contract is expected to be signed within the second quarter of 2022.
- c) Invoicing for Licence: As a result of the licence by the Company of the product SOM0226 to the American company Corino Therapeutics Inc, and as a result of the delays incurred in the development of the product by that company, in 2022 a first payment in the sum of USD 500,000 is expected to be received and a second payment also in 2022 of USD 1,100,000. If the development of the product by the licensee may continue on receipt of these payments, an additional payment of approximately USD 3.150.000 would be payable, which is expected to take place in the course of 2023. The company regularly monitors progress in the development of the milestones established in the contract, which shall require payment of the aforementioned amounts.
- d) The strategic decision to conduct an IPO in Euronext Brussels, temporarily suspended given the situation arising from the conflict in Ukraine, has already been formally adopted by the Company's governing bodies and is actively working on this operation, which would need to provide the company with the financial resources necessary for its full development for a period of between two and three years, depending on the product development strategy adopted.

As at 31 December 2021, the Company maintained a negative working fund of EUR 2,715,000. Their short-term obligations include loans to various shareholders of the Company that, during 2022, have agreed to adhere to the terms of credit set out in the Convertible participating Loan approved at the General Shareholders' Meeting on 29 October 2020. Excluding the previous loans, the Company would have a working fund of EUR 159,000 at the end of 2021 (EUR 875,000 in 2020).

For this reason, the annual accounts for 2021 have been formulated assuming the going concern principle.

2.5 Comparison of information

The application of accounting criteria in the 2021 and 2020 financial years has been uniform, with the exception of the changes in accounting criteria resulting from the entry into force of Royal Decree 1/2021 (see Note 2.6), which have been applied with effect from 1 January 2021.

2.6 Changes in accounting criteria. Transition to Royal Decree 1/2021

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From 1 January 2021 the new classification and valuation criteria for financial instruments provided for in Royal Decree 1/2021, as set out in Note 4.5, apply and entail a change compared with those applied in previous years.

In accordance with the rules contained in section 6 of the second transitional provision, the Company must apply the new criteria in a prospective manner, considering for the purposes of classification of financial assets the facts and circumstances that existed at 1 January 2021, the date of initial application.

The comparative information has not been adapted to the new valuation criteria, but book values have been aligned with the new presentation criteria.

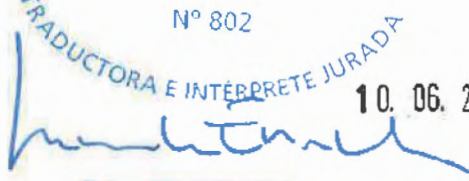
The following table shows a reconciliation as at 1 January 2021 for each class of financial assets and liabilities between the initial valuation category and the corresponding carrying amount determined in accordance with the previous regulation and the new valuation category with its carrying amount determined in accordance with the new criteria.

Portfolios	Euro				
	Book value Financial Statements 31/12/2020	Classification according to new criteria a 01/01/2021			
		Amortised cost	Fair Value with changes in equity	Fair Value with changes in PL	Cost
Held-to-maturity investments					
-Security deposits and deposits	167,106	167,106	—	—	—
· Non-current	166,019	166,019	—	—	—
· Current	1,087	1,087	—	—	—
<i>Total classification and valuation pursuant to financial statements 31/12/2020</i>	167,106				

Total classification/new criteria 31/12/2020	167,106	—	—	—
Valuation adjustments recorded in equity due to new criteria at 1.1.21	—	—	—	—
Opening balances pursuant to new classification and valuation at 1.1.21	167,106	—	—	—

Owing to the type of financial assets contracted by the Company, the application of the new criteria did not have an impact on the Company's net equity as at 1 January 2021.

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NOTE 3. PROFIT OR LOSS ALLOCATION

The profit (or loss) of 2021 and 2020, as they are losses, is accumulated under the heading "Previous years' losses":

	Euro	
	2021	2020
Allocation basis:		
Profit (or loss) for the year (loss)	(3,182,234)	(2,005,735)
Distribution to:		
Previous years' losses	(3,182,234)	(2,005,735)

NOTE 4. RECORDING AND VALUATION RULES

In accordance with Note 2, the Company has applied the accounting policies in accordance with the accounting principles and standards set out in the Commercial Code, which are developed in the General Accounting Plan in force (2007 General Accounting Plan, 2021 General Accounting Plan, RD 01/21), as well as the other commercial legislation in force at the closing date of these annual accounts. In this regard, the following are only those policies that are specific to the Company's activity and those that are considered significant based on the nature of its activities.

4.1 Intangible fixed assets

As a general rule, intangible fixed assets are initially valued at the acquisition cost or production cost. They are then valued at their cost subject to the corresponding accumulated depreciation and, where applicable, any impairment losses experienced. Such assets are amortised according to their useful life. When the useful life of these assets cannot be reliably estimated, they are amortised within ten years.

a. Research and Development expenses

The Company considers any expenses generated as a result of the Company's own activities that range from its creation to the pre-clinical phase (not included). Therefore, any expenditure generated by the Company since the preclinic phase is considered to be development.

Development expenses, where the following conditions are met;

- They must be specifically individualised by projects and their cost must be clearly determined so that they can be distributed over time.
- There must be well-founded reasons for the technical success and economic-commercial profitability of the project,

shall be recognised in the asset and shall be amortised over its useful life (5 years). Due to the uncertainties inherent to the research and development processes that the Company carries out, it has been estimated that, from a technical viability perspective, the conditions for the capitalisation of these costs are not met until significant progress has been achieved, at least until Phase III is reached.

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After capitalising development costs, when there are reasonable doubts about the project's technical success or economic-commercial profitability, the amounts recorded under the asset shall be directly allocated to losses for the year.

During the financial years 2021 and 2020, the Company did not have any capitalised development expenses.

b. Computer applications

The Company records in this account the costs incurred in the purchase and development of computer programmes, including the development costs of the websites. Licences for IT applications acquired from third parties are capitalised on the basis of the costs incurred to acquire them. Maintenance costs of IT applications are recorded in the profit and loss account of the financial year in which they are incurred. Depreciation of computer applications is carried out by applying the straight-line method over their useful life, at 33 % per annum.

4.2 Tangible fixed assets

Tangible fixed assets are valued at their acquisition cost net of the corresponding accumulated depreciation and, where applicable, the cumulative amount of recognised valuation corrections for impairment, in accordance with the criterion mentioned in Note 4.3.

The preservation and maintenance costs incurred during the year are charged to the profit and loss account. The costs of renewing, expanding or improving tangible fixed assets, which represent an increase in capacity, productivity or an extension of the useful lifespan, are capitalised as a higher value of the assets after the book values of the replaced items have been derecognised.

Tangible fixed assets, net, if applicable, of the residual value of the assets, are amortised on a straight-line basis by allocating the cost of the various components of this fixed assets over the years of estimated useful life which constitute the period in which the Company expects to use them, according to the following table:

	% Depreciation	Useful life (years)
Machinery	25 %	4.00
It equipment	25 %	4.00
Transport elements	16 %	6.25

The carrying amount of an item of tangible fixed assets is derecognised from accounts as a result of its disposal or otherwise transfer; or when no future economic profits or returns are expected to be realised through their use, disposal or otherwise transfer.

4.3 Impairment of intangible and tangible assets

At the end of each financial year, the Company analyses whether there are signs of impairment of its assets and, if any, verifies, by means of the so-called "impairment test", the possible existence of impairment losses that reduce the recoverable value of these assets to an amount lower than their carrying value.

The recoverable amount is determined as the higher of the fair value less costs to sell and the value in use.

The procedure implemented by the Company's management to carry out this test is as follows:

The recoverable values are calculated for tangible fixed assets, wherever possible. Impairment calculations

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are made on an item-by-item basis. In the case of research and development projects, the analysis is carried out individually for each project.

Management prepares its business plan on an annual basis, generally covering a three-year period. The main components of this plan are as follows:

- Earnings projections
- Projections for investment and working capital

Other variables that have an impact on the calculation of the recoverable amount are:

- The discount rate to be applied, understood as the weighted average of the cost of capital, the cost of liabilities and asset-specific risks being the main variables that influence its calculation.
- Growth rate of cash flows used to extrapolate the cash-flow projections beyond the period covered by the budget or forecasts.

The projections are prepared on the basis of past experience and on the basis of best available estimates, which are consistent with external information.

The business plans thus prepared are reviewed and finally approved by the Board of Directors.

If an impairment loss must be recognised, the related assets are reduced in proportion to their book value, to the highest value limit of the following: their fair value less sale costs, their value in use and zero.

When an impairment loss is subsequently reversed, the carrying amount of the asset is increased in the reviewed estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined in the absence of any impairment losses in previous years. The reversal of an impairment loss is recognised as income.

4.4 Leases

Leases are classified as financial leases provided that, under their terms and conditions, the risks and benefits inherent to ownership of the asset subject of the agreement are substantially transferred to the lessee. The other leases are classified as operating leases.

Financial lease

i. The Company as lessee

In financial lease transactions where the Company acts as a lessee, the cost of the assets leased on the balance sheet is recorded according to the nature of the asset subject of the contract and, simultaneously, a liability for the same amount. This amount shall be the lower of the fair value of the leased property and the present value at the start of the lease of the agreed minimum amounts, including the option to purchase, when there is no reasonable doubt about the exercise of such option. Contingent fees, service costs and taxes deductible by the lessor shall not be included in the calculation. The total financial burden of the contract is charged to the profit and loss account for the year in which it accrues, applying the effective interest rate method. Contingent instalments are recognised as expenditure for the financial year in which they are incurred.

The assets recorded under this type of transactions are amortised on the basis of similar criteria to those applied to all tangible assets, depending on their nature.

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Operating leases

i. The Company as lessee

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

Any collection or payment that may be made when contracting an operating lease shall be treated as a collection or advance payment to be charged to profit or loss over the lease period as the profits from the leased asset are transferred or received.

4.5 Financial instruments

4.5.1 Financial assets

Classification

Financial assets held by the Company are classified in the following categories: (delete categories if they do not apply to the Company because it does not have financial assets of this kind):

- a. Financial assets at amortised cost: includes financial assets, including those admitted to trading on an organised market, for which the Company holds the investment in order to collect the cash flows arising from the execution of the contract, and the contractual terms of the asset result, on specified dates, in cash flows that are solely receivable of principal and interest on the amount of principal outstanding.

In general, this category includes:

- i) Trade credit: arising from the sale of goods or the provision of services as a result of traffic transactions with deferred collection; and
 - ii) Credits from non-trade transactions: arising from lending or credit transactions granted by the Company and whose collections are of a fixed or determinable amount.
- b. Financial assets at fair value through changes in equity: financial assets whose contractual terms and conditions result, on specified dates, in cash flows that are solely receivable of principal and interest on the amount of principal outstanding and are not held for trading and are not classified in the previous category are included in this category. This category shall also include investments in equity instruments irrevocably designated by the Company at the time of initial recognition, provided that they are not held for trading or measured at cost.
- c. Financial assets at cost: this category includes the following investments: a) Group equity instruments, multigroup and associates; b) equity instruments whose fair value cannot be reliably measured and derivatives underlying these investments; c) hybrid financial assets whose fair value cannot be reliably estimated, unless the requirements for recording them at amortised cost are met; d) contributions made to participating and similar account contracts; e) participating loans with contingent interest; f) financial assets that should be classified in the following category but their fair value cannot be reliably estimated.

Group companies are those related to the Company by a control relationship and associated companies over which the Company exercises significant influence. In addition, the multigroup category includes companies over which, by virtue of an agreement, joint control is exercised with one or more members.

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- d. **Financial assets at fair value through profit and loss account:** it includes financial assets held for trading and financial assets that have not been classified in any of the previous categories. This category also includes financial assets optionally designated by the Company at the time of initial recognition, which would otherwise have been included in another category, because such designation eliminates or significantly reduces an inconsistency in accounting valuation or asymmetry that would otherwise occur.

Initial valuation

In general terms, financial assets are initially recorded at the fair value of the consideration delivered plus the directly attributable costs of the transaction. However, transaction costs directly attributable to assets recorded at fair value through profit and loss shall be recognised in the profit and loss account for the period.

Subsequent valuation

Financial assets at amortised cost shall be recorded applying this valuation criterion by taking to the profit and loss account the accrued interest applying the effective interest rate method.

Financial assets included in the fair value category with changes in net equity shall be recorded at fair value, without deducting any transaction costs that could be incurred for their disposal. Changes in fair value shall be recorded directly in equity until the financial asset causes derecognition or deteriorates, time when the amount so recognised shall be taken to the profit and loss account.

Financial assets at fair value through profit and loss account are measured at fair value, with changes in fair value being recorded in the profit and loss account.

Investments classified in category (c) above are valued at cost, subject, where applicable, to the cumulative amount of valuation corrections for impairment. Such corrections are calculated as the difference between their carrying value and the recoverable amount, understood as the higher of their fair value less costs to sell and the present value of the future cash flows arising from the investment. Unless there is better evidence of the recoverable amount of investments in equity instruments, the net equity of the investee institution is taken into account, corrected by the tacit capital gains existing at the valuation date, net of the tax effect.

Impairment

At least at the end of the year, the Company carries out an "impairment test" for financial assets that are not recorded at fair value through changes in the profit and loss account. Objective evidence of impairment is considered to exist if the recoverable amount of the financial asset is lower than its carrying value. The recording of impairment is recorded in the profit and loss account.

The Company derecognises financial assets when the rights to the cash flows of the corresponding financial asset expire or have been assigned and the risks and benefits inherent to its ownership have been substantially transferred. On the contrary, the Company does not derecognise the financial assets, and acknowledges a financial liability equal to the consideration received for the disposal of financial assets in which the risks and benefits inherent to its ownership are substantially retained.

4.5.2 Financial liabilities

The financial liabilities assumed or incurred by the Company are classified in the following valuation categories:

- a. **Financial liabilities:** these are those debts and payables by the Company that have originated in the

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purchase of goods and services due to the company's trading transactions, or those that, without having a commercial origin and not being derivative instruments, arise from lending or credit operations received by the Company, as well as participating loans.

Such liabilities are initially measured at fair value of the consideration received, adjusted for the costs of the transaction that are directly attributable to the transaction. Subsequently, these liabilities are valued at amortised cost.

b. Financial liabilities at fair value through profit and loss account

Assets and liabilities are recorded separately in the balance sheet and are recognised for net amount only when the company has the required right to offset the amounts recognised and, in addition, intend to settle the amounts for the net or to realise the asset and cancel the liability simultaneously.

The Company derecognises financial liabilities when the obligations that generated them are terminated.

4.5.3 Equity instruments

An equity instrument represents a residual interest in the Company's equity after all its liabilities have been deducted.

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

4.6 Foreign currency transactions

The functional currency used by the Company is the euro. Consequently, transactions in foreign currencies other than the euro are treated as expressed in foreign currency and are recorded at the exchange rates prevailing at the time of the transactions.

At the year-end, monetary assets and liabilities denominated in foreign currency are converted by applying the exchange rate on the balance sheet date. Any profit or loss revealed is directly allocated to the profit and loss account in the year in which they arise.

4.7 Income tax

Income tax expenses or income comprise the part relating to current tax expense or income and the part corresponding to deferred tax expense or income.

Current tax is the amount that the Company pays as a result of any income tax settlements relating to a financial year. Deductions and other tax advantages in respect of the tax fee, excluding withholding tax and interim payments, as well as offsetting tax losses from previous years and effectively applied in the tax, result in a lower amount of the current tax.

Deferred tax expense or income correspond to the recognition and cancellation of deferred tax assets and liabilities. These include temporary differences that are identified as expected amounts payable or recoverable from the differences between the carrying amounts of assets and liabilities and their tax value, as well as negative tax bases pending set-off and credits for tax deductions not applied for tax purposes. These amounts are recorded by applying to the temporary difference or credit the type of charge at which they are expected to be recovered or settled.

Deferred tax liabilities are recognised for all temporary tax differences, except those arising from the initial recognition of goodwill or other assets and liabilities in a transaction that does not affect either tax or

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accounting profits and is not a business combination.

Deferred tax assets, on the other hand, are recognised only to the extent that it is considered likely that the Company will have future tax gains against which it may realise them.

Deferred tax assets and liabilities, arising from transactions with direct charges or credits to equity accounts, are also recorded with a balancing entry in equity.

At each accounting closure, the recorded deferred tax assets are reconsidered, with appropriate corrections being made to the extent that there are doubts about their future recovery. In addition, deferred tax assets not recorded on the balance sheet are assessed in each year-end and recognised to the extent that their recovery is probable with future tax benefits.

4.8 Income and expenses

As set out in note 1, the Company's activity consists of research and development of pharmaceutical products for the treatment of rare or orphan diseases.

To determine whether income must be recognised, the Company follows a five-step process:

1. identification of the contract with a customer.
2. identification of performance obligations.
3. determination of the transaction price.
4. allocation of the transaction price to performance obligations.
5. income recognition when performance obligations are met.

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

Ordinary income is recognised at a certain point in time or over time when (or as) the obligations promised to customers are met, i.e. when or as control of the committed goods or services is transferred to the customer.

The Company recognises the liabilities under onerous contracts received in relation to the unpaid performance obligations and presents these amounts as other liabilities in the balance sheet. Similarly, if the Company meets a performance obligation before receiving the consideration, the Company recognises a contractual asset or a credit in its balance sheet, depending on whether any more than the course of time is required before the consideration becomes due.

During 2021 and 2020, the Company has no significant income from the sale of goods and/or provision of services.

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

The premiums for attending the general meeting and the costs necessary to hold them are taken into account as at the date on which they were incurred under the item "Other operating expenses", given that their amounts are of a purely compensatory nature.

4.9 Provisions and contingencies

In the formulation of the annual accounts, the Company's directors differentiate between:

- a. Provisions: credit balances that cover current obligations arising from past events, the cancellation of which is likely to result in an outflow of funds, but which are uncertain in terms of the amount and/or time of cancellation.
- b. Contingent liabilities: possible obligations arising as a result of past events, the occurrence of which in the future is conditional on whether or not one or more future events independent of the Company's will occur.

The annual accounts include all provisions for which it is estimated that the probability of the obligation will be higher than otherwise. Unless they are considered remote, contingent liabilities are not recognised in the annual accounts but reported in the notes to the report.

Provisions are valued at the present value of the best possible estimate of the amount necessary to cancel or transfer the obligation, considering the available information on the event and its consequences and recording the adjustments arising from the update of those provisions as a financial expense as they accrue.

The set-off to be received from a third party at the time of settlement of the obligation, provided that there is no doubt that such repayment will be received, is recorded as an asset, except in the case of a legal link involving the externalisation of part of the risk, and by virtue of which the Company is not liable; in this situation, the offsetting shall be considered to estimate the amount for which the corresponding provision, if applicable, may be recorded.

4.10 Subsidies, donations and legacies

The Company follows the following criteria to record subsidies, donations and legacies received from third parties other than owners:

- a. Subsidies, donations and non-refundable capital legacies: They are valued at fair value of the amount or asset granted, on the basis of whether they are monetary in nature or not and are allocated to profit or loss in proportion to the provisions for amortisation made during the period for the subsidised items or, if applicable, when they are sold or adjusted for impairment.
- b. Subsidies of a refundable nature: While they are refundable, they are recorded as liabilities.
- c. Operating subsidies: They are credited to profit or loss at the time they are granted unless they are used to finance operating shortfalls in future years, in which case they will be allocated in those years. If granted to finance specific expenditure, the allocation shall be made as the funded expenditure accrues.

In addition, the Company receives zero-interest-rate loans or at a rate below the market rate from various bodies. The financing received is recorded as a financial liability applying that set out in Note 4.5.2 above. In accordance with the above, the financial liability shall initially be measured at fair value adjusted for transaction costs. It shall subsequently record the financial liability at amortised cost using the effective interest rate method. The difference between the amount received and the fair value of the debt shall be

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recognised in the Company's equity, which shall be allocated to the profit and loss account in accordance with the purpose for which these zero-interest rate loans or loans at a rate below the market rate have been granted.

4.11 Environmental equity elements

Assets that are permanently used in the Company's activities, the main purpose of which is to minimise the environmental impact and to protect and improve the environment, including the reduction or elimination of future contamination are considered to be environmental assets.

The Company's activity, by its nature, has no significant environmental impact.

4.12 Related-party transactions

The Company carries out all of its related-party transactions at market values. In addition, the transfer prices are adequately supported so the Company's directors consider that there are no significant risks for this aspect that could result in future liabilities.

4.13 Staff remuneration

Severance payments

Severance payments are paid to employees as a result of the Company's decision to terminate their employment contract before the normal retirement age or when the employee agrees to voluntarily waive in exchange for such benefits. The Company acknowledges these benefits when it has shown that it has committed itself to dismissing employees according to a detailed formal plan with no possibility to withdraw or to provide severance payments as a result of an offer to encourage a voluntary waiver. Benefits not to be paid within 12 months of the balance sheet date are deducted at their current value.

Profit share plans and bonuses

The Company recognises a liability and an expense for bonuses and profit share on the basis of a formula that takes into account the profit attributable to its shareholders following certain adjustments. The Company recognises a provision when it is contractually obliged or when practice in the past has created an implicit obligation.

4.14 Current and non-current items

Current assets are those linked to the normal operating cycle generally considered to be one year, as well as other assets whose maturity, disposal or transfer is expected to occur in the short term from the year-end date, financial assets held for trading, with the exception of financial derivatives with a settlement period of more than one year and cash and equivalent liquid assets. Non-compliant assets are classified as non-current.

Similarly, current liabilities are those linked to the normal operating cycle, financial liabilities held for trading, with the exception of financial derivatives with settlement dates exceeding one year, and generally all obligations that have a maturity or termination in the short term. Otherwise, they are classified as non-current.

4.15 Cash flow statement

The cash flow statement has been prepared under the indirect method, using the following expressions with the following meaning:

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- Operating activities: activities that constitute the company's ordinary income, as well as other activities that cannot be classified as investment or financing.
- Investment activities: acquisition, disposal or transfer by other means of long-term assets and other investments not included in cash and their equivalents.
- Financing activities: activities giving rise to changes in the size and composition of net equity and liabilities that are not part of operating activities.

NOTE 5. TANGIBLE FIXED ASSETS

The movement in this chapter of the balance sheet in 2021 and 2020, as well as the most significant information affecting this epigraph, have been as follows (in euro):

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	31/12/2020	Additions	Disposals	31/12/2021
Cost:				
Technical plant and machinery	412	-	-	412
Information equipment	10,272	4,442	-	10,272
Transport elements	34,134	-	-	34,134
Total	44,818	4,442	-	49,260
Accumulated depreciation:				
Technical plant and machinery	(412)	-	-	(412)
Information equipment	(8,429)	(1,296)	-	(9,725)
Transport elements	(20,843)	(5,461)	-	(26,304)
Total	(29,684)	(6,757)	-	(36,441)
Tangible fixed assets, net	15,134	(2,315)	-	12,819

	31/12/2019	Additions	Disposals	31/12/2020
Cost:				
Technical plant and machinery	412	-	-	412
Information equipment	10,462	-	(190)	10,272
Transport elements	34,134	-	-	34,134
Total	45,008	-	(190)	44,818
Accumulated depreciation:				
Technical plant and machinery	(412)	-	-	(412)
Information equipment	(7,141)	(1,478)	190	(8,429)
Transport elements	(15,382)	(5,461)	-	(20,843)
Total	(22,935)	(6,939)	190	(29,684)
Tangible fixed assets, net	22,073	(6,939)	-	15,134

Items fully amortised and in use

As at 31 December 2021, there are fully amortised elements amounting to EUR 7,529 (EUR 4,760 in the previous year).

Goods under financial lease

As set out in Note 6, at the end of 2021 the Company had contracted various financial lease transactions concerning its tangible fixed assets, more specifically transport items.

Other

The Company's policy is to underwrite insurance policies to cover the potential risks to which the various elements of its tangible fixed assets are subject. At the end of 2021 and 2020 there was no coverage shortfall related to those risks.

As at 31 December 2021 and 2020 there are no fixed assets outside Spain, nor pledged assets or restrictions of

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ownership.

NOTE 6. LEASES

6.1 Financial leases (the Company as Lessee)

At the end of 2021 and 2020, the Company, as a financial lessee, has recognised leased assets as follows:

31 December 2021

	Euro		
	Fair value	Option to purchase value	Outstanding capital
Transport elements	19,644	—	17,636
	19,644	—	17,636

31 December 2020

	Euro		
	Fair value	Option to purchase value	Outstanding capital
Transport elements	22,934	19,826	20,046
	22,934	19,826	20,046

The Company's financial lease agreement at the end of 2021 is for a vehicle. On 3 April 2021 the Company renegotiated with the lessor entity a new payment schedule for the option to purchase of EUR 19,826, the execution of which was planned for 2021. The extension of the term of the agreement is 5 years, the maturity of which will be on 3 April 2026 without there being any option to purchase on that date. The income paid during 2021 and 2020 amounted to EUR 3,651 and EUR 2,071 respectively, with interest paid at EUR 1,143 and EUR 1,216, respectively

At the end of 2021 and 2020, the Company has contracted with the lessors the following minimum lease instalments (including, if applicable, the options to purchase), in accordance with the current contracts in force, without considering the impact of common expenses, future increases in CPI or future updates of contractually agreed rents:

Financial leases Minimum Instalments	Euro	
	2021	2020
Less than one year	3,629	20,046
Between one and five years	14,007	—
	17,636	20,046

6.2 Operating leases (the Company as Lessee)

At the end of 2021 and 2020, the Company has contracted with the lessors the following minimum lease

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instalments, in accordance with the current contracts in force, without considering the impact of common expenses, future increases in CPI or future updates of contractually agreed rents:

Operating leases Minimum instalments	Euro	
	2021	2020
Less than one year	23,649	23,649
Between one and five years	-	23,649
	23,649	47,298

In its position as lessee, the Company's most significant operating lease at the end of 2021 is the contract of its offices in Barcelona. The lease agreement became effective at 29 December 2017 and its duration is 5 years and may be renewed for an additional period of five years, at the discretion of the parties. As at the date of formulation of these annual accounts, the Company has not decided on the renewal of the agreement. In addition, the income paid during 2021 and 2020 amounted to EUR 36,833 and EUR 39,224, respectively. For contingent incomes, the agreement refers to annual increases based on CPI.

There are other lower leases, mainly per garage facility, with rent paid at EUR 454 in 2021 and EUR 1,006 in 2020.

NOTE 7. FINANCIAL INSTRUMENTS

7.1 Long-term financial instruments

The balance of long-term financial instruments at the end of 2021 and 2020 is as follows:

Categories	Euro			
	Long-term financial instruments			
	Credits/derivatives & Other		Total	
	2021	2020	2021	2020
Financial assets at amortised cost				
Security deposits and deposits	167,106	166,019	167,106	166,019
	167,106	166,019	167,106	166,019

At the end of 2021, this item included an amount of EUR 163,114 in respect of deposits (guarantees) that are pledged as collateral for certain loans received (EUR 162,027 at the end of 2020). The rest of the balance at the end of 2021, amounting to EUR 3,992, corresponds to security deposits linked to the Company's operational leases (same amount of EUR 3,992 at the end of 2020).

7.2 Short-term financial instruments

The balance of short-term financial instruments at the end of 2021 and 2020 is as follows:

Classes	Euro
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Categories	Short-term financial instruments			
	Credits/derivatives & Other		Total	
	2021	2020	2021	2020
Financial assets at amortised costs				
Security deposits and deposits	228	1,087	228	1,087
	228	1,087	228	1,087

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

The Company's financial risk management is centralised within the Finance Management, which has implemented the necessary mechanisms to control exposure to changes in interest rates and exchange rates, as well as credit and liquidity risks. The main financial risks that have an impact on the Company are listed below:

a. *Credit risk:*

In general, the Company maintains its treasury and equivalent liquid assets in financial institutions with a high level of credit. The Company's main financial assets are investments (security deposits and deposits), which represent the Company's maximum exposure to credit risk in relation to financial assets.

In addition, it should be noted that there is no significant concentration of credit risk with third parties because the Company does not have any balances with customers.

b. *Liquidity risk:*

The Company, at its current context corresponding to the research and development activity, is not generating recurring income in terms of turnover. It therefore regularly requires significant financial resources to ensure that the necessary research and development programmes can be implemented, which will ultimately result in the possibility of licensing its products or marketing them directly in the market. For this reason, the Company has frequently launched new funding rounds that have resulted in previous years' capital increases and have subscribed various loans (see Note 2.4 and 9).

c. *Market risk (including interest rate, foreign exchange and price risks):*

Both the Company's treasury and financial debt are exposed to interest rate risk, which could have an adverse impact on financial results and cash flows. The Company holds the following proportion of fixed-rate and variable-rate debt:

The Company holds more than 80% of its financial debt linked at all times to fixed interest rates, thus limiting its exposure to the variability of rates (56% of its financial debt linked to fixed interest rates in 2020).

	2021	2020

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Percentage of financial debt linked to fixed rate	84 %	56 %
Percentage of financial debt linked to variable rate	16 %	44 %

With regard to foreign exchange risk, the Company is not exposed to a significant foreign exchange risk because it does not carry out significant transactions in currencies other than the euro.

8. EQUITY AND SHAREHOLDERS' FUNDS

The Company was incorporated on 30 December 2009 with the issuance of 4,660,000 shares with a par value of EUR 0.01 each, with a share capital of EUR 46,600.

Since then, the Company has undertaken various capital increases, either through cash contributions or by offsetting credits.

At the end of the 2021 and 2020, the Company's share capital amounted to EUR 522,138, represented by 52,213,777 registered shares with a par value of EUR 0.01 each, of the same class, all of which are fully subscribed and paid up. These shares have equal political and economic rights.

The composition of the share capital is as follows as at 31 December 2021 and 2020:

Shareholder	2021		2020	
	No of shares	% shareholding	No of shares	% shareholding
Sanolda Invest, S.L.	8,098,479	15,51 %	8,098,479	15,51 %
Anangu Grup, S.L.U.	7,564,383	14,49 %	7,564,383	14,49 %
UMA Consulting, S.L.	6,693,228	12,82 %	6,693,228	12,82 %
Cleops, S.R.L.	4,351,148	8,33 %	4,351,148	8,33 %
Lancorps Consulting & Investment, S.L.	3,633,697	6,96 %	3,633,697	6,96 %
Santi 1990, S.L.	3,196,283	6,12 %	3,196,283	6,12 %
Angloxell Valores y Participaciones, S.L.	2,839,191	5,44 %	2,839,191	5,44 %
Muggio Holding, S.L.	2,697,239	5,17 %	2,697,239	5,17 %
Mr Antoni Salgado Soler	1,618,461	3,10 %	1,618,461	3,10 %
Mr Laurent Burget	1,111,550	2,13 %	1,111,550	2,13 %
Mr Pedro Javier González Alonso	882,988	1,69 %	882,988	1,69 %
Mr Stanislaw M. Knaflewski	862,087	1,65 %	862,087	1,65 %
Mr Josep Maria Sol Mauri	859,169	1,65 %	859,169	1,65 %
RSJ Gradus Podfond	844,870	1,62 %	844,870	1,62 %
Mr Rajnesh Kumar Airey	814,859	1,56 %	814,859	1,56 %
Mr Thomas Kautzsch	582,783	1,12 %	582,783	1,12 %
Mrs Blanca M ^a Mercadé Merola	546,736	1,05 %	546,736	1,05 %
Others (individual shareholdings of less than 1 %)	5,016,626	9,61 %	5,016,626	9,61 %
TOTAL	52,213,777	100 %	52,213,777	100 %

The Company's shares are not listed on a stock exchange.

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8.1 Issue premium

This reserve was created as a result of the successive capital increases from 2010 to 2019. In 2021 and 2020 there was no increase in the amount, at 31 December 2021 amounting to EUR 8,208,123. It has the same restrictions and may be used for the same purposes as voluntary reserves, including converting them into share capital.

8.2 Reserves

The composition of the balance in the "Reserves" chapter of the balance sheet, as at 31 December 2021 and 2020, is shown below:

	Euro	
	2021	2020
Reserves:		
Legal and statutory reserve	26,879	26,879
	26,879	26,879

8.2.1 Legal reserve

According to the Spanish Companies Act, a joint stock company must allocate a figure equal to 10 % of the profit for the financial year to the legal reserve until it reaches at least 20 % of the share capital. The legal reserve may be used to increase capital for that part of its balance which exceeds 10 % of the already increased capital. Except for the purpose mentioned above, and for as long as it does not exceed 20 % of the share capital, this reserve may only be used for loss offset and provided that there is no other sufficient reserve available for this purpose.

At the end of 2021 and 2020, this reserve was not fully met.

8.3 Subsidies

The subsidies, donations and legacies received from third parties other than shareholders are shown below:

	Euro	
	2021	2020
Allocated to the profit and loss account	177,616	262,870
	177,616	262,870

The movement under this epigraph, which includes the subsidies for loans with an interest rate of 0 % or soft rate, as well as for the financing of specific expenditure, during the financial years 2021 and 2020 has been as follows, in euro:

	Euro	
	2021	2020
Adjusted balance at the beginning of the year	241,754	141,397
Received in the financial year	9,254	375,893
Subsidies transferred to results of the financial year	(240,841)	(219,219)
Tax effect	57,897	(39,168)

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Closing balance	68,064	241,754
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The information on the most significant subsidies received and allocated to profit or loss during 2021 and 2020 by the Company, which are different from those arising as a result of the 0% interest rate loans or soft rate loans (see Note 9.1.1), is as follows:

Concept	Body	Euro		
		Amount granted	Transfer to profit or loss 2021	Transfer to profit or loss 2020
COVID-19	CDTI	339,507	149,949	189,558

At the end of 2021 and 2020, the Company had met all the necessary requirements for receiving and benefiting from the subsidies detailed above.

9. DEBTS (LONG AND SHORT-TERM)

9.1 Long-term financial liabilities

The balance of "long-term debt" at the end of 2021 and 2020 is as follows:

Classes	Euro					
	Long-term financial instruments					
	Debts to credit institutions and financial lease		Other		Total	
	2021	2020	2021	2020	2021	2020
Financial liability at amortised cost						
Financial lease payables (see Note 6)	14,007	—	1,289,062	1,483,704	14,007	1,483,704
Other financial liabilities (see Note 9.3)	—	—	—	—	1,289,062	—
	14,007	—	1,289,062	1,483,704	1,303,069	1,483,704

9.2 Short-term financial liabilities

The balance of "short-term debt" at the end of 2021 and 2020 is as follows:

Classes	Euro	
	Short-term financial instruments	

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Categories	Debts to credit institutions and financial lease		Other		Total	
	2021	2020	2021	2020	2021	2020
	Financial liabilities at amortised cost					
Debts to credit institutions	2,706	386	—	—	2,706	386
Creditors financial lease (see Note 6)	3,629	20,046	—	—	3,629	20,046
Other financial liabilities (see Note 9.3)	—	—	3,133,416	97,945	3,130,416	97,945
Suppliers	9,312	1,238	—	—	9,312	1,238
Other creditors	230,919	61,180	—	—	230,919	61,180
	246,566	82,850	3,130,416	97,945	3,376,982	180,795

9.3 Breakdown of other financial liabilities

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The breakdown under "Other financial liabilities" is as follows (in euro):

	2021		2020	
	Non-current	Current	Non-current	Current
Anangu Loan (note 13.1)	—	1,003,194	—	—
Angloxell Loan (note 13.1)	—	841,931	—	—
Santi 1990 Loan (note 13.1)	—	1,029,583	—	—
Ministry of Health	100,582	13,114	105,022	10,784
Acció 10	54,338	17,400	67,958	15,406
Enisa	568,750	131,250	700,000	—
Innocash	120,926	43,979	164,905	43,979
Ministry of Economy and Competitiveness	73,739	22,051	97,445	24,876
Ministry of Science, Innovation loan	370,727	27,914	348,374	—
Universities	—	—	—	2,900
Other	—	—	—	—
Other financial liabilities	1,289,062	3,130,416	1,483,704	97,945
Other financial liabilities (current and no-current)		4,419,478	1,581,649	

Anangu loan: On 29 November 2021 the Company signed a participating loan with Anangu Grup, S.L.U., currently shareholder of the Company, for an amount of EUR 1,000,000 at an interest rate of 5%. Interest accrued during the year amounts to EUR 3,194. The maturity of the loan is a maximum of 12 months, although the loan gives the lender the option to adhere to the terms of the credit offset provided for in the Convertible Participating Loan approved at the General Shareholders' Meeting on 29 October 2020 (see note 2.4).

Angloxell Loan: On 5 August 2021 the Company signed a convertible loan with Angloxell Valores y Participaciones, S.L., a current shareholder of the Company, for an amount of EUR 816,000 at an interest rate of 8%. The loan shall be mandatorily converted into new shares in the Company on maturity on 31 December 2022 or earlier if a liquidity event takes place, thus adhering to the Convertible Participating Loan mentioned above. Interest accrued during the year amounts to EUR 25,931.

Santi 1990 Loan: On 26 May 2021 the Company signed a participating loan with Santi 1990, S.L.U., also shareholder of the Company, for the amount of EUR 1,000,000 at an interest rate of 5%. Interest accrued during the year amounts to EUR 29,583. The maturity of the loan is a maximum of 12 months, although this loan envisaged the possibility of future convertibility of the capital borrowed and the interest accrued into shares in the Company, as provided for in the Convertible Participating Loan detailed in note 2.4.

Ministry of Health Loan: The loan was granted in three tranches (2010, 2011 and 2012), totalling EUR 250,000 at an interest rate of 0% and a grace period of three years for each of the tranches. The outstanding balance at the end of the 2021 financial year is EUR 113,696 (EUR 115,806 at the end of the previous year). The maturities for each of the tranches are set at 2028, 2029 and

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2030.

Acció 10 Loan: The loan was granted in November 2010 for a total amount of EUR 196,410 an interest rate of 0 % and a grace period of three years. The disbursement of the loan was made in two equal parts, i.e. 50 % of the amount at the time of termination and the remaining 50 % in 2015, when both technical and economic objectives had been met. The outstanding balance at the end of 2021 is EUR 71,738 (EUR 83,364 at the end of the previous year). Maturity scheduled for 2027.

Enisa Loan: On 13 February 2020, the Company signed a participating loan policy granted by Empresa Nacional de Innovación S.A. (Enisa) for the amount of EUR 700,000 and an interest rate applied from EURIBOR + 3.75 %. The final maturity is scheduled for the financial year 2025, beginning its amortisation in 2022 (two-year grace period).

Innocash Loan: The loan was granted in September 2012 for a total amount of EUR 441,834.00, an interest rate of 4.76 % and a grace period of three years during which interest is paid only. The outstanding balance at the end of 2021 is EUR 164,905 (EUR 208,884 at the end of the previous year). The maturity is scheduled for 2025.

Ministry of Economy and Competitiveness loan: The total amount of the loan granted is EUR 210,088.00 EUR 107,909 granted for the 2014 payment, EUR 97,831 for 2015 and EUR 4,348 for the 2016 payment. The interest rate is 0.506 %, all annual payments with a grace period of three years and a maturity of ten years. The amount outstanding at year-end is EUR 95,790 (EUR 122,321 in the previous year).

Ministry of Science, Innovation and Universities (Challenges) loan: On 4 December 2018, the loan granted by the MICIN for the development of the medicament associated with Huntington's disease for a total amount of 442,368, divided into three annual instalments was reported. The loan in the first year of 2018 amounts to EUR 154,358, in the second year of 2019 the amount is EUR 162,377, and finally for the third year of 2020 the amount is EUR 125,633. This loan accrues an interest rate of 0 %, with a grace period of three years and a repayment period of 7 years, starting from the end of the grace period. The amount outstanding at the end of the year is EUR 398,641 (EUR 348,374 in the previous year).

The aforementioned debts are recorded at amortised cost, including, at the end of the year, the subsidy effect corresponding to contracts with an interest rate of 0 % or soft rate (see Note 8.3).

9.4 Breakdown of maturities

The maturity breakdown of the items included under the epigraph "Long and short-term debt" is as follows (in euro):

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2021

	Maturity per year						Total
	2022	2023	2024	2025	2026	Rest	
Debts to credit institutions	2,706	—	—	—	—	—	2,706
Financial lease	3,629	3,880	4,148	4,434	1,545	—	17,636
Other debts	3,130,41	101,993	128,137	140,540	118,464	994,570	1,581,649
Suppliers	9,312	—	—	—	—	—	9,312
Sundry creditors	230,919	—	—	—	—	—	230,919
Total	3,376,982	101,993	128,137	140,540	118,464	994,570	1,664,499

2020

	Maturity per year						Total
	2021	2022	2023	2024	2025	Rest	
Debts to credit institutions	386	—	—	—	—	—	386
Financial lease	20,046	—	—	—	—	—	20,046
Other debts	97,945	101,993	128,137	140,540	118,464	994,570	1,581,649
Suppliers	1,238	—	—	—	—	—	1,238
Sundry creditors	61,180	—	—	—	—	—	61,180
Total	180,795	101,993	128,137	140,540	118,464	994,570	1,664,499

9.5 Fair value information

At the end of the financial years 2021 and 2020, there were no significant differences between the fair values and the book values of other debts and financial lease debts.

9.6 Information on the average period of payment to suppliers

The information required by the third additional provision of Law 15/2010 of 5 July (as amended by the second final provision of Law 31/2014 of 3 December 2014) prepared in accordance with the ICAC resolution of 29 January 2016 on the information to be included in the annual accounts report relating to the average payment period to suppliers in commercial transactions is detailed below.

For the sole purpose of providing the information set out in this Resolution, trade creditors for debts owed to goods or services, included under the "supplier" and "other creditors" items on the current liabilities of the balance sheet of the situation, are considered suppliers.

In accordance with the ICAC Resolution, commercial transactions relating to the delivery of goods or services accrued in each financial year have been taken into account when calculating the average payment period to suppliers.

"Average term of payment to suppliers" means the period from the delivery of the goods or services to the supplier and the actual payment of the transaction.

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	Days	
	2021	2020
Average payment period to suppliers	36.58	20.45

	Days	
	2021	2020
Ratio of transactions paid	38.69	21
Ratio of transactions pending payment	7.48	5.31

	Euro	
	2021	2020
Total payments made	2,374,019	1,611,222
Total outstanding payments	166,474	57,877

NOTE 10. PUBLIC ADMINISTRATIONS AND TAX POSITION

10.1 Current balances with Public Administrations

The composition of current balances with Public Administrations is as follows:

Debit balances


	Euro	
	2021	2020
Tax refund	155,200	131,285
Withholding payments on account	758	758
	155,958	132,043

Credit balances

	Euro	
	2021	2020
IT withholdings	27,172	19,879
Social security agencies	10,488	7,495
	37,660	27,374

10.2 Reconciliation of accounting result and tax base

The tax base for corporate tax for 2021 is a negative tax base of EUR 3,182,234, which coincides with the accounting result for 2021, owing to the fact that there are no permanent or temporary differences that must adjust the accounting result for the year. Current corporate income tax results from a 25 % tax rate on the tax base.

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For 2020, the corporate tax base prior to the restatement reflected a negative tax base of EUR 1,586,355 coinciding with the company tax return submitted by the Company in that year. Following the restatement of the annual accounts for 2020 due to errors and changes in accounting criteria adopted, the Company will consider the need to submit to the Tax Administration an additional assessment of the Corporate Tax for the financial years considered in order to reflect the accounting results for 2020 and before after the restatement because there are no permanent or temporary differences to be adjusted.

10.3 Taxes recognised on equity

The taxes recognised directly on equity are as follows:

2021

	Euro		
	Increases	Decreases	Total
Deferred tax:			
Originated in the financial year			
Subsidies	2,313	(60,210)	57,897
<i>Total deferred tax</i>	2,313	(60,210)	57,897
Total tax recognised directly on equity	2,313	(60,210)	57,897

2020

	Euro		
	Increases	Decreases	Total
Deferred tax:			
Originated in the financial year			
Subsidies	93,973	(54,805)	39,168
<i>Total deferred tax</i>	93,973	(54,805)	39,168
Total tax recognised directly on equity	93,973	(54,805)	39,168

10.4 Deferred tax assets

Unrecorded deferred tax assets

The Company has not recorded certain deferred tax assets on the balance sheet, as it considers that their future offset does not meet the probability requirements set out in the accounting standard.

The origin of these assets, by negative tax bases established by the Company in the last company tax assessments, is not recorded for accounting purposes as follows:

Year of origin	Euro
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2012	232,672
2013	295,771
2014	546,773
2015	499,898
2017	1,150,102*
2018	1,056,644*
2019	1,173,002*
2020	1,586,356*
2020	3,182,234
Total	10,142,831

* At the formulation date, the Company is studying the possibility of submitting additional assessments to correct the amounts filed as a result of correcting errors and changes in criteria considered in 2020 and previous years. At the end of the years 2021 and 2020, negative tax bases not recorded on the balance sheet were not due.

The Company has not applied tax incentives and deductions to date because none of its R & D projects have been completed.

10.5 Deferred tax liabilities

The breakdown of the balance of this account at the end of 2021 and 2020 is as follows:

	Euro				
	31.12.2020	Additions	Disposals	Others changes	31.12.2021
Deferred tax liabilities:					
For subsidies	80,585	2,313	(60,210)	—	22,688
Total	80,585	2,313	(60,210)	—	22,688

	Euro				
	31.12.2019	Additions	Disposals	Others changes	31.12.2020
Deferred tax liabilities:					
For subsidies	47,778	93,973	(54,805)	(6,361)	80,585
Total	47,778	93,973	(54,805)	(6,361)	80,585

10.6 Years pending verification and inspection proceedings

According to current legislation, taxes cannot be considered to be finally settled until the returns filed have been verified by the tax authorities or after the limitation period of four years has elapsed.

At the end of 2021, the Company had all of the taxes corresponding to the transactions carried out from 2018 to 2021 subject to inspection. The Company Directors consider that assessments of the

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aforementioned taxes have been properly carried out, so even if discrepancies arise in the current regulatory interpretation due to the tax treatment granted to transactions, any resulting liabilities, if they are realized, should not significantly affect the attached annual accounts.

NOTE 11. INCOME AND EXPENSES

11.1 Procurement

The balance under the procurement heading for 2021 and 2020 entirely corresponds to purchases of raw materials and fungible consumables, with the origin of these purchases being 40% national (6% in 2020), 11% EU (37 % in 2020) and 49% of imports (57% in 2020).

11.2 Staff costs

The balance under the "Staff costs" account for 2021 and 2020 shows the following composition:

	Euro	
	2021	2020
Staff costs:		
Wages and salaries	523,544	361,833
Compensation	—	66,270
Company social security	90,861	81,666
Other social charges	(32)	—
	614,373	509,769

11.3 Other operating expenses

The breakdown of Chapter "Other operating expenses" in the profit and loss account for 2021 and 2020 is as follows:

	Euro	
	2021	2020
Leases and royalties (see Note 6)	37,085	40,230
Repair and preservation	195	1,252
Independent professional services	2,383,319	1,463,229
Transports	1,688	—
Insurance premiums	4,581	4,186
Banking and similar services	9,389	5,893
Advertising, publicity and public relations	45,154	43,717
Supplies	3,165	492
Other services	59,780	76,615
Other taxes	296	255
Total overheads	2,544,652	1,635,869

11.4 Financial income and expenses

The amount of financial income and expenses calculated by applying the effective interest rate method has been as follows:

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	Euro			
	2021		2020	
	Financial Income	Expenses Financial	Financial Income	Expenses Financial
Application of the effective interest rate method	795	110,395	733	67,307

The net profit generated by the financial assets category (see note 7) at amortised cost amounts to EUR 795 in 2021 (EUR 733 in 2020).

The net profit generated by the financial liabilities category (see note 9) at amortised cost amounts to EUR 110,395 in 2021 (EUR 67,307 in 2020).

NOTE 12: RESEARCH AND DEVELOPMENT ACTIVITY

The expenses related to the Research and Development activities of the Company during 2021 and 2020 are recognised as an expense for the year (see Note 4.1) under the epigraphs “staff costs” and “independent professional services”.

As part of its research and development activity, the Company, through the application of the SOM^{AI}PRO platform, has been able to establish a diversified portfolio of potential products that are at different stages of development. Five of the candidate products are in clinical development phases for the treatment of orphan diseases. Two of them have already successfully completed clinical phase 2a: SOM0226 for the treatment of amyloidosis by TTR and SOM3355 for the treatment of chorea in Huntington’s disease, both with FDA designation as an orphan drug. The rest of the product candidates are at different stages of the preclinical study.

The most advanced research projects are briefly described below:

1. SOM0012 Tafa Project

The product candidate named SOM0226 is intended for the treatment of Amyloidosis by TTR.

Amyloidosis by TTR (ATTR) is a deadly slow-progressive disease that occurs when the Transthyretin protein (TTR, a protein that is mainly produced in the liver), dissociates, “malforms” or changes its shape abnormally and forms in fibrous lumps, or amyloids. Depending on the specific type of Amyloidosis by TTR, which may be hereditary or not, the amyloid is deposited in several organs or nerves, which can cause permanent damage and malfunction. Most commonly, the disease manifests itself as a progressive peripheral polyneuropathy, which affects body movements, pain-producing sensitivity and physiological functions. Another common form of the disease presents itself as a fatal progressive cardiomyopathy, which currently affects some 4,500 people in the main markets but is expected to increase to more than 30,000 patients in 2029 due to increased clinical awareness and population ageing.

For this project, SOM Biotech first selected Tafamidis as a reference compound to search for approved compounds that could be reused as TTR stabilisers using the SOM^{AI}PRO platform and then tested several candidates in in vitro and ex vivo assays for the selection of the final

candidate drug. As a result of this process, SOM Biotech was able to identify SOM0226 (Tolcapone), a drug previously developed for Parkinson's disease. This previously developed drug has good efficacy for the stabilisation of TTR, as well as good safety data, and SOM Biotech developed it even more in preclinical studies. SOM Biotech also conducted a Phase 2 clinical trial of proof of concept and observed a 100 % stabilisation of plasma TTR in healthy patients and volunteers, thus providing a potential stabilisation of the disease and clinical evidence of its efficacy.

The program was licensed to Corino Therapeutics Inc, a New York-based company, and SOM Biotech received an initial payment of USD 1.3 million. Corino Therapeutics Inc. continues drug development through new formulation and clinical studies.

2. SOM0025 TETRA Project

This project has two potential product candidates, called SOM3355 for Huntington's disease and SOM3366 for Late Dyskinesia.

2.a. SOM3355

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

Huntington's disease is a rare hereditary neurodegenerative disorder of the central nervous system characterised by undesirable core movements, cognitive and psychiatric alterations, and dementia.

The disease is caused by a genetic mutation in the huntingtin gene, a neuronal protein (HTT) that intervenes in the nerve function of the brain. Symptoms occur between the ages of 30 and 50. Subtle motor, cognitive and psychiatric deficits can be identified up to 10-15 years before the onset of the disease. The classical sign is chorea, characterised by unintended, involuntary and abrupt spasmodic movements, which gradually extend to all muscles.

There are no effective disease-modifying therapies to treat Huntington's disease. The pharmacological intervention aims at symptomatic relief by restoring the balance of neurotransmitters believed to be involved in the pathogenesis of Huntington's disease, especially dopamine.

In 2018-2020, SOM Biotech conducted a phase 2a trial of concept in which SOM3355 (Bevantolol Hydrochloride) was compared with placebo in a double-blind, randomised and crossover study in four centres in Spain. In this study, SOM Biotech evaluated the effect of SOM3355 on the symptoms of chorea in patients with Huntington's disease, quantified by the maximum total chore score (TMC Score). Thirty-two patients were randomly assigned to 2 arms of four 6-week sequential dose periods, in which they received both placebo and SOM3355. This study confirmed that SOM3355 modulated movement disorders, such as the symptoms of chorea, as measured by a reduction in the TMC score. These results confirmed that SOM3355 reduces chorea in patients with Huntington's disease with a good safety profile and that further development is justified.

In the fourth quarter of 2021, SOM Biotech initiated a phase 2b clinical study with two doses

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of SOM3355 in a randomised, double-blind, parallel arms, placebo-controlled study. In this sense, 130 Huntington disease patients with chorea symptoms will be randomly assigned to three treatment groups over a 10-week period. The design of this trial was approved by the Clinical Trials Committee of the European Huntington Disease Network Enroll-HD.

The recruitment period of approximately 9 months has started in the second quarter of 2022 and the final results are expected to be published in the second quarter of 2023.

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

Once the phase 2b study is completed, the patient will be offered to enter an open label extension study in which all patients who opt for it will receive the drug for up to 2 years to collect long-term safety data. The open label extension study is expected to begin in the third quarter of 2022, when the first patient completes his/her dose in the phase 2b study.

2.b. SOM3366

This product candidate, currently developed by SOM Biotech, is intended to treat late dyskinesia.

Late dyskinesia is a side effect of antipsychotic medications used to treat schizophrenia and other mental disorders. These dyskinesias are usually stiff and spasmodic movements of the tongue, face, and limbs that the patient cannot control. The underlying cause is the use of dopamine receptor-blocking drugs.

SOM3355 (Bevantolol Hydrochloride) is a mixture of two compounds with speculative images called R-SOM3355 and S-SOM3355. R-SOM3355 has been designated as SOM3366. SOM Biotech found that SOM3366 is much less potent as a beta-blocker, which raises the possibility of using it clinically at higher doses with a lower propensity to lower blood pressure or lower heart rate. SOM Biotech is studying SOM3366 as a unique and distinctive candidate for motor disorders involving deregulated dopamine systems, e.g. late dyskinesia, Tourette syndrome and other indications.

FDA and EMA have confirmed that, with the addition of complementary data, the data inherited from the original Bevantolol file can be used to support the development and marketing application of SOM3366. SOM Biotech plans to start a phase 1 clinical trial in the first quarter of 2023 to determine the pharmacokinetic profile and safety and tolerability data at higher doses than those of SOM3355.

3. SOM0011 SAPRO Project

The product candidate SOM1311 currently developing SOM Biotech is intended to treat Phenylketonuria.

Phenylketonuria ("PKU") is a rare congenital metabolic disorder with a worldwide prevalence of

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1 in 23,390 births. Hepatic enzyme dysfunction phenylalanine hydroxylase ("PAH") causes a decrease in metabolism and elevated levels of the amino acid phenylalanine in the blood. If left untreated, phenylketonuria can cause mental retardation, seizures, and autistic behaviours.

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

SOM Biotech will interact with regulatory authorities with the intention of carrying out two proof of concept tests that would begin during 2022. As there is information on the safety and tolerability of both drugs, this should allow direct entry into phase 2a. These trials would be labelled open, as changes in phenylalanine in blood is a criterion approved by regulatory authorities and are not influenced by the effects of placebo.

NOTE 13. TRANSACTIONS WITH RELATED PARTIES

13.1 Transactions and balances with related parties

Transactions with related parties

The breakdown of transactions carried out with related parties during 2021 are as follows:

	Euro		
	Anangu Grup, S.L.U.	Santi 1990, S.L.	Angloxell Securities and Shareholdings, S.L.
Interest accrued but not paid or received (see note 9)	3,194	29,583	25,931

At the end of the 2020 financial year there are no transactions with related parties.

Balances with related parties

The amount of balances with related parties on the balance sheet is as follows:

	Euro		
	Anangu Grup, S.L.U.	Santi 1990, S.L.	Angloxell Securities and Shareholdings, S.L.
Short-term debt (see note 9)	1,000,000	1,000,000	816,000

At the end of 2020 there are no transactions with related parties.

13.2 Remuneration of the Board of Directors and Senior Management

The remuneration of the members of the Company's Board of Directors during the financial years 2021 and

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2020 amounts to EUR zero.

The amounts received by senior management staff during 2021 and 2020 are detailed below (in euro):

	2021	2020
Wages and salaries	333,681	216,862

No remuneration of any other kind has been accrued, including contributions to pension plans, advances and credits.

13.3 Information regarding situations of conflict of interest by Directors

At the end of 2021, the members of the Board of Directors of SOM Innovation Biotech, S.A. have not informed the other members of the Board of Directors of any conflict, direct or indirect, that they or persons associated with them, as defined in Article 228 of the consolidated text of the Companies Act, may have with the Company, i.e. they do not hold shareholdings in other companies with the same, similar or supplementary corporate purpose, or have carried out any activity, for their own or third-parties' account, with the Company which may be considered to be beyond of ordinary trading that had not been carried out under normal market conditions.

14. ENVIRONMENTAL INFORMATION

Given the activities carried out by the Company, the Company has neither significant assets nor incurred relevant expenditures designed to minimise the environmental impact and to protect and improve the environment. Furthermore, there are no provisions for risks, expenditure or contingencies related to environmental protection and improvement. For this reason, specific breakdowns are not included in this note to the report.

15. OTHER INFORMATION

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15.1 Staff

The average number of persons employed during 2021 and 2020, broken down by category, as well as the gender distribution, at the end of the aforementioned years, broken down by category, is as follows:

	2021				2020			
	Employees at the end of the financial year			Average number of employees	Employees at the end of the financial year			Average number of employees
	Women	Male	Total		Women	Male	Total	
Senior managers	1	1	2	2	1	1	2	2
Technical staff	6	3	9	9	6	3	9	9
	7	4	11	11	7	4	11	11

During 2021 and 2020 the Company's workforce has not had employees with a 33% or more disability.

15.2 Audit fees

The fees relating to the services provided by Grant Thornton, S.L.P. to the Company during the years ending 31 December 2021 and 2020, irrespective of the time of their invoicing, are as follows:

	2021	2020
Annual accounts auditing services	21,900	25,875
Audit services for other annual accounts	25,175	23,250
Other services	19,280	1,200
Total professional services	66,355	50,325

No services were provided to the Company by any company belonging to the Grant Thornton, S.L.P. network during the years ending 31 December 2021 and 2020.

15.3 Comparative impacts with IFRS-EU

Article 525 of the Companies Act provides that companies that have issued securities admitted to trading on a regulated market in any European Union Member State and which, under current regulations, only publish individual annual accounts, shall be required to report in the annual accounts the main changes that would arise in net equity and in the profit and loss account if the International Financial Reporting Standards adopted by the European Union (hereinafter "IFRS-EU") have been applied.

In this regard, we set out below a breakdown of the main changes that would have occurred in the Company's net equity as at 31 December 2021 and 2020, as well as in its profit and loss account for the financial years ending on those dates, if IFRS-EU had been applied in contrast to the amounts of these figures at these dates, by applying the provisions of the General Accounting Plan ("GAP"):

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	Euro	
	31.12.2021	31.12.2020
Net equity according to GAP	(3,860,592)	(508,487)
a) Subsidies	(68,064)	(241,754)
b) Leases	(1,624)	(2,395)
Net equity under IFRS-EU	(3,930,280)	(752,636)
	Euro	
	2021	2020
Profit/loss for the year according to GAP	(3,182,234)	(2,005,735)
b) Leases	771	(39)
Profit or loss according to IFRS-EU	(3,181,463)	(2,005,774)

To determine the previous adjustments between GAP and IFRS-EU, the Company has established as a transition date to IFRS-EU 1 January 2018, calculating from that date the accounting impacts, considering at the transition date the exceptions and waivers of retrospective application permitted by IFRS 1 Adoption for the first time of International Financial Reporting Standards, mainly those relating to *IFRS 16 Leases*, *IFRS 9 Financial Instruments* and the allocated cost.

The changes that arise most from the different accounting standards can be explained as follows:

- a) **Subsidies:** This is an adjustment for recording on the Company's balance sheet. Following the principles of GAP, as described in the rules for the recording and measurement of these annual accounts (see Note 4.9), as well as in Note 9.3 Subsidies, subsidies are initially recognised and recorded in equity and are systematically recorded as income. IAS 20 *Accountability of the Government Subsidies and Information to be reported on Government Assistance* states in paragraphs 21-24 that government subsidies related to assets must be recorded in the balance sheet, either as deferred income items or as deductions from the carrying amount of the related assets, while subsidies related to the compensation of expenses are recognised in profit or loss at the same time as the offsetting expenses. Under no circumstances are subsidies directly recorded as net equity under IFRS-EU. The impact of this adjustment on net equity was a reduction of EUR 68,064 at 31 December 2021 (EUR 241,754 as at 31 December 2020), as well as the recognition in the non-current liabilities of the balance sheet of deferred income amounting to EUR 322,338 and the cancellation of a deferred tax liability of EUR 22,688 (EUR 322,338 and EUR 80,585, respectively in 2020).
- b) **Leases:** The Company establishes in the recording and valuation standards of these annual accounts (see note 4.3) the criteria for accounting of leases, i.e. the allocation of operating lease costs incurred during the year in the profit and loss account and for financial leases, the recording of the cost of the assets leased on the balance sheet according to the nature of the asset that is the subject of the contract and, simultaneously, a liability for the same amount. However, IFRS 16 *Leases* applies a single recognition and measurement approach for all leases. From the point of view of the lessee, this

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standard recognises a liability for future payment obligations, as well as an asset for the right to use the underlying asset.

In order to apply the IFRS 16 requirements for financial leases, the Company has reclassified the impacts calculated under GAP to the corresponding balance sheet items under IFRS-EU. As at 31 December 2021, an amount of EUR 7,829 (EUR 13,291 at 31 December 2020) of tangible fixed assets has been reclassified.

For operating leases, the Company has made the relevant adjustments taking as a transition date to IFRS-EU 1 January 2018, as mentioned above, therefore, to determine the value of the liability as the present value of the remaining lease payments, it has considered the incremental debt rate at that time, namely 5.08 %. As at 31 December 2021 there is no non-current liabilities recognised and the current liabilities amounted to EUR 23,011 (EUR 21,874 and EUR 23,011, respectively as at 31 December 2020). The right-of-use asset has been recognised at the time of calculation for an amount equivalent to the liability, adjusted for any prepayment of leases (in this case a security deposit in the amount of EUR 3,942). The net asset recognised as at 31 December 2021 was EUR 24,788 (EUR 45,633 as at 31 December 2020). The liabilities were then adjusted for the payments made, considering the financial effect (EUR 1,776 in 2021 and EUR 2,857 in 2020) and the assets were updated for depreciation (EUR 20,846 in 2021 and EUR 20,846 in 2020) without any impairment being applied. In addition, the expense for leases recognised in 2021 amounting to EUR 23,649 (EUR 23,649 in 2020) has been eliminated.

- c) **Financial instruments.** Due to the changes introduced in the GAP during 2021 (see note 2.7), there are no differences in the classification and measurement of financial assets detailed in note 4.5.1 and that established by IFRS 9 *Financial Instruments*.

In addition, due to the type of financial instruments available to the Company (see note 8), no difference has been identified in determining the impairment of financial assets using the expected loss method as set out in IFRS 9, compared with the incurred loss method provided for in the GAP.

- d) Finally, there are some minor reclassifications between balance sheet items, but with no impact on the Company's profit and loss account or net equity as at 31 December 2021 and 2020.

NOTE 16. IMPLICATIONS OF COVID-19

Since December 2019, COVID-19, a new Coronavirus infection, has spread to many countries, including Spain as of January 2020. In March 2020, the World Health Organisation declared COVID-19 a global pandemic. This event has a significant impact on economic activity worldwide, with consequent effects on transactions.

COVID-19 has not been a significant event in relation to the current annual accounts. However, the Company has adopted extraordinary measures, especially in the areas of teleworking, an increase in the measures to protect its employees' labour risks, and measures to protect the health of the participants in the medical trials, their family members and the healthcare staff involved.

No signs of impairments regarding the recovery of the value of assets has been observed, which could result from economic and operational impacts of the COVID-19 pandemic, which require changes to the annual accounts. Given the dynamics of the pandemic, potential signs of an impact are regularly reviewed.

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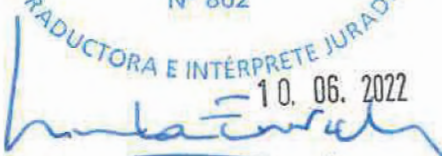
NOTE 17. SUBSEQUENT EVENTS

After 31 December 2021, there have been no significant events affecting the Company's restated annual accounts on that date, with the exception of those arising from the following events (see note 2.4):

- On 7 February 2022 the following loans were novated and modified:
 - Participating loan signed with Anangu Grup, initially subscribed for EUR 1 million (EUR 1,000,000), dated 29 November 2021 and with an initial maturity of 12 months. In this novation, the loan is converted into convertible and a new maturity is established on 30 June 2023.
 - Participating loans with Santi 1990, initially subscribed for EUR 1 million (EUR 1,000,000), dated 26 May 2021 and with an initial maturity of 12 months. In this novation, the loan is converted into convertible and a new maturity is established on 30 June 2023.
 - Convertible loan with Angloxel, initially subscribed for eight hundred and sixteen thousand euros (EUR 816,000), dated 5 August 2021 and maturing on 31 December 2022. In this novation, the loan is converted into convertible and a new maturity is established on 30 June 2023.
- On 7 February 2022 another of the Company's current shareholders, Anangu Grup S.L.U., granted the Company another participating loan in the amount of one million, eight hundred thousand euros (EUR 1,800,000), which also included the possibility of future convertibility of the capital lent and the interest accrued into shares in the Company, in accordance with the terms set out in the Convertible Participative Loan described in Note 2.4 to the report.
- On 7 February 2022, the Company entered into a participating loan agreement with one of its current shareholders, SANTI 1990, S.L.U. for one million eight hundred thousand euros (EUR 1,800,000), which gives the lender the option to adhere to the terms of credit offset provided for in the Convertible Participative Loan approved at the General Shareholders' Meeting on 29 October 2020.
- On 7 February 2022 new investors (DETRES Inversiones e Inmuebles, Carmen Miarnau Banús, Stanislaw Knaflewski) signed a participating loan agreement totalling five hundred thousand euro (EUR 550,000), which provides the lender with the option to adhere to the terms of credit offset set out in the Convertible Participative Loan approved at the General Shareholders' Meeting on 29 October 2020.
- On 24 February 2022 Russia began the invasion of Ukraine, which has caused severe human and material damages to the affected countries. This is having a major impact on international political relations and the global economy. At present, there is a high degree of uncertainty surrounding the various scenarios for the evolution of the conflict and its consequences. The Company is continuously monitoring developments in the situation in order to successfully deal with any potential impacts.

At the preparation date of these accounts, the conditions in financial markets are highly volatile and uncertain. The number of public offerings on European markets has been residual since March 2022, triggering a delay in the initial public offering project for May 2022. The company is working to actively restart the public offering process in Euronext Brussels when investor banks and financial advisers may see favourable conditions for a successful public offering. The following potential window to be studied for the public offering will be in October/November 2022 subject to the evolving geopolitical and macroeconomic conditions.

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PREPARATION OF THE ANNUAL ACCOUNTS FOR THE
YEAR ENDED 31 DECEMBER 2021

The Board of Directors of **SOM INNOVATION BIOTECH, S.A.**, dated 27 May 2022, proceeds to formulate these annual accounts for the year ended 31 December 2021 together with the Directors' Report, which comprise the attached sheets number 1 to 77.

Barcelona, 27 May 2022

The Board of Directors

Mr Raúl Insa Boronat

Chairman

Mr Martí Dalmases Arnella

Vice-Chair

ANANGU GRUP S.L.U

(Represented by Mr Marc Sabé Richer)

Member

Mr Antoni Salgado Soler

Member

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SOM Innovation Biotech, S.A.

Directors' Report for the year
ended 31 December 2021

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In preparing the following directors' report, the Company's directors have followed the specific recommendations for small and medium-sized listed companies from the guidelines for the preparation of the directors' report published by the National Securities Market Commission (CNMV), although it is currently not a listed company.

1. SITUATION OF THE COMPANY

1.1. Organisational structure

SOM INNOVATION BIOTECH, S.A. (hereinafter referred to as the "Company" or "SOM Biotech") was incorporated on 30 December 2009. On 2 August 2019, the company changed its legal form from limited company to joint stock company in accordance with the Spanish Companies Act.

The Company carries out its activities in Spain has neither affiliates nor subsidiaries, nor does it hold any interest in any other company. It is a clinical- biopharmaceutical company that harnesses the power of artificial intelligence ("AI") to unleash the additional potential of medicines already known for use in orphan diseases. At the heart of its focus is its clinically validated and differentiated SOM^{AI}PRO platform that identifies potentially better treatment options, from known medicines that can be reused for new therapeutic indications in areas of high uncovered medical needs.

In accordance with the Spanish Companies Act and the Company's Articles of Association, the Board of Directors is responsible for the management, administration and representation of the Company on all matters related to its business, except for matters expressly reserved for the General Shareholders' Meeting. As at 31 December 2021, the Board of Directors of SOM Biotech consists of seven members, of which two are owners, two are executive directors and three are independent directors.

Likewise, the Company's day-to-day management is the responsibility of the management team that has an established track record in industries such as pharmaceutical, scientific and financial industries, as well as in the scientific community. Management team members have previously played a key role in the introduction of multiple launches of drugs through their clinical development and have also successfully established and managed profitable associations with industry leaders.

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

1.2. Operation of the Company

SOM Biotech's approach focuses on three areas with significant growth potential:

- a) **AI-led drug discovery** makes discovery faster and cheaper (reducing up to 15 % of global drug discovery spending).
- b) **The world market for orphan diseases**, which has grown sharply at a rate of more than 10 per cent, is expected to reach USD 132,500 million in 2024. Medicines developed for orphan

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diseases also have potentially greater market exclusivity and faster regulatory review.

- c) **The wide and growing market for drug reuse**, which was already estimated at USD 31,300 million in 2020. Drug readaptation has accounted for approximately 30 % of new drugs approved by the U.S. Food and Drug Administration (“FDA”) in recent years. The discovery of new indications for existing drugs has the potential to reduce the risk of clinical development and the cost and time needed to market an effective drug.

The Company’s approach has already enabled it to build a broad and diversified portfolio of clinical and preclinical products that includes its own and externally licensed products with significant potential.

The main strength and differentiation of the SOM^{APRO} platform is that it identifies a new mechanism of action for a molecule by determining non-structural analogues of a reference compound known to be active in a chosen indication. That is, the platform has the ability to identify compounds with different chemical structures, but with similar biological activity. This allows the Company to identify existing drugs that could be safe and effective in treating a specific indication, as well as identifying potential new indications for an existing specific drug. In both cases, SOM Biotech believes that the chances of commercial success increase and that effective patent protection can be achieved. Using SOM^{APRO}, SOM Biotech believes that therapeutic solutions can be effectively delivered to patients through a process of efficient development in time and capital.

Thanks to the application of the SOM^{APRO} platform, SOM Biotech has been able to establish a solid and diversified portfolio that includes 5 candidate products in clinical development for the treatment of orphan diseases.

- **SOM0226:** This product candidate is aimed at the treatment of TTR Amyloidosis and has estimated peak sales in the main markets of EUR 1,051 million, with a total of 8,947 potential patients.
- **SOM0777:** This product candidate is aimed at treat glioblastoma and has estimated peak sales in the main markets of EUR 586 million and a total of 36,123 potential patients.
- **SOM3355:** This product candidate, currently developed by SOM Biotech, is intended to treat chorea in Huntington’s disease and has estimated peak sales in major markets of EUR 1,200 million by 2029, based on a set of 64,557 potential patients.
- **SOM3366:** This product candidate, currently developed by SOM Biotech, is intended to treat late dyskinesia and has an estimated total market value of EUR 41,7 00 million in the United States, based on 722,262 potential patients in the United States.
- **SOM1311:** This product candidate, currently developed by SOM Biotech, is intended to treat phenylketonuria and has an estimated total market value in the main markets of EUR 3,500 million, based on an expected annual treatment cost per patient of an average of EUR 85,000 for the United States and EUR 42,500 for the EU and Japan.

Although the Company has so far focused on the discovery and development of therapies for the treatment of orphan neurological diseases (representing an estimated 17.1 per cent share of USD 242,000 million in orphan drug sales in 2024), the SOM^{APRO} platform has the potential to identify and discover medicines for a wide variety of other therapeutic areas with potentially significant market sizes

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and opportunities, for example cardiovascular or respiratory diseases.

2. EVOLUTION AND RESULTS OF THE BUSINESSES

2.1 *Income evolution and developments*

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

The Company's ambition is to generate future income through the marketing of its product candidates, as well as through milestones and gifts agreed in potential external licensing agreements and associations. In particular, SOM Biotech expects to start generating revenues for its products from 2025, including through its own commercial team that is expected to be established in 2024, assisted by relative concentrations of patients in orphan diseases. In addition, SOM Biotech may create additional value by promoting the discovery activities of drugs of other pharmaceutical companies and research centres through the implementation of the SOM^{AI}PRO platform, not necessarily in the field of neurological diseases. These drug discovery activities are aimed at developing external value-creating collaborations with strategic partners who can take advantage of the SOM^{AI}PRO platform to discover new mechanisms of action for their patented molecules or improve their existing treatments and therapies.

2.2 *Result evolution and developments*

The results obtained in 2021, in this case negative results or losses, have increased by EUR 1,176,000 compared with the previous year. Such increase is due to upward changes in staff costs (due to new hirings) and in the increased contracting of external services (mainly due to the evolution of the development of certain ongoing projects, which are mostly outsourced).

As at 31 December 2021 the working capital was EUR 2,715 (EUR 875,000 as at 31 December 2020), a 4x reduction compared with the previous year. This reduction is in line with a more intensive use of the Company's financial resources in the context of the development of its R&D projects and the increase in human resources to strengthen the organisational structure.

2.3 *Other alternative performance metrics ("APM")*

As a result of a possible process of admission to official trading of its shares in the short to medium term, the Company has now used certain Alternative performance Metrics. At the end of 2021 and 2020, the main alternative performance metrics used by the Company are presented below:

a) Economic and financial indicators

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Name	Formulae	Financial year	
		2021	2020
Liquidity from the results	Cash flow generated by operating activities/Result for the year	0.98	1.08
Liquidity ratio	Current assets/current liabilities	0.20	5.20
Solvency ratio	(Net equity + Non-current liabilities)/Non-current assets	(14.09)	5.83
Debt ratio	Net debt (gross debt — Cash and financial investment)/Capital employed (Net equity + Net debt)	(0.37)	4.41
Average payment period	(Creditors for the financial year/operating costs) x 365	36.58	20.45

As the company is in the research and development phase of its pipeline, with no relevant sources of income for the time being, the ratios focus on the company's indebtedness and solvency in order to meet its medium to long-term growth expectations.

The Company has started its clinical trials phase more intensively in the course of 2021, which will increase further in 2022. At the same time, the Company has incurred a significant increase in its costs related to preparing for the public offering planned for 2022 in 2021. These costs are material and have implied higher expenses on the operating account and outflow cash flows compared with 2020.

In 2020 the Company issued payments totalling EUR 1.6 million, while in 2021 payments amounted to EUR 2.4 million (an increase of EUR 0.8 million in cash outflows year-on-year). The increase in outflows is due to the increase in the activity of development of the company's pipeline and the public offering project initiated in 2021 with the recruitment of legal, financial and support advisers.

At the same time, the Company tries to increase its average payment period to suppliers in a prudent manner and always respecting the legal maximums to preserve its liquidity as much as possible.

b) Indicators of environmental aspects

Environmental awareness is a booming nationally and internationally aspect and has highlighted an increasing potential risk for businesses. SOM Biotech has analysed the environmental environment within which its operational activities are covered, which, following its review, given the current business model focused on the development of new drugs that do not include production activities, has not shown any significant risks related to environmental-related activities.

c) Indicators of social aspects

The average number of employees during the 2021 financial year has remained at 11 employees, as in 2020.

There is no significant rotation of staff or a significant incident of absence or leaves due to work-related

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accident.

The SOM team is stable and the key positions for the company remain unchanged since the start of business.

3. LIQUIDITY AND CAPITAL RESOURCES

3.1 Liquidity

SOM Biotech, at its current stage, is not generating recurring revenues as turnover. It therefore regularly requires significant financial resources to ensure that the necessary research and development programmes can be implemented, ultimately leading to the possibility of licensing their products or marketing them directly in the market. For this reason, the Company has frequently launched new funding rounds that have resulted in capital increases and has subscribed a number of loans.

As at 31 December 2021, the Company maintained a negative working fund of EUR 2,715,000. Their short-term obligations include loans to various shareholders of the Company that, during 2022, have agreed to adhere to the terms of credit offset set out in the Convertible Participating Loan approved at the General Shareholders' Meeting on 29 October 2020. Excluding the previous loans, the Company would have a working fund of EUR 159,000 at the end of the 2021 financial year (EUR 875,000 in 2020).

3.2 Capital resources

At the close of the 2021 financial year, the total debt of SOM Biotech amounted to EUR 4,440,000 (EUR 1,602,000 as at 31 December 2020). Debt to official bodies, at lower market interest rates, represented on that date 35% of total debt (99% as at 31 December 2020):

<i>In euro</i>	<u>2021</u>	<u>2020</u>
Loans from credit institutions	2,706	386
Debt with official bodies	1,544,770	1,578,749
Debts with related parties	2,874,708	—
Other financial instruments	17,636	22,946
Total	4,439,820	1,602,081

As at 31 December 2021, lending with official bodies remained broadly stable.

During the 2021 financial year, the Company signed loans with three of its shareholders for a total amount of EUR 2,816,000 at fixed rates of between 5 % and 8 %. These loans provided the lender with the option to adhere to the terms of credit offset set out in the Convertible Participating Loans approved at the General Shareholders' Meeting on 29 October 2020. During 2022, adherence has been completed.

3.3 Contractual obligations and off-balance-sheet transactions

In the current course of business, the Company did not carry out any significant transactions that are not included in the balance sheet, with the exception of the operating leasing of the branches in which it

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carries out its activities. The future minimum payments payable on non- cancellable operating leases as at 31 December 2021 amount to EUR 24,000 (EUR 47,000 as at 31 December 2020), of which the total corresponds to maturities of less than one year (EUR 24,000 of less than one year as at 31 December 2020).

4. MAIN RISKS AND UNCERTAINTIES

The risks and uncertainties to which the Company is subject are normal and specific to the sector and market to which it belongs, as well as those corresponding to the current economic situation.

4.1 Operational risks

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

As a clinical-phase biopharmaceutical company, SOM Biotech is subject to the usual risks related to environmental development.

Before launching a candidate product, SOM Biotech, its partners and collaborators must conduct preclinical studies and clinical trials to demonstrate that the candidate product in question has an acceptable safety profile and a significant therapeutic effect. These processes are usually extensive, costly and long. Positive results in the first preclinical studies and clinical trials do not guarantee similar positive results in the next stages of development and clinical trials. SOM Biotech cannot predict with certainty when planned clinical trials will be initiated or when ongoing studies will be completed, as there are numerous factors beyond the direct control of SOM Biotech that may affect this, such as the need and timing of regulatory approvals and permissions by ethical review committees/committees, access to patients, researchers and study sites, events occurring during the trial and the considerations of its partners and collaborators.

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

Although product candidates may show promising results in preclinical studies and early clinical trials, they may not be effective in subsequent clinical trials. The percentage of candidate products that do not pass preclinical studies and clinical trials is usually very high. Candidates for products in later stages of clinical trials may not demonstrate the safety and efficacy necessary for their approval despite progress through preclinical studies and initial clinical trials.

Changes in regulatory requirements and guidance from the EMA or FDA (or other regulatory authorities around the world) or unforeseen events during clinical trials may result in changes in clinical trial protocols or additional clinical trial requirements.

Changes in regulatory requirements and guidelines of the FDA or EMA (or other regulatory authorities worldwide) or any unforeseen events during clinical trials may require SOM Biotech to amend clinical trial protocols or regulatory authorities may impose additional requirements for clinical trials. Amendments to the clinical trial protocols would require further submission to regulatory authorities and ethics committees for review and approval, which could negatively affect the cost, timing or successful completion of a clinical trial.

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

In the United States, the FDA granted the designation of orphan drug for SOM3355 in Huntington's disease in 2021. In Europe, SOM Biotech intends to apply for the designation of an orphan drug product at the end of the phase 2b study, where significant, more robust clinical data on benefits are available. In the future, SOM Biotech may apply for designation as an orphan drug for SOM3355 or for other candidate products in other indications.

b) Strategic and commercial risks

In a rapidly evolving technology industry, SOM Biotech faces competition, which may lead to other parties discovering, developing or marketing competing products before or more successfully than SOM Biotech.

The biotechnology, pharmaceutical and drug discovery industries are generally subject to rapid and intense technological change, requiring SOM Biotech to adapt quickly and creatively. SOM Biotech faces, and will continue to do so, competition in the development and marketing of product candidates by academic institutions, government agencies, research institutions and biotechnology companies, drug discovery and pharmaceutical companies, which may have financial, research and development resources, as well as technological infrastructure, substantially larger than SOM Biotech. Large pharmaceutical companies, in particular, have extensive experience in clinical trials, obtaining regulatory approvals, patient recruitment and pharmaceutical manufacturing. Smaller and early-stage companies can also become important competitors, especially through partnership agreements with large and established companies.

The future commercial success of SOM Biotech will depend on the degree of market acceptance of its candidate products, if approved, among patients, third-party payers, physicians and other members of the medical community.

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

If SOM Biotech is not able to expand its sales, marketing and distribution capabilities for current or future products, either with in-house infrastructure or with an agreement with business partners, SOM Biotech may not succeed in marketing its current or future candidate products in its main markets, if approved.

SOM Biotech will need to expand its internal sales and marketing organisation to market its current or future products in the markets it will target directly (if approved). Expanding the sales, marketing and distribution capacities of SOM Biotech involve complex processes.

Insurance coverage, prices and reimbursement of newly approved products are uncertain. Failure to obtain adequate coverage, price and reimbursement for any of the approved SOM Biotech candidate products could limit their ability to market those products and compromise the ability to generate revenue.

The ability of SOM Biotech to successfully market any of its approved candidate products will depend in part on the extent to which insurance coverage and adequate reimbursement for these related products

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and treatments are available.

The availability of reimbursement by paying third parties is essential for most patients to afford treatment. The sales of SOM Biotech's candidate products and their ability to generate revenue will depend to a large extent on the extent to which the costs of those candidate products are paid by third parties. If the refund is not available, or is only available at limited levels, SOM Biotech and its current or future partners may not be able to successfully market its candidate products.

Eligibility for coverage and reimbursement does not imply that a therapy will be paid in all cases or at a fee that covers the costs of SOM Biotech and its partners, including research, development, manufacturing, sale and distribution. If coverage and refund are not available, or refund is available only at limited levels, SOM Biotech may not successfully market any candidate product for which SOM Biotech obtains marketing approval. SOM Biotech's inability to quickly obtain cost-effective third-party payer coverage and reimbursement rates for any approved product SOM Biotech develops could materially and adversely affect SOM Biotech's business.

c) Risks of intellectual property

SOM Biotech may not maintain or obtain patent protection for its candidate products or may not properly maintain and protect its technology:

The success of SOM Biotech will depend on its ability to, among other things,

- obtain patent protection for SOM Biotech products and compounds discovered using the patented SOM^{APRO} technology;
- preserving the trade secrets of SOM Biotech (including SOM^{APRO} technology) and other intellectual property rights; and
- preventing third parties from violating SOM Biotech's property rights.

SOM Biotech decides, on a case-by-case basis, the countries in which to apply for patent protection. It is neither economically feasible nor practical to apply for patent protection in all countries, and one or more third parties may develop and market devices similar to or identical to current or future SOM Biotech products in countries where SOM Biotech has not obtained patent protection. SOM Biotech may not be able to avoid this third party action, which may limit SOM Biotech's ability to pursue these markets.

Intellectual property rights do not necessarily address all possible threats to the competitive advantage of SOM Biotech.

The degree of protection offered by SOM Biotech's intellectual property rights is uncertain, as intellectual property rights have limitations, and may not adequately protect SOM Biotech's business or maintain its competitive advantage or ability to market its candidate products.

d) Risks related to third-party dependence

Third parties SOM Biotech relies on to conduct clinical trials of SOM Biotech may not act satisfactorily, even in breach of deadlines, which could lead to delays or failures in the development programs of SOM

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SOM Biotech depends, and will depend in the future, on third parties such as clinical researchers, medical institutions, contract laboratories, collaborators and contract research organisations (“CROs”) to conduct their clinical trials and subsequently collect and analyse the data. These third parties are not employees of SOM Biotech, and SOM Biotech cannot control the amount or time of resources they devote to SOM Biotech programs. If these third parties do not successfully carry out their contractual obligations, fail to meet the deadlines, experience work stoppages, do not devote sufficient time and resources to the development programmes of SOM Biotech, or if their performance is poor, or does not comply with the regulatory requirements or protocols established by SOM Biotech, it may prevent or delay competent regulatory authorities from granting the relevant approvals necessary to develop and market the product candidates.

SOM Biotech relies on third parties to supply and manufacture its candidate products and expects to rely on third parties to manufacture its products, if approved. The development of such product candidates and the placing on the market of any product, if approved, could be stopped or delayed if either of those third parties did not manufacture and deliver sufficient quantities or did not do so at acceptable quality levels or prices or failed to maintain or achieve satisfactory regulatory compliance.

SOM Biotech has used third-party manufacturers to produce the materials used in the clinical trials of SOM Biotech and intends to continue to use third-party manufacturers for the possible future marketing of the candidate products of SOM Biotech (as SOM Biotech currently has no production facility). If SOM Biotech cannot obtain or retain third-party manufacturers, SOM Biotech will not be able to develop or market its products.

e) Legal risks

Legislative reform measures in pharmaceutical and health matters could affect the business and results of SOM Biotech’s operations.

The legislative landscape of pharmaceuticals and health products has been and continues to be the subject of reforms in Europe, the United States or elsewhere.

In the European Union, the European Commission adopted a new pharmaceutical strategy in November 2020. The strategy will lead to the revision of the basic European pharmaceutical legislation with a view to ensuring access to affordable medicines for patients, addressing unmet medical needs and supporting competitiveness and innovation, among other objectives. In particular, the revision of the regulations on orphan and paediatric medicines is part of the reforms envisaged and may have an impact on the incentives currently associated with the development of medicines for rare diseases and children.

SOM Biotech cannot predict with certainty the impact that pharmaceutical or health reforms will have on its business in the United States, Europe or elsewhere, but such changes could impose new or stricter regulatory requirements on its business, reduce or eliminate incentives, or result in a reduction in revenues from its future products, any of which could negatively affect SOM Biotech’s business, operating results and financial situation.

Leonard Brandt case

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Claim brought by Mr Leonard Brandt on 10 November 2021 at the Court of First Instance No 42 of Barcelona

Mr Leonard Brandt is a US entrepreneur, who is involved in the provision of strategic consultancy services in the health and food sector. In 2015, SOM BIOTECH wanted to start a process of expanding and attracting investors in North America. In this context, discussions for this consulting were initiated in September 2015 and a letter of terms was signed by the parties on 3 December 2015. As stated in this letter, Mr Brandt was required to provide advice services to SOM BIOTECH, consisting of strategy, finance and executive leadership, all of this in the context of the planned US expansion project for SOM BIOTECH. The agreement also provided that, for advisory services, Mr Brandt would be offered the option to acquire 1% of the shares in SOM BIOTECH at a total pre-money value of EUR 15 million (i.e. EUR 150,000) for a period of three years. However, this letter of terms did not specify the specific conditions to which the exercise of the option would apply. Instead, these terms were agreed upon and further specified in a Warrant Contract signed by the parties on 1 November 2016.

The Warrant Contract replaced any earlier agreements between the parties. For example, the duration of the option was increased from the three-year period referred to in the letter of 3 December 2015 to five years. In addition, it was acknowledged that Mr Brandt should pay a premium for the purchase of the option right. All these conditions were agreed by both parties, and always upon the proposal of Mr Brandt, who was aware of the market standards for this type of transaction. Warrants are contracts or financial derivative instruments issued by a company or financial institution that give the holder the option to acquire or sell an underlying asset (in this case stocks) at a predetermined price over a certain period of time in exchange for the payment of a price or premium. In this case, the amount was set at EUR 3,620 and it was expressly stated that it should be paid by Mr Brandt within 15 days of the date of signature of the Warrant Contract (i.e. before 16 November 2016). This amount was never paid out.

Despite the fact that Mr Brandt initially submitted to SOM BIOTECH some potential investors, none ended investing in the business project, and the applicant's interest was progressively diluted, so SOM BIOTECH eventually abandoned its projected expansion in the United States.

In October 2018, as part of a financing process being carried out by SOM BIOTECH, in which the capital structure was revised and proceeded to regularise the capital structure, SOM BIOTECH alert Mr Brandt that it had not paid the premium required under the agreed period of 15 days, which, in addition to constituting a serious and essential breach, implied that Mr Brandt never acquired the right of option provided for in that contract. Despite this breach, SOM BIOTECH offered Mr Brandt, in good faith, that he could exercise the option at that time and acquire the corresponding shares as part of the capital increase being carried out as a result of the 2018 funding round, paying both the warrant premium and the share price. However, Mr Brandt rejected the offer and did not want to acquire any shareholding in SOM BIOTECH. In addition, Mr Brandt, despite having been informed of his essential breach for non-payment of the premium, did not show any intention to pay the premium. Therefore, on 22 October 2018 SOM BIOTECH terminated, by means of burofax sent by the law firm ECJA, which had taken the case, the Warrant Contract for the serious and essential breach by Mr Brandt.

On 24 March 2021, after more than two years from the date on which SOM BIOTECH informed Mr Brandt

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of the termination of the Warrant Contract, Mr Brandt sent SOM BIOTECH a letter stating his objection to the termination and maintaining the validity of the Contract, despite not paying the premium, either within 15 days following the signing of the Contract, nor after SOM BIOTECH had claimed this breach in October 2018. SOM BIOTECH responded to this letter by means of a further burofax of 23 April 2021, in which our lawyers reiterated that the Warrant Contract had previously been terminated.

Without further communications, Mr Brandt filed a claim on 10 November 2021 at the Court of First Instance No 42 in Barcelona, requesting execution of the option he does not have.

This claim was answered by SOM BIOTECH through its lawyers Baker&McKenzie on 10 December 2021. The Court of First Instance No 42 in Barcelona has determined the preliminary hearing of the proceedings for 16 December 2022.

In summary, Mr Brandt cannot intend, under his claim, to exercise an option which he never had, as he did not pay the premium for the Warrant Contract within the contractually agreed term, which also entails an essential breach of the Warrant Contract, which justified termination thereof by SOM BIOTECH.

f) Risks related to the COVID-19 pandemic and other health crises

Outbreaks of coronavirus (COVID-19) or any other outbreak of infectious disease or other serious public health problem could lead to delays in clinical trials of SOM Biotech and could affect its business, financial situation and results of operations.

COVID-19 outbreaks are expected to continue to have a strong impact on global macroeconomic conditions. This may have a wider impact on SOM Biotech's business, given the impact that any decrease in growth could have on the resources of government or private payers and their willingness to reimburse the costs associated with treatments for certain diseases (including candidates for current or future SOM Biotech products).

If the COVID-19 outbreak does not ease, this could force SOM Biotech to potentially delay its clinical studies, which could prevent it from achieving the market of any of its product candidates within the planned timeframe, which in turn would delay the timing of the expected revenues of these products or prevent SOM Biotech from ever earning revenue from the marketing of its product portfolio. To manage the above-mentioned risk, SOM Biotech and its partners have prepared certain measures that enter into force in the event of a new COVID-19 outbreak, e.g. the possibility to work and monitor clinical trials remotely or the geographical dispersion of patient populations across Europe, however, it cannot be ensured that these measures are sufficient or effective in the event of further outbreaks of COVID-19.

4.2 Financial risks

SOM Biotech has a limited operational track record, has not yet generated recurring revenues, incurring operational losses, negative operating cash flows and a shortfall accumulated since its inception, and may therefore not be able to achieve or maintain profitability at a later stage.

Since its inception, SOM Biotech has suffered large net losses and negative cash flow on its operations. These losses are primarily due to the costs incurred in the acquisition and development of the

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sophisticated technology, based on artificial intelligence^A, as well as to the discovery, research and development, pre-clinical trials and the clinical development of its portfolio diversified at different stages of development, but also to the costs incurred for research and development and additional trials of therapies in clinical development with the aim of moving towards clinical development and general and administrative costs associated with the Company's operations. In the future, SOM Biotech expects to continue to incur significant operating costs and capital costs as it continues to carry out discovery, research and development activities, pre-clinical trials, clinical trials and compliance with regulations, which, together with planned general and administrative expenses, may result in SOM Biotech incurring more significant losses in the coming years.

SOM Biotech may experience fluctuations in income, operating results and cash flows as the Company carries out transactions, particularly research and development collaborations. Consequently, comparisons of financial results from one period to the next may not necessarily be significant, and the results of transactions in previous periods should not be considered as an indication of future periods.

SOM Biotech needs substantial funding and will need additional funds in the future to continue with its research and development programmes, to conduct preclinical studies and clinical trials, for operating expenses, to pursue regulatory approvals for product candidates and for the costs of presenting and processing patent applications and the application or defence of patent claims, to respond to business challenges and to take advantage of new business opportunities. In the long term, SOM Biotech may also need additional funding for the cost of marketing and commercialisation activities and agreements.

If the necessary funds were not available, SOM Biotech could seek funds through collaboration and licensing agreements, at an earlier stage than originally expected, on less favourable terms than they could otherwise have obtained or under conditions that may require it to reduce or waive significant rights in its research and candidate programmes.

a) Credit risk

In general, the Company maintains its treasury and equivalent liquid assets in financial institutions with a high level of credit. The Company's main financial assets are investments (security deposits and deposits), which represent the Company's maximum exposure to credit risk in relation to financial assets.

In addition, it should be noted that there is no significant concentration of credit risk with third parties because the Company does not have any balances with customers.

b) Interest rate and foreign exchange risks

Both treasury and the Company's financial debt are exposed to interest rate risk, which could have an adverse impact on financial results and cash flows.

The Company holds more than 80% of its financial debt linked at all times to fixed interest rates, thus limiting its exposure to the variability of rates.

With regard to foreign exchange risk, the Company is not exposed to a significant foreign exchange risk because it does not carry out significant operations in currencies other than the euro.

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5. MATERIAL EVENTS OCCURRED AFTER IN THE COURSE OF THE YEAR AND THEREAFTER

a) 2021

The main milestones achieved by the Company in the course of 2021 in the areas of business development, research and human resources are:

- ODD granting by the FDA for the SOM3355 programme for the treatment of the chorea in Huntington's disease.
- Obtaining the PYME INNOVADORA seal from the Ministry of Science and Innovation, which acknowledges the contribution of SOM Biotech to R&D innovation.
- Signature of a letter of interest for SOM3355 with Megapharm (Israel) for the potential marketing of SOM3355 in that country.
- An extension of the cooperation agreement with the University Ewha Womans of Korea has been signed to test the eravacycline (SOM0061) in preclinical studies in animal models.
- Planning and start of the 2b clinical phase of the SOM3355 programme for the chorea in Huntington's disease.
- Planning of the 2a phase clinical study of the SOM1311 programme for the PKU.

From a financial point of view, the following financing operations of the Company were carried out in 2021:

- On 26 May 2021, the current shareholders of the Company, SANTI 1990 S.L.U., granted a participating loan of EUR 1 million (EUR 1,000,000), which included the option for the lender to further adhere to the terms of credit setoff set out in the Convertible Participative Loan approved at the General Shareholders' Meeting on 29 October 2020.
- On 5 August 2021, Angloxell Valores y Participaciones, S.L., a shareholder of the Company, signed a convertible participating loan contract for eight hundred and sixteen thousand euros (EUR 816,000) to adhere to the Convertible Participative Loan described above for this amount.
- In addition, on 29 November 2021, another of the Company's current shareholders, Anangu Grup S.L.U., granted the Company another participating loan for the amount of EUR 1 million (EUR 1,000,000), which also included the possibility of future convertibility of the capital lent and the interest accrued in shares of the Company, in accordance with the terms set out in the Convertible Participative Loan mentioned in Note 2.4 to the report.

b) After the end of the 2021 financial year

After 31 December 2021, no significant events have occurred that would significantly affect the Company, with the exception of those arising from the following events:

- On 7 February 2022, the following agreements are executed:
 - One of the Company's current shareholders, Anangu Grup S.L.U., granted the Company a participating loan in the amount of one million, eight hundred thousand euros (EUR 1,800,000), which also included the possibility of future convertibility of the capital lent and the interest accrued into shares in the Company, in accordance with the terms set out

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in the Convertible Participating Loan approved at the General Shareholders' Meeting on 29 October 2020.

- On 7 February 2022, the Company entered into a participating loan agreement with one of its current shareholders, SANTI 1990, S.L.U. for one million eight hundred thousand euros (EUR 1,800,000), which gives the lender the option to adhere to the terms of credit offset provided for in the Convertible Participative Loan approved at the General Shareholders' Meeting on 29 October 2020.
- On 7 February 2022 new investors (DETRES Inversiones e Inmuebles, Carmen Miarnau Banús, Stanislaw Knaflewski) signed a participating loan agreement totalling five hundred thousand euro (EUR 550,000), which provides the lender with the option to adhere to the terms of credit offset set out in the Convertible Participative Loan approved at the General Shareholders' Meeting on 29 October 2020.
- On 24 February 2022 Russia began the invasion of Ukraine, which has caused severe human and material damages to the affected countries. This is having a major impact on international political relations and the global economy. At present, there is a high degree of uncertainty surrounding the various scenarios for the evolution of the conflict and its consequences. The Company is continuously monitoring developments in the situation in order to successfully deal with any potential impacts

6. INFORMATION ON THE COMPANY'S FORESEEABLE DEVELOPMENT

The Company's strategy and expected development can be summarised in the following aspects:

Advance clinical development of the most advanced candidate products: SOM3355 (for the treatment of chorea movements associated with Huntington's disease, SOM3366 (for the treatment of late dyskinesia and other indications) and SOM1311 (for the treatment of phenylketonuria).

In the fourth quarter of 2021, SOM Biotech initiated a phase 2b clinical study in multiple centres in Europe to compare SOM3355 with placebo in a randomised, double-blind, parallel arms, placebo-controlled study that evaluated two doses of SOM3355 in patients suffering from chorea-moving Huntington disease. The final results of this phase 2b clinical study are expected to be published in the second quarter of 2023.

SOM3355 is a mixture of two speculative images of the same structure (called stereoisomers). The Company intends to advance the clinical development of one of the stereoisomers, the SOM3366 (or R-SOM3355), for the treatment of late dyskinesia, while considering other indications. SOM3366 is completing its preclinical development to begin phase 1 in 2022. Since higher doses are expected to be administered than those of SOM3355, more pharmacokinetic and safety and tolerability profiles will be required in healthy volunteers.

SOM Biotech also intends to complete its preclinical development and start phase 2a proof of concept clinical studies for the treatment of phenylketonuria in the first quarter of 2022, a development program that includes two different drugs for different sets of phenylketonuria mutations. SOM Biotech will apply for the designation of orphan drugs for SOM1311 in the first quarter of 2022.

Identify more candidates for innovative products in a wide range of therapeutic areas, including non-

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orphan and non-neurologic diseases.

SOM Biotech currently has four candidate products in preclinical development, all related to neurological conditions.

In addition, SOM Biotech intends to continue discovering and reorienting other candidates for products for diseases with high medical needs unmet with high relevant market values. It is intended to carry out approximately 20 programs in parallel through *in silico* and *in vitro* tests and it is intended to fill the clinical development portfolio with at least one new drug candidate per year.

Set up its own commercial teams for certain candidate products.

The Company expects to start generating revenue from 2025 through its own commercial team that it expects to establish in 2024. To this end, SOM Biotech aims (i) to create an internal sales and marketing function, and (ii) to establish a direct sales force focused on certain candidate products. Through this sales force, SOM Biotech believes that prescribers can be reached in a cost-effective way, as they are usually grouped into specialised care centres, such as hospitals. For its other candidate products, SOM Biotech intends to remain flexible and assess the optimal marketing strategy on a case-by-case basis (e.g. through selective licensing or identification of appropriate distribution partners) in an effort to maximise return on investment.

Explore strategic partnerships to further develop and market SOM Biotech candidate products.

SOM Biotech intends to explore partnership opportunities for the development and commercialisation of its own candidate products. In order to maintain a strong and diversified product portfolio, SOM Biotech management believes that the partnership with larger, complementary academic institutions and pharmaceutical companies will maximise the commercial impact and revenues of their assets. SOM Biotech aims to balance risk and reward in determining whether and when partnerships should be sought selectively in relation to its different candidate products.

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

SOM Biotech also hopes to explore exclusive partnership opportunities for the further development of reuse medicines in ophthalmology, gastroenterology, dermatology and veterinary use.

Earn revenue by encouraging drug discovery activities of other pharmaceutical companies and research centers.

As a drug discovery platform, SOM Biotech also aims to generate value by encouraging drug discovery activities of other pharmaceutical companies and research centers through its platform. In this context, SOM Biotech can help pharmaceutical companies expand and improve the quality, scope and life cycle of their product candidates and thus maximise the value of their own portfolios. Revenues can be generated through agreements fees and agreed sales fees.

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7. R&D&i activities

Like any company involved in human research, in each country in which SOM Biotech carries out its investigations and intends to market its products, it has to comply with laws and regulations (the "Applicable Regulations"), including the regulations established by the relevant national or supranational regulatory authorities, as well as with the industrial standards incorporated by the said Applicable Regulations, which regulate almost all aspects of SOM Biotech activities.

The Applicable Regulations describe extensively how the clinical trials should be carried out in accordance with the International Scientific Council (ICC) and Good Practice Guidelines ("BPC") and how the product should be produced in accordance with internationally recognised Good Practice Standards ("BPF"), as well as the related implementing measures and applicable guidelines.

The Competent Regulatory Authorities include, in particular, the European Market Agency ("EMA") and the various national competent regulatory authorities in Europe (such as the Federal Institute of Drugs and Medical Devices in Germany (BfArM), the Federal Agency of Drugs and Health Products in Belgium (FAGG/AFMPS), etc.) and the FDA in the United States.

SOM Biotech has entered into contracts with Research Organisations by Contract ("CROs") for the conduct of clinical trials, in view of the execution of the different stages of development of its product candidates. SOM Biotech selects the CROs based on their experience in the trials or studies needed for each project.

Such contracts with the CROs are typically concluded for the duration of the project study, with early termination options for both parties, even for convenience (but subject to payment of part of the costs and fees already incurred or to be incurred by the CRO). All contracts with the CROs contain confidentiality clauses and intellectual property rights. Confidentiality clauses of these contracts are usually applicable for a fixed period that varies according to the different contracts between five years after the termination of the contract, ten years after the effective date of the contract or ten years after the disclosure of confidential information.

The intellectual property rights clauses of these contracts grant SOM Biotech all the property rights with respect to the results of the study and the execution of the agreement.

The Company is currently working with more than a dozen of CROs and does not materially depend on any of them.

SOM Biotech has concluded framework service agreements ("MSA") with third-party manufacturing organisations ("CMO") with a view to outsourcing the manufacturing, packaging and labelling of their active pharmaceutical ingredients ("API") and candidates for the conduct of their clinical trials.

MSAs are held for a fixed period of at least five years. Only SOM Biotech has the right to terminate the MSAs for convenience, following written notice (and subject to the payment of part of the costs and fees that it has already incurred or to be incurred by the CMO or any specific cancellation costs).

Considering the significant exchange of technical knowledge needed to execute the agreements, the

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MSAs include the following clauses:

- a confidentiality clause restricting the disclosure or use of any information that is confidential for any purpose other than the execution of the MSA; this clause remains in force for a fixed period varying between the different MSAs between seven years after the end of the MSA or ten years after the expiry or termination of the mutual confidentiality agreement between the parties that have joined the MSA by reference; and
- an intellectual property rights clause which reserves all property rights in respect of candidate products and the results of the execution of the contract to SOM Biotech.

SOM Biotech is currently working with multiple CMOs and is not materially dependent on any of them.

Main projects in progress and their evolution in terms of R&D

a) SOM3355: Chore movements associated with Huntington's disease

Preclinical studies and phase 1 clinical trials

SOM Biotech conducted a series of preclinical in vitro studies to confirm the biological activity of SOM3355 and, based on these results, decided that SOM3355 had scientific and commercial merits for further development. As SOM Biotech was able to count on data from the Phase 1 clinical trials of the existing medicinal product Calvan® (where Bevantolol hydrochloride was used for the treatment of hypertension and angina pectoris), it was possible to move directly to a phase 2a study (which was confirmed by the scientific advice of the EMA).

Phase 2a clinical trial

During 2018-2020, SOM Biotech conducted a Phase 2a trial of concept in which SOM3355 (Bevantolol Hydrochloride) was compared to placebo in a double-blind, randomised and crossover study in four centers in Spain. In this study, SOM Biotech evaluated the effect of SOM3355 on the symptoms of chore in patients with Huntington's disease, quantified by the maximum total chore score (TMC Score). This study confirmed that SOM3355 modulated movement disorders, such as the symptoms of chorea, as measured by a reduction in the TMC score.

Phase 2b clinical trial

In the fourth quarter of 2021, SOM Biotech initiated a phase 2b clinical study with two doses of SOM3355 in a randomised, double-blind, parallel arms, placebo-controlled study. 130 patients with Huntington's disease with chorea symptoms will be randomly assigned to three treatment groups over a 10-week period. The design of this trial was approved by the Clinical Trials Committee of the European Huntington Disease Network Enroll-HD. The recruitment period of about 9 months is estimated to start in the second quarter of 2022 and final results are expected to be published in the second quarter of 2023.

b) SOM3366: Late dyskinesia and other indications

Preclinical studies and phase 1 clinical trial

The preclinical profile of SOM3366 is ongoing. FDA and EMA have confirmed that, with the addition of

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complementary data, the data inherited from the original Bevantolol file can be used to support the development and marketing application of SOM3366. SOM Biotech plans to start the phase 1 clinical trial in 2023 to determine the pharmacokinetic profile and safety and tolerability data at higher doses than those of SOM3355.

c) SOM1311: Phenylketonuria

The SOM^{AI}PRO platform was applied with the aim of finding synthetic compounds of small molecules that mimic Kuvan[®](BH4) interaction with PAH, but potentially more effective in increasing enzyme activity or as a supplement to enhance Kuvan[®] activity.

Preclinical results

A list of compounds was generated and their interactions with different PAH mutations and activity restoration were tested. Two compounds have been identified, both in diseases other than PKU. Both compounds interact with PAH-carrying mutations described in PKU patients, stabilising the enzyme. One of them, currently in phase 3 of the trials, increases the metabolism of phenylalanine when incubated with human mutant PAH-carrying cells. The other, a marketed compound, increases the metabolism of phenylalanine when incubated together with Kuvan[®] and human mutant PAH-carrying cells.

Phase 2a clinical trials

SOM Biotech will interact with regulatory authorities with the intention of carrying out at least one proof of concept trial that could begin during 2022. Since there is information on the safety and tolerability of both drugs, this should allow direct entry into phase 2a. These trials would be labelled open, as changes in phenylalanine in blood are a criterion approved by regulatory authorities and are not influenced by the effects of placebo.

8. ACQUISITION AND DISPOSAL OF TREASURY SHARES

No treasury shares were acquired or sold by the Company during 2021.

9. OTHER RELEVANT INFORMATION

9.1 Stock exchange information

As at the date of preparation of this directors' report, financial market conditions are highly volatile and uncertain. The number of public offerings on European markets has been residual since March 2022, triggering a delay in the initial public offering project for May 2022. The company is continuing to actively restart the public offering process in Euronext Brussels when investor banks and financial advisers may see favourable conditions for a successful exit. The following potential window to be studied for the public offering will be in October/November 2022 subject to developments in the geopolitical and macroeconomic situation.

9.2 Dividend policy

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Given the Company's current situation and the phases of its R & D & I projects, there is no established dividend distribution policy.

9.3 Corporate social responsibility

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

In this regard, the Company has implemented an environmental policy based on the following guidelines:

- (i) The continuous improvement of our processes and employment conditions.
- (ii) Full compliance with the applicable law.
- (iii) Prevention against other lines of action.
- (iv) The responsibility of our employees in the course of our operations.

In order to comply with these guidelines, the Company has committed to:

- (i) To inform and train its employees about the main characteristics of our environmental policy.
- (ii) Promote the necessary means to report any deficiencies or suggestions for improvement.
- (iii) Promote research into new technologies to improve their internal processes and achieve a higher degree of environmental and employee protection.

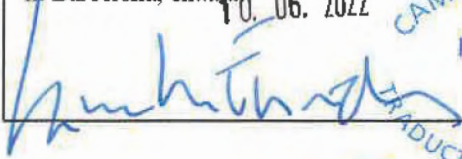
Finally, the Group assesses the environmental impact of its suppliers. In this way, SOM Biotech suppliers are selected on the basis of environmental criteria as well as other aspects related to costs, services and product supply and quality.

9.4 Other

Since the Company is not a listed company at present, despite following the CNMV's guidelines to prepare this directors' report, it has not prepared any other reports and information required for listed companies as they are not applicable (e.g. the non-financial statement).

CAMILA ENRICH SCHRÖDER, Sworn Translator and Interpreter of the English language appointed by the Spanish Minister of Foreign Affairs, certifies that the text hereunder is an exact and faithful translation according to my best knowledge of the Spanish document attached hereto.

In Barcelona, on... 10. 06. 2022


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