




ANNUAL REPORT

2020

Pharma Mar

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BOARD OF DIRECTORS

COMMITTEES

	CATEGORY	EXECUTIVE	AUDIT	APPOINTMENTS, REMUNERATION AND SUSTAINABILITY	LEAD INDEPENDENT DIRECTOR
JOSÉ Mª FERNÁNDEZ SOUSA-FARO Chairman	Executive	●●			
PEDRO FERNÁNDEZ PUENTES Vice-Chairman	Executive	●			
JOSÉ FÉLIX PÉREZ-ORIVE CANCELLER Director	Other external	●	●		
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L. (represented by SANDRA ORTEGA MERA) Director	Proprietary				
EDUARDO SERRA Y ASOCIADOS, S.L. (represented by EDUARDO SERRA REXACH) Director	Other external			●	
CARLOS SOLCHAGA CATALÁN Director	Independent		●		
CARLOS PAZOS CAMPOS Director	Independent			●	●
MONTSERRAT ANDRADE DETRELL Director	Proprietary			●	
ANA PALACIO VALLELERSUNDI Director	Independent		●	●●	
BLANCA HERNÁNDEZ RODRÍGUEZ Director	Independent			●	
VALENTÍN DE TORRES-SOLANOT DEL PINO Director	Independent		●●		

●● Committee Chair ● Committee Member

CONSOLIDATED INFORMATION AND MILESTONES OF THE YEAR

PHARMA MAR GROUP: MILESTONES 2020

ONCOLOGY

- FDA approves lurbinectedin (Zepzelca™) for treatment of relapsed small cell lung cancer and generates $90 million in net sales in the USA.
- Signed three new license agreements for Zepzelca™ and seven for Yondelis in 2020.
- € 275.6 million received from licensing agreements with various partners (excluding royalties).
- Lurbinectedin receives orphan drug status from Australian and South Korean regulatory authorities for small cell lung cancer indication.
- Two new Phase III trials with lurbinectedin in preparation: 3rd line small cell lung cancer as monotherapy and relapses mesothelioma cancer in combination with immunotherapy.
- NDA submitted for lurbinectedin in small-cell lung cancer in countries such as Canada, Switzerland, Israel, Australia and Singapore.

VIROLOGY UNIT

- In 2020, Pharma Mar initiated a new line of activity by creating a Virology Unit to develop drugs to treat COVID-19 and other viruses and plans in 2021 to conduct a phase 3 trial.

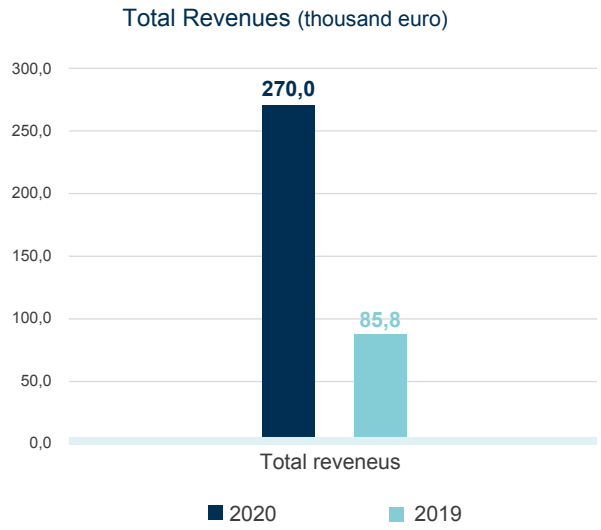
DIAGNOSTICS

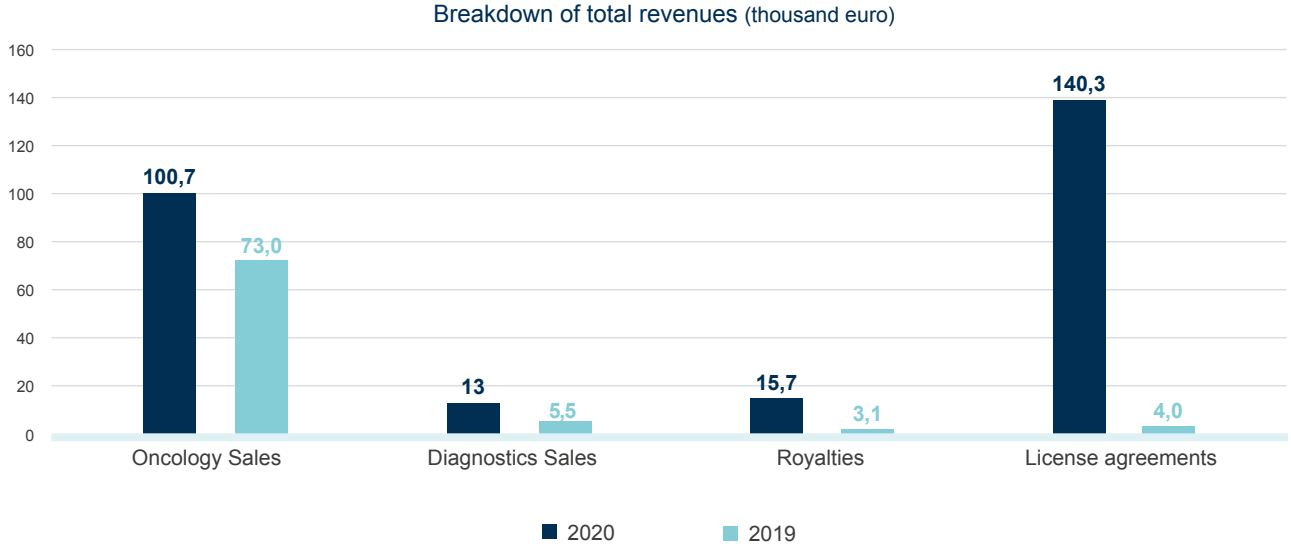
- Launch of PCR test for COVID-19 diagnosis.
- PCR Antibody test and antigen test distribution agreements signed.

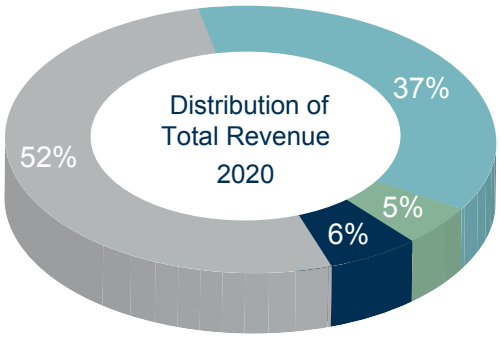
RNAi

- Prepared dossier for initiation of Phase III trial with tivanisiran in dry eye syndrome in the United States.

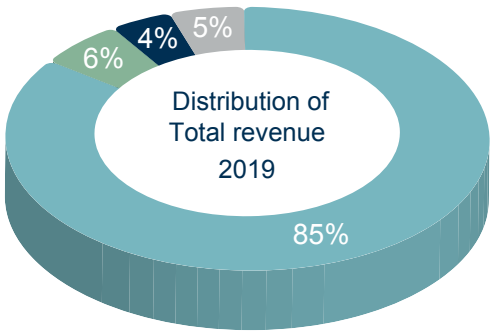
2020 IN FIGURES







Oncology Sales
Diagnostics Sales
Royalties
License agreements



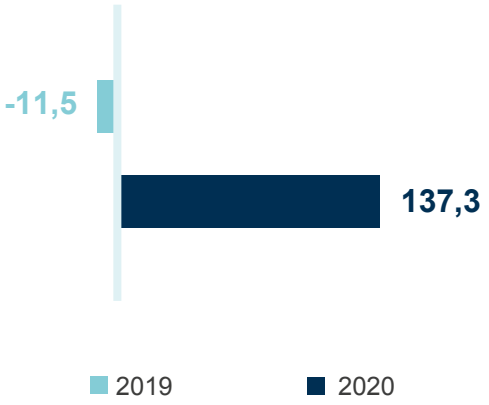
Oncology Sales
Diagnostics Sales
Royalties
License agreements

Yondelis
Zepzelca™
Active Ingredient

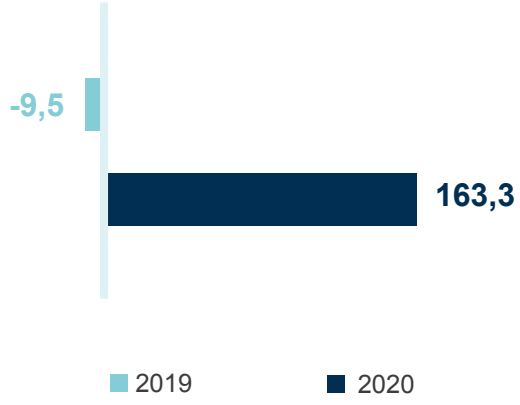
Yondelis
Active Ingredient

Other significant figures

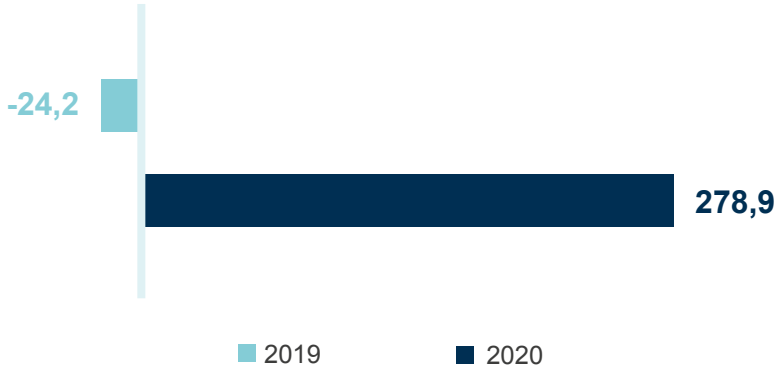
Result for the period



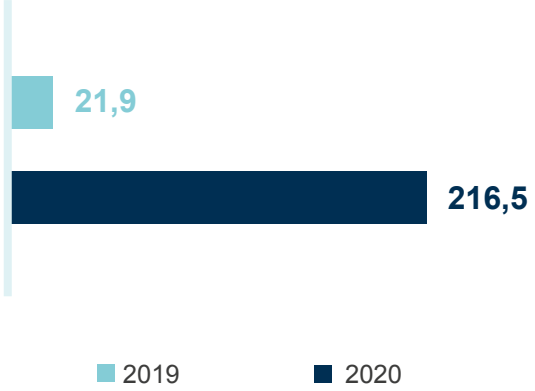
EBITDA



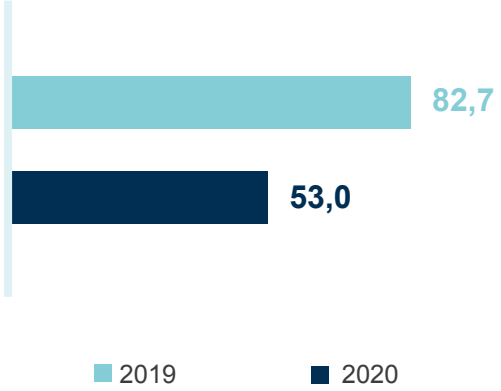
Net cash flow from operating activities



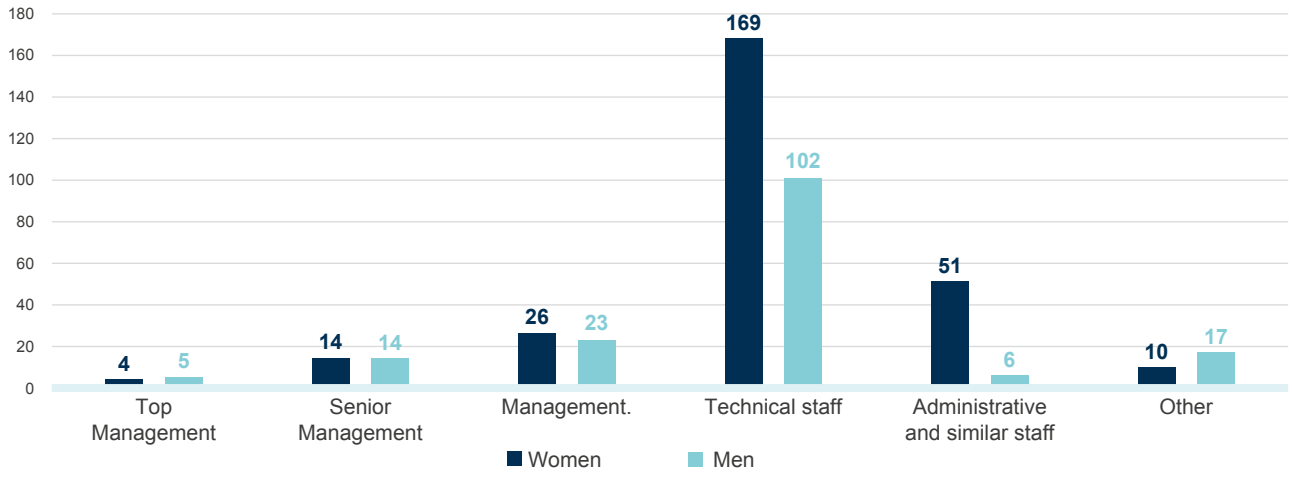
Cash and equivalents and financial assets



Total debt



Employees by gender and category

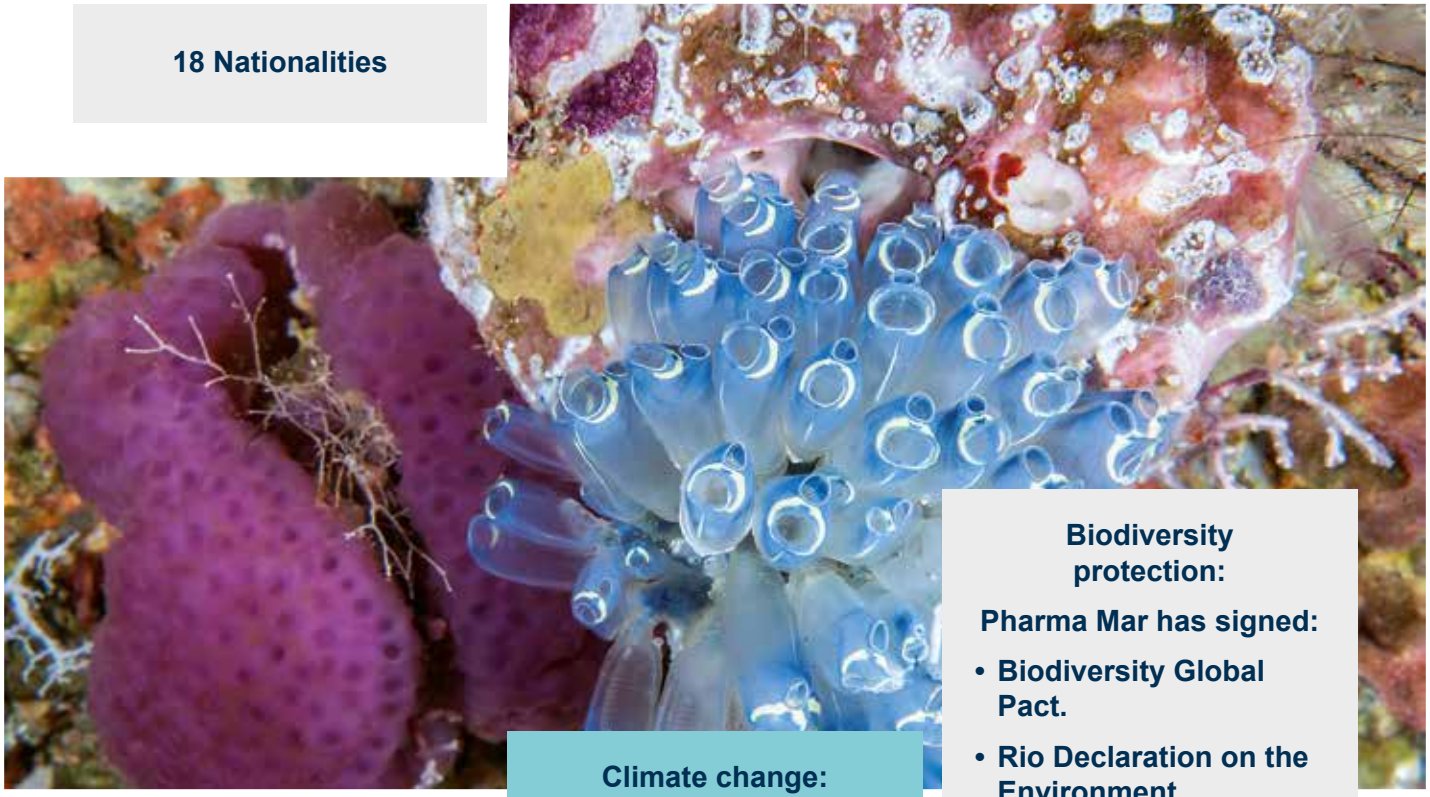


62% Women
38% Men

98% Indefinite contracts

4,9% Adjusted wage gap

18 Nationalities



Climate change:

Energy audits were carried out at all workplaces in 2020.

Biodiversity protection:

Pharma Mar has signed:

- **Biodiversity Global Pact.**
- **Rio Declaration on the Environment.**
- **International Convention on Endangered Species.**

PRODUCT
PIPELINE

PIPELINE

PROGRAM / INDICATION		PHASE I	PHASE II	PHASE III	MARKET
Yondelis					
Soft tissue sarcoma 2nd/3rd line	Single agent				
Ovarian cancer 2nd/3rd line *(1)*	Yondelis + Doxil *(2)*				
Aplidina					
R/R Multiple Myeloma 3th/4th line *(3)*	Aplidin + Dexa				
Zepzelca™ (Lurbinectedin)					
Small cell lung cancer 2nd line	Single agent				
≥2nd line mesothelioma (Phase III planned start 2021)	Lurbi+IO				
Confirmatory Phase III study for FDA Registration study for EMA (Planned start 2021)	Single agent				
Small cell lung cancer 2nd line	Lurbi+Iriontecan				
IST Combos 2nd line SCLC	Lurbi+Atezo Lurbi+Pemrbo				
PM14					
Solid tumors	Single agent				
Soft tissue sarcoma	Combination radiation				

(1) Not approved in the USA.
(2) Pegylated liposomal doxorubicin (PLD).
(3) Approved in Australia.

Portfolio of IVD Products in the market.

NAME OF THE KIT	Description	DEVELOPMENT	MARKET
CLART® HPV3	Kit for detecting 49 high-, low-, and indeterminate- risk human papilloma virus genotypes.		
CLART® HPV4	Kit for detecting 35 high- and low- risk human papilloma virus genotypes, without requiring DNA extraction.		
CLART® HPV4s	Kit for detecting 14 high- risk and 2 low-risk human papilloma virus genotypes, without requiring DNA extraction.		
CLART® PneumoVir 2	Kit for detecting viruses that cause respiratory infections.		
CLART® PneumoVir 2L	Kit for detecting viruses that cause respiratory infections, with lyophilized reagents.		
PneumoCLART bacteria® lyophilised	Kit for detecting bacteria that cause respiratory infections.		
CLART® ENTHERPEX	Kit for detecting enteroviruses and human herpes viruses.		
CLART® SeptiBac	Kit for detecting microorganisms that cause sepsis.		
CLART® EnteroBac	Kit for detecting bacteria that cause infectious diarrhea.		
CLART® STDs	Kit for detecting microorganisms that cause sexually transmitted infections.		
CLART® CMA KRAS-BRAF-PI3K CLART® CMA NRAS-iKRAS	Kit for detecting specific mutations in oncogenes associated with colorectal cancer.		
CLART® CMA EGFR CLART® CMA EGFR LB CLART® CMA ALK-ROS1	Kit for detecting specific mutations in oncogenes associated with non-small cell lung cancer.		
CLART® CMA BRAF-AKT1-MEK1	Kit for detecting specific mutations in oncogenes associated with melanoma.		
CLART® COVID-19	Kit for in vitro diagnosis of SARS-CoV-2 based on CLART technology.		
qCOVID-19 Respiratory Combo	Kit for in vitro diagnosis of SARS-CoV-2 , Influenza A and B and Respiratory Syncytial Virus (RSV A/B), based on Real Time RT-PCR.		
LABORATORY EQUIPMENT			
autoclart®	Automation of post-PCR proessess for visualization of CLART® arrays.		
CAR®	CLART® arrays reader.		
autoclart® plus	Equipment that combines visualization and reading of CLART® arrays.		

sylentis

PIPELINE

		RESEARCH	PRECLINICAL	PHASE I	PHASE II	PHASE III	REGISTRATION
Ophthalmology							
Dry eye disease	Tivanisiran (SYL 1001)						
Macular degeneration	SYL1801						
Ocular allergies	SYL116011						
Retinitis pigmentosa	SYL A SYL B						
RNAi technology development							
Delivery optimization	Formulations						
	Modifications						

CHAIRMAN´S LETTER

CHAIRMAN´S LETTER

Fellow shareholders:

I am pleased to address you to take recap the 2020 financial year, which has been a year of historic success for the company. The milestones achieved in 2020 were transformational for Pharma Mar and brought our company to the next level, whereby we are now entering a new era for the Pharma Mar Group, with new challenges and objectives.

The objectives achieved in 2020 are of special value, not only because of what they mean for Pharma Mar, but also because they were achieved in a particularly difficult environment due to the terrible Covid-19 pandemic that has killed millions of people around the world in recent months and is having devastating consequences for the global economy. This has created numerous personal, operational and business difficulties that we have had to overcome in order to continue our business and also to try to contribute our resources and know-how to combat this devastating disease.

In January 2020, we closed our licensing agreement with our partner Jazz Pharmaceuticals, under which we transferred the commercial rights to lurbinectedin in the US. As a result, Pharma Mar received an initial payment of 200 million dollars in January. The agreement also contemplated an additional 250 million dollars that could be collected for the achievement of regulatory milestones, including approval of lurbinectedin in the US. Pharma Mar may also receive up to 550 million dollars for various commercial milestones and will receive royalties on net sales of lurbinectedin in the US.

Shortly afterwards, in February 2020, the FDA (Food and Drug Administration) announced that it had accepted the New Drug Application (NDA) for lurbinectedin as monotherapy for approval in the US as a treatment for relapsed small-cell lung cancer. This application was submitted as an accelerated approval and the expected approval came in June, two months ahead of schedule. Thus, lurbinectedin reached the US market and represented a major milestone, as it was the first therapeutic alternative approval for this indication in nearly 25 years.

The approval of lurbinectedin in the U.S. represented another 100 million dollars in regulatory milestone revenue for Pharma Mar. This, together with the successful launch of the compound one month later, has contributed to a significant increase not only in the company's international recognition, but also in revenues generated.

Lurbinectedin is currently consolidating its position in the United States as the standard of care in second-line of treatment for patients with small cell lung cancer.

All this has contributed to the fact that this year we have presented a very robust balance sheet and results seeing a historic profit for the company to the General Shareholders Meeting.

Generally speaking, if 2020 will be remembered for anything, it will be for the terrible Covid-19 pandemic that affected the entire world, causing millions of deaths and shaking the world's economies. In this situation and in our eagerness to contribute with our developments to produce a treatment for such a terrible disease, we found that a key factor for the replication of the SARS-CoV-2 virus was the EF1A protein, just the same protein that one of our molecules, plitidepsina, inhibits. We hypothesized that this molecule could become very effective in reducing viral load and thus lead to the development of a truly effective treatment against the virus. Our initial hypothesis was confirmed by world-renowned scientists, with some of their studies being published in prestigious journals such as Science. This encouraged us to conduct a Phase I/II trial that demonstrated the compound's efficacy against the virus, as well as its safety profile. With these results, we designed a Phase III trial which we are currently conducting and from which we hope to obtain results very soon and thereby provide an effective treatment for patients with Covid-19.

As you know, this same compound, plitidepsina, was initially developed for the treatment of multiple myeloma and approved for marketing in Australia under the trade name Aplidin. A registration dossier was also submitted to the EMA for approval in Europe in 2017, an approval that was not granted by the EMA despite the registration trial achieving its primary endpoint. This decision was appealed by the company and taken to its final instance. Finally, during 2020, the General Court of the European Union ruled against the European Commission requesting the annulment of the Commission's Implementing Decision, which refused to authorize the marketing of plitidepsina as a treatment for patients with multiple myeloma, thus finding in favor of the company's claims. This was a landmark decision, since it was the first time that the court had ruled in favor of a company and against the European Commission.

Pharma Mar's contribution against Covid-19 was not only our research into a potential treatment, but also, through our subsidiary Genómica, we designed a test to detect the virus that was ready for use, with CE marking, at the beginning of the pandemic in March 2020. During this year, Genómica has distributed thousands of these tests in clinics, hospitals and nursing homes.

All these events have been reflected in the stock market. Thus, during the year, not only did the value of the stock increased considerably, but so did the volume traded. This increased investor interest led to a rise in the company's capitalization and the average daily trading volume, which resulted in Pharma Mar's return to the Ibex-35 index in September. Despite the disappointment of the ATLANTIS Phase III trial not achieving its primary endpoint, Pharma Mar's share price rose 65.73% in 2020, making it the third highest-performing stock of the Ibex-35. Speaking of shareholder value delivered for our shareholders, to this revaluation we should also add the dividend paid during 2020, as well as the share repurchase plan in which we invested 30 million euros. With regard to the dividend payment, it is our intention that this will be continued in the coming years. As you know, our priority is to invest in the growth of the company, and therefore our firm commitment to R&D, but we are confident that over the next few years we will be able to meet both our investment commitments and our commitment to our shareholders in the form of a dividend.

In terms of the market, it is also worth noting the 1x12 reverse -split we carried out in July. In a transformational year for the company, with revenue growth, a record profit and an increase in the value of the company, it was our intention that this should be accompanied by greater stability in the share price.

We are very proud of what we have achieved so far, but now we have new challenges and new goals.

The company is entering a new era and we are already working to achieve these new objectives.

Thus, in oncology, during 2021 we expect to initiate two new Phase III trials with lurbinectedin, one in small cell lung cancer in monotherapy, and another in mesothelioma, as well as taking PM14, one of the molecules we already have in development to Phase II, and also to move two new molecules into the clinical pipeline. In addition, in virology we expect to complete the Phase III trial for SARS-CoV-2 and, if the results are as expected, we will try to accelerate all the necessary timeframes to make the compound available to patients as soon as possible. Finally, in ophthalmology, in 2021 we also expect to initiate a Phase III trial with tivanisiran (SYL1001) for the treatment of dry eye associated with Sjögren's syndrome. As you can see, these are ambitious goals, however we are confident that we can achieve them.

As Chairman of the Pharma Mar group, I would like to thank the Board of Directors and the company's employees for their effort, tenacity and the confidence they have always shown in the project. I would like to place special emphasis on this aspect, because the effort, commitment, perseverance and exceptional teamwork shown by all Pharma Mar employees in an environment as difficult as the one we had to face in 2020 with the Covid-19 pandemic, makes me feel particularly moved and proud of all the people who are part of this company.

And of course, on behalf of the Board of Directors, our employees and myself, I would like to thank you, our shareholders, for your support and your confidence in the Pharma Mar group. Without you, it would not have been possible to get to where we are today, and we hope that the trust you place in us will be rewarded with more success in the future.

Best regards,

José María Fernández Sousa-Faro.
Chairman

DIRECTORS' REPORT

DIRECTORS' REPORT

1 / COMPANY SITUATION

1.1 / Organizational structure

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

In 2020, Pharma Mar opened a new line of business: the virology unit, where it has researched the antiviral activity of one of the compounds in its pipeline, plitidepsin, against COVID-19. The Group considers that this line of activity is not sufficiently significant as of 31 December 2020 to form a new segment.

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

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

1.2 / Operations: Business model, strategy

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

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

One of the distinguishing factors of the oncology business model is the capacity to discover new molecules for the pipeline, thereby generating opportunities to develop new drugs for the company. The Group has several antitumor

molecules in its pipeline at various stages of development, the goal being to bring new compounds to market. Pharma Mar's business model includes having its own sales network covering Europe. This network not only enables it to sell its products directly in the EU, but also provides scope to leverage future opportunities to sell third-party products.

Pharma Mar sees its strengths as being:

- A unique, integrated technology platform based on marine organisms which has led to three of its compounds —trabectedin, lurbinectedin and plitidepsin— being authorized for sale in numerous markets around the world and which provides new candidates in earlier phases of clinical development with the aim of obtaining future approvals.
- The compounds already approved for certain antitumor indications have the potential to be approved for additional indications.
- A well-established commercial structure in Europe that is focused on oncology and is capable of expanding its portfolio with other products.
- Generation of revenues in the Oncology business through direct sales of products developed in-house.
- Existing out-licensing agreements of several compounds in advantageous conditions that are producing sizable revenue flows.
- A library of samples of marine organisms that can be tested for therapeutic applications other than oncology, as has been shown in the case of virology.
- A robust financial position from which to fund projects.
- In addition to Oncology, the Group has other smaller businesses; the first is the development and sale of diagnostic and DNA

analysis kits, conducted through subsidiary Genómica. Sylentis is conducting clinical trials in ophthalmology with the new gene silencing technology, RNAi.

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

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

The key components of the Group's strategy are:

- Continue clinical development of lurbinectedin, in small cell lung cancer and in other indications to expand its use.
- Continue clinical development of molecules currently in the pipeline to advance them through the phases of clinical trials.
- Use its unique, marine-based technological platform to continue feeding its pipeline of compounds. Two new molecules are expected to be added to the oncology clinical development pipeline.
- In-license molecules to sell through the sales network. Molecules that are in the commercial or regulatory phase. Source of additional revenues.
- Maximize the commercial value of lurbinectedin in markets outside the US and Europe through partnerships with third parties.
- Continue to support Yondelis® in the European oncological community and work with partners and researchers.
- Move forward with preclinical and clinical development within the newly created Virology Unit.

1.3 / Significant events in 2020

The following notable events took place in the Oncology segment in 2020:

In January, the US Food and Drug Administration (FDA) granted priority review status to a new drug application (NDA) for accelerated approval of Zepzelca™ (lurbinectedin) for treating patients with relapsed small cell lung cancer who had experienced progression after platinum-based therapy. As a result, following assessment, the FDA granted lurbinectedin accelerated approval based on the Overall Response Rate (ORR) and Duration of Response (DoR). As a result of this approval, Jazz Pharmaceuticals was able to make lurbinectedin commercially available in the United States early in July 2020. PharmaMar received €12.7 million in royalties for sales in the following six-month period.

Conditional approval of lurbinectedin by the FDA represented one of the milestones contemplated in the agreement with Jazz and triggered a payment of USD 100 million (€88.5 million) to Pharma Mar. That was in addition to the USD 200 million (€181 million) collected from Jazz in January 2020 when the US anti-trust authorities approved the licensing agreement.

During the year, registration dossiers for Zepzelca™ (lurbinectedin) were filed with the regulatory authorities in Switzerland, Canada, Israel, Australia and Singapore for treating small cell lung cancer.

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

In connection with the August 2019 framework transfer agreement between Pharma Mar and Janssen under which Janssen transferred to Pharma Mar all rights to Yondelis® in the other territories licensed to Janssen, i.e. all the countries in the world except the United States, Europe and Japan (the latter licensed to Taiho Pharmaceuticals Co. Ltd.), in 2020 Pharma Mar entered into seven different agreements for the marketing of Yondelis®: with Valeo for Canada; with Adium Pharma for marketing Yondelis® in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Curaçao, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela; with Onko Ilak San for marketing Yondelis® in Turkey; with Key Oncologics for marketing Yondelis® in the Republic of South Africa, Namibia and Botswana; with TTY for marketing and distribution of Yondelis® in Taiwan, Hong Kong and Macau; with STADA for marketing Yondelis® in the Middle East and North Africa; and with R-Pharm for marketing Yondelis® in Russia, the rest of the Commonwealth of Independent States and Georgia. Those agreements ensure marketing of

Yondelis® in most of the territories which Pharma Mar recovered in 2019.

As for the Diagnostics segment, early in March Genómica obtained the CE mark for two tests for diagnosing COVID-19 (SARS-CoV2). The CE mark accredits that our tests fulfill the essential requirements of EU Directive 98/79/EC on in vitro diagnostic medical devices. In November, the Diagnostics Unit released a new PCR test: qCOVID-19 Respiratory COMBO, for the differential detection of SARS-CoV-2, Influenza A and B and respiratory syncytial virus (RSV). That innovation also received the CE mark. In May, an agreement was reached with South Korean company SugenTech to distribute the latter's fast tests for detecting IgM/IgG antibodies for COVID-19.

In 2020, Pharma Mar commenced a new line of activity in the biopharmaceutical area by creating a Virology Unit to research, develop and supply medicines for viral diseases for which there is no effective treatment as yet.

This new unit worked on finding an effective treatment for SARS-CoV-2 and, to this end, Pharma Mar commenced the APLICOV-PC clinical trial with Aplidin® (plitidepsin) in adult patients with COVID-19 who required hospitalization; the test attained its primary endpoint (safety) and its secondary endpoint (efficacy). The trial showed a notable reduction in patients' viral load. Following the results with this first group of patients, the Spanish Agency for Medicines and Healthcare Products (AEMPS) authorized the Company to expand the cohort. In February 2021, the UK's Medicines and Healthcare products Regulatory Agency (MHRA) gave authorization for UK patients to participate in the NEPTUNO Phase III clinical trial to determine the efficacy of Aplidin® (plitidepsin) for treating hospitalized patients with moderate COVID-19 infection.

1.4 / Impact of COVID-19

The COVID-19 pandemic had the following effects on the Group's activities:

- In March, the Diagnostics segment developed its own PCR kits for fast diagnostics of IgM and IgG antibodies to COVID-19 and signed a distribution agreement. As a result, this segment booked €13.0 million in revenues, a 137% increase year-on-year.

- The Oncology segment set up a Virology Unit and commenced the APLICOV-PC clinical trial with Aplidin® (plitidepsin) for treating COVID-19 patients, whose goal is to assess the efficacy and safety of plitidepsin in COVID-19 patients requiring hospitalization. Approximately €5 million were invested in developing this area. At the date of this report, preparations are being made to commence a Phase III clinical trial.

- As for the development of new compounds, clinical trials were affected by the pandemic in the form of lower enrollment because of the saturation of hospitals, which devoted themselves almost entirely to COVID patients. This represents a delay in development calendars that is very difficult to quantify.

Although the Pharma Mar Group companies were classified as essential activities, once the state of alarm was declared the workers whose work did not require physical presence (about 60% of the workforce) began teleworking regardless of their vulnerability category as defined by the Ministry of Health. To facilitate telework, laptop computers were leased for the employees who needed them and telecommunications facilities were upgraded to enable virtual meetings A total of €540 thousand were expended on these items.

The Group did not need to avail itself of furlough or layoff measures. Commercial activity was not affected by the situation and no credit losses are expected since a very significant percentage of the Group's sales are to public administrations, so the risk of default is very low. Production capacity was not affected and it was possible to engage in commercial activity without major incidents, as can be seen from the evolution of sales figures. All the Group's material agreements remain in force in the same terms.

2 / BUSINESS PERFORMANCE AND RESULTS

REVENUES	31-12-20	31-12-19	Change	
Oncology sales	100,704	73,022	38%	27,682
Product sales	91,435	71,880	27%	19,555
Sales of Yondelis raw material and Zepzelca™ vials	9,269	1,142	712%	8,127
Diagnostics sales	13,035	5,507	137%	7,528
Sales	**113,739**	**78,529**	**45%**	**35,210**
Royalties	**15,661**	**3,102**	**405%**	**12,559**
Licenses	**140,289**	**3,950**		**136,339**
Other	**272**	**238**		
TOTAL REVENUES	**269,961**	**85,819**	**215%**	**184,142**

(Thousand euro)

2.1 / Total revenues

Group revenues totaled €270.0 million in 2020, up from €85.8 million in 2019. The breakdown of that figure is as follows:

Sales increased by 45% to €113.7 million in 2020, from €78.5 million in 2019. Sales increased in both the oncology segment (+38%) and the diagnostics segment (+146%).

Sales in the oncology segment correspond mainly to Yondelis, which logged €69.9 million in net sales, down 2.8% on the €71.9 million reported in 2019. However, vial sales increased by 2% year-on-year. The other oncology sales relate almost entirely to sales of Zepzelca™ under the TAU (Temporary Authorization for Use) program in France.

The total increase in sales in the Diagnostics segment was due to the launch of our own PCR diagnostic test for COVID-19 (€5.2 million in revenues), as well as the distribution of antibody detection kits from other companies (€3.4 million in revenues).

Royalties, which amounted to €15.6 million in 2020, compared with €3.1 million in 2019, include royalties for sales of Yondelis received from our partners in the US and Japan (€2.9 million) plus royalties received from our US partner, Jazz Pharmaceuticals, for sales of Zepzelca™ since FDA approval of this product in June 2020 (€12.7 million).

Licensing revenues amounted to €140.2 million in 2020, compared with €3.95 million in 2019. The Zepzelca™ (lurbinectedin) licensing agreement entered into in December 2019 with Jazz Pharmaceuticals came into effect in January 2020. Pharma Mar collected an upfront payment of USD 200 million (€181 million) in January. In June, Zepzelca™ (lurbinectedin) was approved for commercialization in the US by the FDA under the accelerated approval procedure. As a result, Pharma Mar collected USD 100 million (€88.5 million) from Jazz Pharmaceuticals. By application of the accounting standard on revenue recognition, revenues from the licensing agreement are recognized on the basis of the degree of progress and/or compliance with the commitments acquired by Pharma Mar under the agreement; consequently, a total of €135.6 million in revenues had been recognized as of 31 December 2020. Another €4.6 million were recognized as revenues under other licensing agreements.

2.2 / EBITDA. Net profit

Group EBITDA amounted to €163.6 million in 2020 (€-9.5 million in 2019).

	31-12-20	31-12-19
Net income	**137,262**	**(9,180)**
Taxes	8,344	(12,474)
Interest	10,338	4,168
Depreciation and amortization	7,660	7,973
EBITDA	**163,604**	**(9,513)**

(Thousand euro)

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

The change in EBITDA reflects the significant increase in revenues in 2020: sales (€35.2 million), royalties (€12.6 million), and licensing revenues (€136.3 million). Operating expenses were very similar in both years.

The EBITDA contribution by the business segments is as follows:

EBITDA BY SEGMENT	31-12-20	31-12-19
Oncology segment	174,563	5,334
Diagnostics segment	4,206	(1,450)
RNAi segment	(3,866)	(3,057)
Unallocated	(11,299)	(10,340)
TOTAL	**163,604**	**(9,513)**

(Thousand euro)

Profit before taxes amounted to €145.6 million (contrasting with a loss of €-21.7 million in 2019) and profit after taxes amounted to €137.3 million in 2020 (vs. €-11.4 million in 2019).

2.3 / R&D expenditure

R&D spending increased by 6.2% year-on-year to €53.8 million in 2020 (€50.6 million in 2019).

Oncology invested €49.2 million in 2020, including €5 million of costs incurred in clinical trials to develop plitidepsin (Aplidin) for the treatment of COVID-19. The Oncology area made progress with trials of lurbinectedin in combination with other therapeutic agents, and in the design of Phase III trials for indications other than small cell lung cancer.

The reduction in R&D spending in the Diagnostics section was due to conclusion of the NEDXA point-of-care diagnostics platform project, in which a number of activities had not yet concluded in 2019. R&D expenditure in 2020 related to development of proprietary COVID-19 detection tests using the CLART and Real-Time technologies.

In 2020, the RNAi section worked on designing a new Phase III clinical trial in dry-eye syndrome after completing the Helix Phase III trial in that indication; progress was also made with preclinical development of SYL18001 for macular degeneration.

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

	31-12-20	31-12-19	Difference	
R&D EXPENSES (NET)	**53,792**	**50,642**	**3,150**	**6.2%**
Oncology	49,204	45,673	3,531	7.7%
Diagnostics	708	2,060	-1,352	-65.6%
RNAi	3,880	2,909	971	33.4%

(Thousand euro)

2.4 / Marketing expenses

The Group spent €22.3 million on marketing and commercialization in 2020, a 7% decline year-on-year (€23.9 million in 2019). In the case of the Oncology segment, the decrease was due mainly to the situation generated by the COVID-19 pandemic, which led to the suspension of the major world congresses that the company has always attended, and to the fact that it was not possible to organize scientific events. The Diagnostics segment increased commercial activity, resulting in higher sales.

2.5 / Income from discontinued operations

On 28 June 2019, Pharma Mar completed the sale of its subsidiary, Zelnova Zeltia, S.A., which manufactures, supplies and distributes insecticide products for domestic use, air fresheners and other home care products. The buyers, Allentia Invest, S.L. and Safoles, S.A, acquired 100% of the company for €33.4 million in cash. As a result, the consolidated figures present that subsidiary under discontinued operations in 2019.

2.6 / Personnel

In 2020, Group had an average of 443 employees (436 in 2019, excluding the employees of Zelnova Zeltia, which ceased to be part of the Group in June 2019). The average number of employees is 356 in the Oncology section, 44 in Diagnostics, 21 in RNAi, and 23 in the corporate area, who are not assigned to any specific segment.

Women accounted for 61.8% of the workforce in 2020.

The table below shows the segmentation by gender and category:

	(WOMEN)	(MEN)	(TOTAL)
Executive directors	-	2	**2**
Senior managers	4	5	**9**
Technical staff	169	102	**271**
Other	10	17	**27**
Management	14	14	**28**
Middle management	26	23	**49**
Clerical staff, etc.	51	6	**57**
TOTAL	**274**	**169**	**443**

2.7 / Environmental issues

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

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

2.8 / Average period taken to pay suppliers

Information on payments for commercial transactions performed in 2019 and pending payment at the end of the year in relation to the maximum legal payment periods envisaged in Act 15/2010 is as follows:

31-12-20	Days
Average period taken to pay suppliers	55
Proportion of transactions paid	56
Proportion of transactions outstanding	50

The average supplier payment lag in the year between 1 January and 31 December 2020 was 55 days (64 days in 2019).

Payments totaled €38,335 thousand in 2020 (€31,246 thousand in 2019). The balance of outstanding payments was €5,362 thousand as of 31 December 2020 (€4,511 thousand in 2019).

3 / LIQUIDITY AND CAPITAL

The balance of cash and cash equivalents amounted to €195.5 million euro as of 31 December 2020 (€20.9 million as of 31 December 2019). Including non-current financial assets, the total was €216.5 million as of 31 December 2020 (€21.9 million euro in 2019).

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

	31-12-20	31-12-19	Change
Non-current debt	**37,732**	**53,063**	**-15,331**
Bank loans	3,561	15,291	-11,730
Bonds	16,600	16,549	51
Loans from official authorities	17,571	21,223	-3,652
Current debt	**15,313**	**29,655**	**-14,342**
Credit lines	4,771	11,583	-6,812
Factoring	-	2,241	-2,241
Loans	5,487	10,497	-5,010
Loans from official authorities	4,621	4,883	-262
Interest, etc.	434	451	-17
Total interest-bearing debt	**53,045**	**82,718**	**-29,673**
Cash and cash equivalents plus current and non-current financial assets	**216,504**	**21,924**	**194,580**
TOTAL CASH / NET (DEBT)	**163,459**	**(60,794)**	**224,253**

(Thousand euro)

Total debt declined by €29.7 million in 2020. This reduction was due basically to early repayment of two bank loans amounting to €9.0 million plus scheduled repayment of €7.7 million under other bank loans and repayment of €4.0 million in loans from official bodies. The amount drawn against credit and factoring lines was reduced by €9 million.

As detailed in section 1.3 above, on 19 December 2019, Pharma Mar and Jazz Pharmaceuticals signed an exclusive licensing agreement for marketing anti-tumor compound Zepzelca™ (lurbinectedin) in the US for treating relapsed small cell lung cancer. The agreement came into force in January 2020 when it was approved by the US anti-trust authorities. Once that authorization had been granted, the Company collected the non-refundable upfront payment of USD 200 million (€181 million) from Jazz under the licensing agreement in January 2020. In June, the FDA granted conditional approval to commercialize Zepzelca™ in the United States for treating small cell lung cancer, as a result of which Pharma Mar collected a milestone payment in the amount of USD 100 million (€88.5 million).

As a result, the Group ended 2020 with a positive net cash position of €163.5 million.

The directors estimate that R&D expenditure in 2021 will be similar to 2020 and that the other operating expenses will not increase significantly.

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

4 / PRIMARY RISKS AND UNCERTAINTIES

4.1 / Situation risks

Competition

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

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

Industrial property. Patents.

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

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

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

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

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

Regulation

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

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

To offset the risk of a constant flow of new legal and regulatory requirements, the Group makes its decisions and designs its business processes on the basis of developing innovative products in therapeutic areas where treatment options are very limited. The Group also constantly obtains exhaustive analyses of these issues by our own experts and by prestigious external experts where necessary.

Capital availability

Because the markets are not always open and PharmaMar Group incurs significant R&D expenditure each year, the group seeks a range of funding sources, in both the credit and capital markets, to finance its growth, implement its strategy and generate income in the future.

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

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

Shareholders

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

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

4.2 / Operating risks

Commodity prices

Deviations from expected price levels and a strategy of buying and accumulating inventories of commodities expose the organization to excessive production costs and to losses on inventories.

The Group conducts an in-depth analysis of prices at the beginning of the year and tries to obtain a closed price for the year from its suppliers. The products' cost prices are set on this basis. These are monitored monthly in case any modifications are necessary.

Health and safety

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

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

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

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

The Group has arranged accident and third-party liability insurance.

Pharma Mar, S.A., whose workforce accounts for 70.8% of the Group's employees, is certified to the OHSAS 18001 Occupational Health and Safety Management System standard. Additionally, the workplace health and safety systems, involving a new approach based on the organization's internal and external context, were certified to the ISO 45001 standard in 2020.

Environmental

Environmental risks can generate potentially significant liabilities for companies. The greatest risk lies in third-party claims for harm to persons, property or the environment as a result of pollution.

The Group's production processes generally have a low risk of environmental impact (noise, smoke, discharges, etc.) and generate almost no waste.

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

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

Product development

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

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

4.3 / Information risk

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

Market disclosures

The Group is obliged to disclose certain financial information and make other regulatory disclosures that must be truthful, complete and timely. Failure

to comply carries the risk of punishment and of a loss of credibility.

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

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

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

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

Information systems

If the company's information systems malfunctioned or were not sufficiently robust, this might adversely affect the continuity of the organization's critical processes and operations.

If the computer security and access control systems failed to work properly, this might lead to unauthorized discovery, unauthorized access to data or the untimely delivery of same, and improper use of confidential information.

The Pharma Mar Group is aware of the importance of computer systems to support the main business processes; for that reason, it continuously invests to maintain the infrastructure and information systems, and to keep its physical and legal security policies aligned with technological progress.

The Pharma Mar Group has a strategic plan for Information Systems whose main objective is to align the information technology strategies with the company's strategic objectives, guarantee compliance with the strict regulatory framework, and ensure efficacy, security and robustness of the information systems that support the company's business processes.

The strategic plan for Information Systems addresses key issues for attaining those goals, including:

- Organization, roles and responsibilities within the IT unit.
- Corporate computing architecture and infrastructure.
- Catalog of corporate services provided by the Information Systems unit.
- Quality assurance and compliance commitments.
- General policies and procedures of the IT unit.
- Information security policies, procedures and infrastructure.

Where third-party technology infrastructures or IT solutions are used, the Group has service level agreements to minimize the impact on its operations of any degradation in those services.

4.4 / Financial risk

4.4.A / Market risk

Price risk

The Group is exposed to price risk on available-for-sale equity instruments and on shares in exchange-traded funds at fair value through profit or loss.

Investments in available-for-sale equity instruments are securities of foreign biopharmaceutical companies. Nevertheless, the Group's volume of investment in this type of asset is not material in the context of the Group's operations. The Company's policy with regard to financial assets is to place cash in low-risk highly-liquid financial assets in order to ensure the availability of funds. For this reason, those financial assets are almost entirely government bonds and deposits at banks with good credit quality, with the result that their value does not fluctuate significantly.

Interest rate risk on cash flows and fair values

The Group's interest rate risk arises from remunerated financial assets that can be converted into cash. The remunerated financial assets

consist basically of deposits remunerated at floating interest rates.

Floating-rate debt securities expose the Company to interest rate risk on the cash flow. Fixed-rate debt securities expose the Company to interest rate risk on the fair value.

Based on a number of scenarios, at times the Company manages the interest rate risk of its cash flow by means of floating-to-fixed interest rate swaps. The economic impact of these swaps is to convert floating-rate debt into fixed-rate debt. Under interest rate swaps, the Company undertakes to exchange, at regular intervals, the difference between the fixed and floating interest rates on the notional principals that are contracted.

Exchange rate risk

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

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

4.4.B / Credit risk

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

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

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

- Acquisition of fixed-income funds that invest in public- or private-sector debt (government bonds, treasury bills and commercial paper), generally secure, which pay periodic coupons.
- Acquisition of money market funds comprising short-term fixed-income securities (18 months maximum) where security is given priority in exchange for a slightly lower yield than other investments.

4.4.C / Liquidity risk

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

Prudent liquidity risk management entails having sufficient cash and marketable securities, financing via sufficient credit facilities, and the capacity to settle market positions. The goal of the Group's financial department is to maintain flexibility in funding by having credit lines and sufficient funds in financial assets to cover obligations (Note 3).

4.5 / Tax risk

Tax risk is inherent to the Company's activity and is influenced by the unique features of our tax regime, its complexity and the existence of gray areas that might lead to non-compliance or discrepancies with the tax administration in the application of the regulations. The Group must comply with a number of tax obligations, both material (i.e. payments) and formal, consisting of filing returns without necessarily having to make any payments. The Group tries to identify risks and then minimize them.

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

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

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

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

5 / SUBSEQUENT EVENTS

On 17 February 2021, the Company announced that the UK's Medicines and Healthcare products Regulatory Agency (MHRA) had given authorization for UK patients to participate in the NEPTUNO Phase III clinical trial to determine the efficacy of Aplidin® (plitidepsin) for treating hospitalized patients with moderate COVID-19 infection.

On 12 February 2021, the Company collected €5,000 thousand from the Spanish tax authorities for monetization of certain research and development tax credits under 2019 corporate income tax.

In 2021, the Company tacitly rolled over a credit line amounting to €3,000 thousand in total.

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

6 / 2021 OUTLOOK

The year 2021 is the first one in the new era for Pharma Mar following approval of lurbinectedin for commercialization in the US. This will be the first full year in which this new treatment for patients with small cell lung cancer can be sold in the US, representing a new source of revenue for the company. We also expect lurbinectedin to be approved for this indication in other countries outside the European Union, such as Canada, Switzerland, etc. In order to obtain approval in Europe to market lurbinectedin as a single agent for treating small cell lung cancer, another Phase III trial is planned for 2021, which is also intended to serve as a confirmatory trial for the US. During 2021, a Phase III registration will commence with lurbinectedin to treat mesothelioma, in which promising results were obtained in earlier stages of clinical development. Accordingly, there should be two Phase III trials under way with lurbinectedin by the end of 2021.

Progress will also be made the development of other molecules in 2021. We expect to start one or two Phase II trials with PM14, following the results obtained in the previous phases. We will also take two new molecules from our drug discovery platform to the clinical phase.

As a result, we plan to end 2021 with a greatly expanded oncology pipeline, which we expect to generate positive results in subsequent years.

In the Virology unit, we expect to commence a Phase III trial with plitidepsin for treating COVID-19 in Europe and the United Kingdom. This trial may produce final data by the end of the year and, if they meet expectations, this could trigger a regulatory process to obtain approval to market plitidepsin in those territories as a treatment for COVID-19.

Subsidiary Sylentis will commence a non-registrational Phase III trial with tivanisiran to treat dry-eye syndrome associated with Sjögren's syndrome.

In the course of 2021, we may also sign new out-licensing agreements for our molecules and we are working to in-license a third party oncology product that is in the commercial or regulatory phase for distribution via our sales network in Europe, thereby increasing revenue.

We project that these projects will be financed entirely with the company's own resources and that the revenue generated during the year will enable us to conclude the year with positive cash flow.

7 / R&D AND INNOVATION

R&D and innovation are a key component of the Group's strategy, and it spent €53.8 million in this area in 2020 (€50.6 million in 2019).

Of that total, €49.2 million was spent in oncology, including €5 million to develop Aplidin as an anti-viral against COVID-19; €3.9 million in RNAi in ophthalmology; and €0.7 million in diagnostics.

The main progress and results in R&D in 2020 by area of activity are as follows:

7.1 / Oncology: Pharma Mar, S.A.

The activities and progress for each of the group's compounds in 2020 are detailed below:

a / Yondelis®

Soft tissue sarcoma

As of 31 December 2020, 24 post-authorization trials were under way, 15 of them active (8 enrolling new patients). The other trials were in the process of closing or data analysis or were pending the presentation of results. Three additional trials are scheduled to commence in the coming months.

The post-authorization trials included notably the LMS 02 Phase II investigator-initiated trial (with trabectedin + doxorubicin as first-line treatment of patients with leiomyosarcoma, including uterine), whose final results were accepted for an oral presentation at ASCO 2020; and the TRAMUNE Phase I trial with trabectedin plus durvalumab in patients with soft tissue sarcoma, the results of which were presented as an oral communication at ESMO 2020. Additionally, initial safety data from the NiTraSarc Phase II study evaluating the efficacy and safety of the combination of trabectedin and nivolumab (immuno-oncology drug) in patients with metastatic or inoperable soft tissue sarcoma were presented at the Connective Tissue Oncology Society (CTOS) annual meeting in November 2020, as was a paper by the Spanish Sarcoma Research Group (GEIS) which studied biomarkers to assess the scope for predicting response to trabectedin in a subset of patients with advanced soft tissue sarcoma.

Ovarian cancer

There were a total of 12 trials in this indication in the first nine months of 2020: seven were active, two were in the process of closing, and one was in the activation phase.

Other indications

Enrollment continued for the TOP-ART trial, which combines trabectedin and olaparib in treating solid tumors with DNA repair defects.

b / Zepzelca™ (lurbinectedin)

Small-cell lung cancer

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

The FDA approval was based on data from an open multi-center single-arm trial in which the drug was tested as a single agent in 105 platinum-sensitive and platinum-resistant adult patients with relapsed small cell lung cancer. The data, published in the May 2020 issue of The Lancet Oncology, showed that, in relapsed small-cell lung cancer, lurbinectedin demonstrated an overall response rate of 35% and a median duration of response of 5.3 months as assessed by the investigator (30% and 5.1 months, respectively, as measured by the Independent Review Committee (IRC).

The results of the ATLANTIS multicenter randomized Phase III trial were published in December. That trial evaluated Zepzelca™ (lurbinectedin) in combination with doxorubicin, against the investigator's choice of topotecan or

cyclophosphamide/doxorubicin/vincristine (CAV), in adult patients with small cell lung cancer whose disease had progressed after platinum-based treatment. Patients in the experimental arm of the trial received 2.0 mg/m2 of lurbinectedin, compared with 3.2 mg/m2 of lurbinectedin administered in monotherapy, which is the dose approved by the FDA in the US.

The trial did not attain the pre-specified primary endpoint of Overall Survival (OS), comparing lurbinectedin in combination with doxorubicin with the control arm. Importantly, the results favored the lurbinectedin combination arm in terms of both the primary endpoint and key secondary and subgroup analyses. The ATLANTIS trial did not test lurbinectedin as monotherapy.

The safety data in this trial were consistent with the safety profile already observed in the trial with lurbinectedin as monotherapy, and no new safety indications were observed. The experimental arm with lurbinectedin showed better safety and tolerability than the control arm, especially with respect to grade 3 or higher adverse events, deaths due to adverse events, hematological toxicity, dose reductions and treatment discontinuations due to adverse events.

Combination trial with Zepzelca™ (lurbinectedin)

The following trials with lurbinectedin in combination with other therapeutic agents were open as of 31 December:

Phase I trial in combination with Atezolizumab:
The investigator-initiated Phase I trial with lurbinectedin in combination with atezolizumab in patients with small cell lung cancer continued enrolling on schedule in the expansion phase. This trial is being conducted in Spain, at a total of 5 centers at present.

Phase I trial in combination with Pembrolizumab:
The investigator-initiated Phase I trial with the combination of lurbinectedin and pembrolizumab in patients with small cell lung cancer enrolled the first patient in September 2020, and recruitment continues on schedule in the escalation phase. This trial is being conducted in Spain, at a total of three centers at present.

Combination trial with Irinotecan:
Recruitment continues on schedule for both cohorts of the Phase I-II trial in combination with irinotecan. The recommended dose of lurbinectedin has been determined in the escalation cohort with fixed doses of irinotecan, and enrollment in the expansion phase is continuing with patients with endometrial cancer, small cell lung cancer, and soft tissue sarcoma. The recommended dose has not yet been found in the irinotecan escalation / lurbinectedin fixed-dose cohort. Two posters on this combination trial were presented: one at ASCO in June 2020 and the other, on the sarcoma cohort, at the CTOS meeting in November 2020.

Phase I trial in Japan

This trial attained its primary endpoint of determining the recommended dose for Zepzelca™ in Japanese patients. Monitoring concluded in 2020 and the data are begin analyzed. The results were presented as a poster at the ESMO Virtual Congress 2020 in September.

c / PM184

All the clinical trials with PM184 have concluded and data analysis of the Phase I and Phase II trials is ongoing to determine the next steps in this compound's development.

d / PM14

The main endpoint of the Phase I trial with PM14 is to identify the optimal dose for administration to patients with advanced solid tumors, to define the compound's safety profile, and to assess its pharmacokinetics and pharmacogenetics. The expansion phase in selected tumors commenced in 2020 and enrollment is proceeding on schedule.

7.2 / Virology: Pharma Mar

In 2020, Pharma Mar commenced a new line of activity in the biopharmaceutical area by creating a Virology Unit to research, develop and supply medicines for viral diseases for which there no effective treatments as yet.

a / Aplidin (plitidepsin)

This new unit worked on finding an effective treatment for SARS-CoV-2 and, to this end, Pharma Mar commenced the APLICOV-PC clinical trial with Aplidin® (plitidepsin) in adult patients with COVID-19 who required hospitalization; the test attained its primary endpoint (safety) and its secondary endpoint (efficacy). Of the 46 patients who were enrolled, 45 were treated and 44 completed treatment, of whom only 6 required admission to the Intensive Care Unit (13.6%) and 82% were discharged on or before day 15 of hospitalization; those results confirm the compound's safety in the COVID-19 patient population requiring hospitalization and support its biological activity, indicating a positive impact in reducing the acute viral load, accompanied by clinical improvement and resolution of pneumonia.

In February 2021, the UK's Medicines and Healthcare products Regulatory Agency (MHRA) gave authorization for UK patients to participate in the NEPTUNO Phase III clinical trial to

determine the efficacy of Aplidin® (plitidepsin) for treating hospitalized patients with moderate COVID-19 infection.

The MHRA was the first regulator to authorize the NEPTUNO Phase III trial, which will be carried out in approximately 12 countries around the world as soon as their respective regulators authorize it. The NEPTUNO Phase III trial will enroll over 600 patients in around 70 centers in the United Kingdom and other countries, in Europe and farther afield.

7.3 / Diagnostics: Genómica

Early in 2020, the Diagnostics Unit successfully completed tests with patient samples in cooperation with Instituto de Salud Carlos III in Spain. Genómica's diagnostic kits are highly sensitive and specific in detecting the COVID-19 coronavirus, enabling the virus to be detected even before the patient shows symptoms.

The kits are compatible with the two diagnostic technologies that are most widely used in hospitals and health centers: Genómica's CLART® and Real-Time PCR. CLART® technology can simultaneously test 96 patient samples in less than 5 hours, making it a good diagnostic option for virus screening.

In November 2020, the Diagnostics Unit released a new PCR test that was developed in-house: qCOVID-19 Respiratory COMBO, for the differential detection of SARS-CoV-2, Influenza A and B and respiratory syncytial virus. The new qCOVID-19 Respiratory COMBO test successfully completed tests on nasopharyngeal samples from patients with respiratory infections at Hospital Universitario La Paz, Hospital Clínico Universitario de Valencia and Hospital Universitario y Politécnico La Fe in Valencia. The test has sensitivities of over 95% and specificities of over 99.7%. Accordingly, the company's PCR diagnostic kit has proven to be highly sensitive and specific in detecting and differentiating respiratory viruses, including SARS-CoV-2, and can even detect asymptomatic cases.

Also, during the year an agreement was signed with South Korean company Sugentech for the distribution in Spain of rapid tests for SARS-Cov-2 antigens and antibodies, providing a full range of diagnostic tools.

7.4 / RNA Interference, ophthalmology: Sylentis, S.A.

Clinical development of tivanisiran for treating dry eye syndrome continued in 2020. The scientific advice report from the FDA on the clinical development of tivanisiran that had been applied for in May was received in July. On that basis, a contract research organization (CRO) was engaged to commence the clinical trial in the US. The trial protocol was developed during that quarter and selection of participating centers commenced. At the same time, a contract manufacturing organization (CMO) was engaged to produce the ophthalmic formulation and single dose vials of tivanisiran for patients participating in this new trial.

With regard to compound SYL1801, design of the Phase I trial was completed and the regulatory documentation was produced and delivered to the Spanish Agency for Medicines and Healthcare Products (AEMPS). The company is also working on other RNAi candidates for topical treatment of retinal diseases. Those new candidates' efficacy continues to be assessed using preclinical models of a number of retinal pathologies.

Additionally, design of the siRNAs against therapeutic targets for treating COVID-19 commenced in the quarter using the Sylentis proprietary SirFINDER 2.0 software.

8 / ACQUISITION AND DISPOSAL OF OWN SHARES

As of 31 December 2020, the Company's capital amounted to €11,013 thousand and was represented by 18,354,907 bearer shares with a par value of €0.60 per share. All these shares were fully subscribed and paid and have the same political and economic rights.

In March 2020 the Company launched a Share Buyback Plan with the dual purpose of (i) reducing the Company's share capital by canceling the shares acquired under the plan, thereby improving earnings per share and contributing to shareholder remuneration, and (ii) fulfilling the obligations arising from the share ownership plans for Group executives and employees. The buyback plan was capped at €30 million and established that up to 1,800,000 shares acquired in the plan would be allocated to the Employee Share Ownership Plans; the remainder up to the maximum number would be canceled.

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

In September, after the stock merge had been completed, the share buyback plan concluded having reached its monetary ceiling, with the following result: 150,000 shares (1,800,000 old shares) were held by the Company as treasury stock for future Employee Share Ownership Plans and the remaining 199,200 shares acquired under the buyback plan were canceled, as provided in the plan. This cancellation reduced share capital by €119 thousand (and a restricted reserved was booked for the same amount) and voluntary reserves by €18,330 thousand. The capital reduction was registered in the Mercantile Register in November 2020. The Company's capital was represented by 18,354,907 shares as of 31 December 2020.

The breakdown of, and changes in, own shares in 2020 are as follows:

OWN SHARES AS OF 31-12-2019	**691,988**
Acquisitions through 22 July 2020	4,403,398
Sales through 22 July 2020	(2,358,379)
Employee share ownership plan	(128,408)
Cancellation	(3)
Balance as of 22-07-2020	**2,608,596**
Effect of 1-for-12 stock merge	**217,383**
Acquisitions from 23-07-2020	411,990
Sales from 23-07-2020	(187,981)
Cancellation	(199,200)
OWN SHARES AS OF 31-12-2020	**242,192**

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

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

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

Within the scope of the Employee Share Ownership Plan, a total of 128 thousand shares (before the 1-for-12 stock merge) were awarded in 2020 to 131 beneficiaries at a price per share of €4.6108 (before the stock merge). Additionally, a total of 4,669 shares (before the 1-for-12 stock merge) under this plan were canceled in 2020.

9 / SHARE INFORMATION

General situation

The year 2020 will go down in history for the COVID-19 pandemic. Its devastating consequences, on both health and the economy, were totally unpredictable and affected every corner of the planet. The rapid spread of the virus made it necessary to adopt drastic lockdowns and, consequently, the suspension of all non-essential activities and the reduction of mobility and a large proportion of economic activity. The resulting adjustments to household incomes and to companies' revenue and profit have had a lasting impact. The world economy ground to a halt in the first quarter of 2020 and liquidity became a major concern. To try to alleviate this effect, the major central banks and governments implemented even more aggressive monetary stimulus programs than those applied in previous years. In March, the ECB announced a first package of measures that have been extended to prioritize massive asset purchases until March 2022. Also in March, the US Federal Reserve responded by cutting interest rates, followed by adjustments and several programs to purchase unlimited amounts of Treasury debt. Many governments amended legislation in order to adopt emergency fiscal measures to channel significant amounts of aid to families and businesses. In this context, the IMF forecasts a record 4.4% contraction of global GDP in 2020, the largest since records have been kept. The pandemic had a particularly detrimental

impact in Europe, and particularly in Spain. The Eurozone economy is estimated to have shrunk by 8.3% in 2020 and the Spanish economy by even more (an estimated 12.8%), according to the IMF's year-end forecasts. All these factors were reflected in the Spanish IBEX-35 index, which depreciated by 15.45% in the year, having registered one of the poorest performances among Europe's major indexes.

After the three waves of the pandemic, triggered by relaxation of the lockdowns and mobility restrictions in the spring, summer and at Christmas, it seems that control of the pandemic and a return to normality will only be possible if the world population attains a high level of immunization. This now appears possible due to progress with various vaccines, and their subsequent approval and administration. Moreover, new treatments are expected to reach the market starting in 2021.

There was a degree of upturn at the end of 2020 as a number of uncertainties, such as Brexit and the change of administration in the United States, were dispelled, with hopes placed in the commencement of vaccination campaigns in a number of countries.

PHARMAMAR STOCK MARKET INDICATORS IN 2020	
Total number of shares	18,354,907
Par value (euro)	0.6
Average daily trading (no. of shares)	243,181
Average daily trading (euro)	18,989,020
Trading days	257
Year trading low (euro) (17 April)	4,239,739
Daily trading high (euro) (16 October)	86,231,820
Total trading in the year (million euro)	4,880
	Euro:
Share price low (12 March)	30.2
Share price high (20 July)	135.1
Share price as of 31 December	71.0
Average share price in the year	79.0
Market capitalization as of 31 December (million euro)	**1,303.0**

Source: Bloomberg

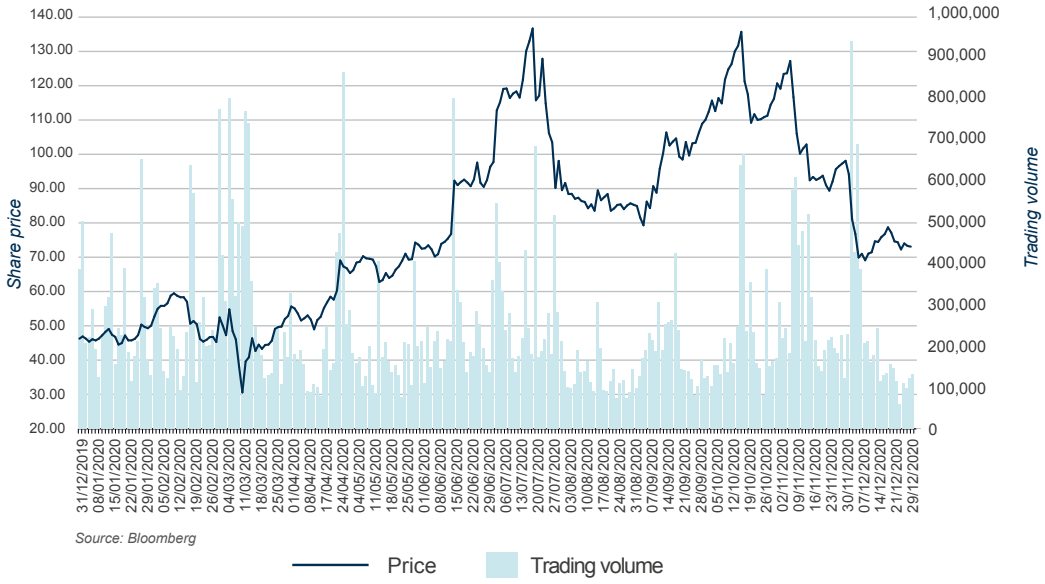
Pharma Mar's share performance

The year 2020 was a historic one for Pharma Mar and this was reflected in the share's performance. Against the backdrop of the COVID-19 pandemic worldwide, the company achieved its best results ever, not only in financial terms but also in research. As a result of the company's efforts to provide solutions and progress in the fight against the virus, in March Genómica announced the validation of its tests for diagnosing the COVID-19 coronavirus, and was the first Spanish company to obtain the CE mark. Within days, Pharma Mar announced exceptional results with Aplidin in in vitro trials to treat COVID-19. These results led to the successful completion of the Phase I/II trial with Aplidin for the treatment of COVID-19, which attained the primary (safety) and secondary (efficacy) endpoints, and to the subsequent design of the Phase III trial expected to be conducted in 2021.

Another milestone was accelerated approval by the FDA in June of lurbinectedin for treating small cell lung cancer. This enabled Jazz Pharmaceuticals to successfully launch lurbinectedin (Zepzelca™) in the US in July 2020, providing Pharma Mar with the first royalties from those sales. Additionally, the Company collected USD 100 million upon approval of lurbinectedin in the US, in addition to the upfront payment of USD 200 million it had received in January under the contract with Jazz. And 2020 concluded with the announcement in December of the results of the ATLANTIS combination trial comparing lurbinectedin in combination with doxorubicin against the control arm, which did not attain the pre-set primary endpoint of overall survival. Importantly, the results favored the lurbinectedin combination arm in terms of both the primary endpoint and key secondary and subgroup analyses. This trial in no way compromises commercialization of the product as monotherapy in the US. As for business development, the value of products such as Yondelis and Lurbinectedin continues to grow, as more than ten out-licensing agreements were signed in 2020.

As for the stock market, the sizable increase in capitalization and in average trading volume resulted in Pharma Mar being included in the IBEX-35 index in September 2020. In 2020, Pharma Mar was the third-most profitable stock in the IBEX-35, having appreciated by 65.73% in the year.

In July, Pharma Mar performed a 1-for-12 stock merge. This was done to contribute to the share's stability and reduce volatility.



10 / CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT

The consolidated non-financial disclosures are presented separately.

The Annual Corporate Governance Report, which is an integral part of this Directors' Report, may be viewed at www.cnmv.es.

CONSOLIDATED FINANCIAL STATEMENTS AND AUDITORS' REPORT

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

Independent auditor´s report on the consolidated annual accounts

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

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Pharma Mar, S.A. (the Parent company) and its subsidiaries (the Group), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of other comprehensive income, statement of changes in equity, cash flow statement and related notes, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at December 31, 2020, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

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

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter

Recognition and recoverability of deferred tax assets

At 31 December 2020, the Group records in the balance sheet a net deferred tax assets of €33,416 thousand, as described in note 24 of the accompanying notes to the consolidated annual accounts, recognized on the basis of the tax budgeting exercise conducted for the companies forming the Spanish tax group, as described in notes 2.20 and 4 of the notes to the consolidated annual accounts.

The main source of information when preparing the projections is the budget presented to the Parent company's directors, which includes estimated figures to 2025. Group management also extends projections to 2030 using best estimates.

Note 4 of the accompanying notes to the consolidated accounts states that future taxable gains take into consideration the probability of success estimated for each research and development project in progress, based on the current phase of development of the different molecules.

The assessment of both initial recognition and the subsequent capacity to recover the deferred tax assets recognized is a complex exercise requiring a high level of judgement and estimation by management, subject to considerable risk of material misstatement, so we regard this as a key audit matter.

We gained an understanding and assessed management's estimation process and the reasonableness of budgets prepared in the past compared with actual data.

We focused our procedures on the evaluation of the reasonableness of budgets and the analysis of the model and the calculation method employed by the Group to estimate future taxable income. As regards the budgets, we analyzed reasonableness and, specifically, among other aspects, the estimation of the selling price of each product and, for products under development, the product price projected by management on the basis of comparable compounds approved in the same territory, as well as the incidence of the illness in the market, using external sources.

We also checked that the probabilities of success assigned to each project, based on the current phase of development, are in line with general practice in the industry.

As regards the information disclosed in the notes to the consolidated accounts, we checked that it includes the details required by IAS 12 Income taxes on disclosure.

As a result of the procedures described, we consider that the Group's estimates made to recognize and disclose deferred tax assets in the accompanying consolidated annual accounts are reasonable.

Pharma Mar, S.A. and subsidiaries

Key audit matter	How our audit addressed the key audit matter
License agreement entered into with Jazz Pharmaceuticals Ireland Limited	
In the ordinary course of business, the Group signs licence, development, marketing and, if applicable, manufacturing agreements with certain pharmaceutical companies. These agreements usually stipulate considerations upon signing the agreement and subsequent considerations based on milestone fulfilment. As indicated in note 2.23 of the accompanying notes to the consolidated accounts, the Group takes into account the following matters when analysing licence, development and marketing agreements: • Identification of the performance obligations. • Determination of the transaction price, which is understood to be the value of the agreement entered into by the parties. • Allocation of the transaction price to the performance obligations. • Estimation of when the obligations are deemed to be fulfilled and therefore the consideration received accrues and is subsequently recognised. For the purposes of the 2020 consolidated annual accounts, these considerations are particularly relevant in relation to the recognition of the agreement between the Group and Jazz Pharmaceuticals Ireland Limited, for which revenue of €135,655 thousand was recognized, together with deferred income of €133,708 thousand at the year end, as detailed in notes 27 and 21, respectively. The analysis of the agreement in order to determine the revenue to be recognized and the timing is complex and entails the need for significant judgements and estimates that have material impacts on the consolidated annual accounts, so this is a key audit matter.	In order to assess the recognition of revenue by the Group in relation to this agreement, we have held meetings with the heads of the departments involved in the negotiations in order to understand the interpretation of the agreement signed, the economic substance of the transaction and the parties' expectations in relation to the performance obligations. For revenue recognized in the 2020 consolidated annual accounts, we verified the performance obligations identified and the associated price in each case, by analyzing the original agreement. We also checked whether the revenue recognized in 2020 corresponds to obligations fulfilled during the period and whether there could be other obligations fulfilled but not recognized. We assessed whether the information disclosed in the notes to the consolidated accounts is sufficient to understand the transaction and the assumptions made by the Group when interpreting the agreement. Following these procedures, we consider the judgements and estimates made by the Group when analyzing the agreement with Jazz Pharmaceuticals Ireland Limited to be appropriate.

Other information: Consolidated management report

Other information comprises only the consolidated management report for the 2020 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

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

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

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

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2020 financial year, and its content and presentation are in accordance with applicable regulations.

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

The Parent company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with International Financial Reporting Standards as adopted by the European Union and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pharma Mar, S.A. and subsidiaries

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Pharma Mar, S.A. and its subsidiaries for the 2020 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Pharma Mar, S.A. are responsible for presenting the annual financial report for the 2020 financial year in accordance with the formatting and mark up requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report has been incorporated by reference in the consolidated management report.

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

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

Report to the Parent company´s audit committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent company's audit committee dated February 26, 2021.

Appointment period

The General Ordinary Shareholders' Meeting held on June 18, 2020 appointed us as auditors of the Group for a period of 1 year, as from the year ended December 31, 2020.

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

Services provided

Services provided to the Group for services other than the audit of the accounts are disclosed in note 41 of the notes to the consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L. (S0242)

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

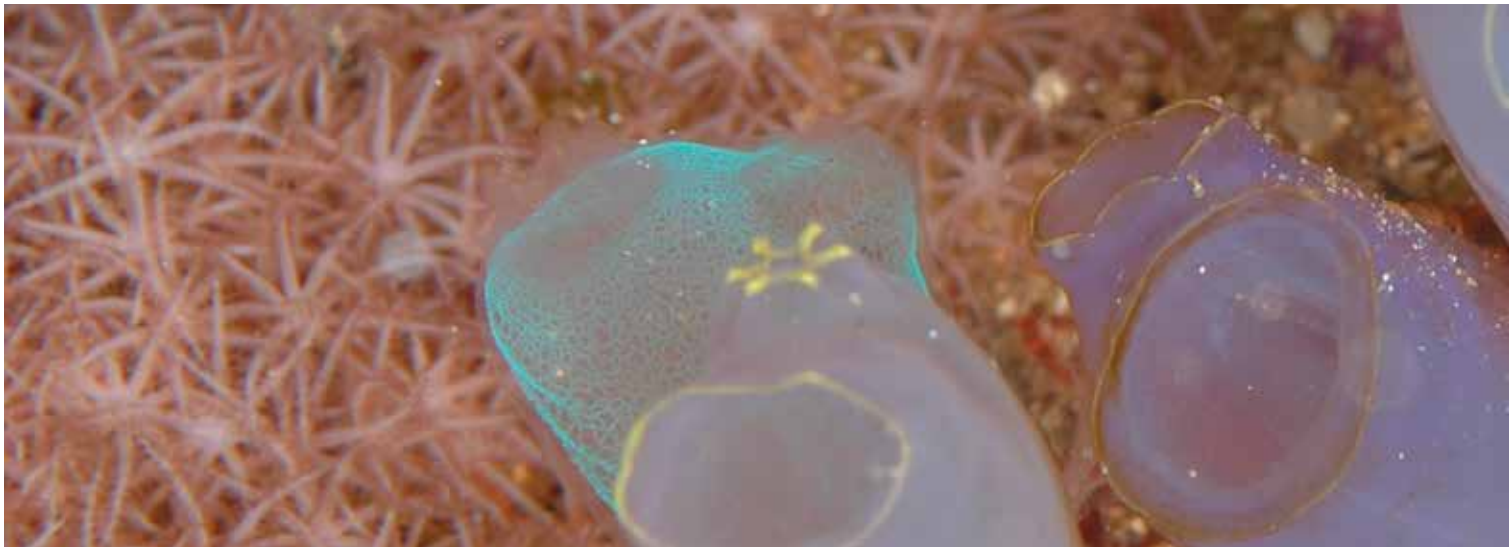
26 February 2021

CONSOLIDATED FINANCIAL STATEMENTS OF PHARMA MAR, S.A. AND SUBSIDIARIES

as of 31 December 2020

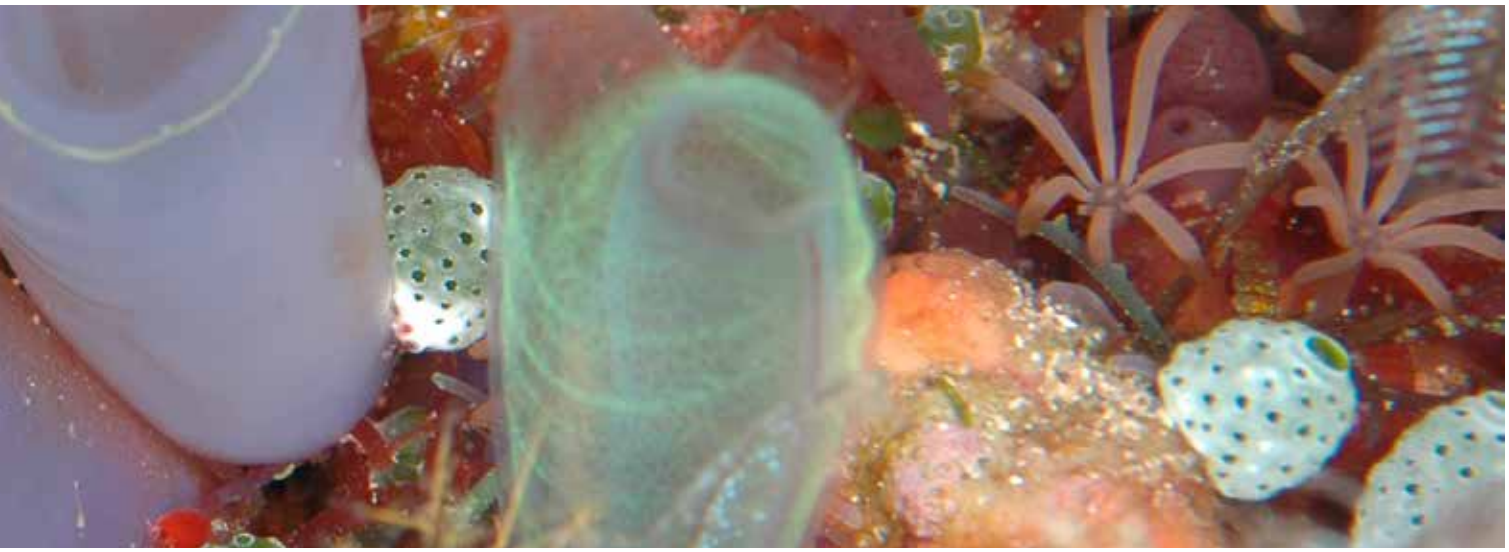
CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31-12-20	31-12-19
ASSETS			
Non-current assets			
Property, plant and equipment	6	21,947	22,452
Investment property	7	845	845
Intangible assets	8	3,860	6,074
Right-of-use assets	9	3,552	3,345
Financial assets at amortized cost	10	20,988	1,029
Deferred tax assets	24	33,416	40,984
		84,608	**74,729**
Current assets			
Inventories	15	11,933	8,902
Trade receivables	13	24,054	11,530
Financial assets at amortized cost	10	99,306	3,257
Other assets	14	14,148	8,649
Cash and cash equivalents	16	96,210	17,638
		245,651	**49,976**
TOTAL ASSETS		**330,259**	**124,705**

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



CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31-12-20	31-12-19
EQUITY			
Share capital	17	11,013	11,132
Share premium account	17	71,278	71,278
Own shares	17	(21,453)	(1,499)
Revaluation reserves and other reserves		14	15
Retained earnings and other reserves		41,870	(69,552)
Total capital and reserves attributable to equity-holders of the controlling company		**102,722**	**11,374**
Non-controlling interests	19	**-**	**(3,918)**
TOTAL EQUITY		**102,722**	**7,456**
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	23	37,732	53,063
Lease liabilities	9	2,150	1,719
Deferred revenues	21	92,560	1,851
Other liabilities		176	177
		132,618	**56,810**
Current liabilities			
Supplier and other accounts payable	20	23,220	19,332
Interest-bearing debt	23	15,313	29,655
Lease liabilities	9	1,470	1,678
Provisions for other liabilities and expenses	26	6,411	5,734
Deferred revenues	21	43,603	1,465
Other liabilities	22	4,902	2,575
		94,919	**60,439**
TOTAL LIABILITIES		**227,537**	**117,249**
TOTAL EQUITY AND LIABILITIES		**330,259**	**124,705**

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



CONSOLIDATED INCOME STATEMENT (thousand euro)	Note	31-12-20	31-12-19
Revenues from contracts with customers:			
Product sales	4 & 27	113,739	78,529
Licensing and development agreements	4 & 27	140,289	3,950
Royalties	4 & 27	15,661	3,102
Services provided		272	238
		269,961	**85,819**
Cost of goods sold	5	(13,718)	(5,228)
Gross income		**256,243**	**80,591**
Marketing expenses	30	(22,257)	(23,936)
Administrative expenses	29	(13,515)	(13,881)
R&D expenses	28	(53,792)	(50,642)
Net impairment of financial assets	3 & 13	(267)	(11)
Other operating expenses	29	(11,576)	(10,573)
Other gains/(losses), net	31	1,108	966
Operating profit		**155,944**	**(17,486)**
Financial expenses		(15,376)	(4,371)
Financial revenues		5,038	203
Net financial income	**34**	**(10,338)**	**(4,168)**
Income before taxes		**145,606**	**(21,654)**
Income tax		(8,344)	12,474
Income from continuing operations		**137,262**	**(9,180)**
Discontinued operations			
Income from discontinued operations	**25**	**-**	**(2,217)**
Attributable to equity-holders of the controlling company		-	(2,217)
Income for the year		**137,262**	**(11,397)**
Attributable to:			
Equity-holders of the controlling company		137,262	(11,379)
Non-controlling interests		-	(18)

Euro per share	Note	31-12-20	31-12-19
Basic profit/(loss) per share			
- Attributable to equity holders of the controlling company		7.50	(0.05)
- From continuing operations	35	7.50	(0.04)
- From discontinued operations		-	(0.01)
Diluted profit/(loss) per share			
- Attributable to equity holders of the controlling company		7.49	(0.05)
- From continuing operations	35	7.49	(0.04)
- From discontinued operations		-	(0.01)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (thousand euro)	31-12-20	31-12-19
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**137,262**	**(11,397)**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
Value change in financial assets at fair value through other comprehensive income	(1)	3
Foreign exchange difference	6	28
Other comprehensive income for the year, net of taxes	**5**	**31**
Comprehensive income for the year	**137,267**	**(11,366)**
Attributable to:		
Equity-holders of the controlling company	137,267	(11,348)
Non-controlling interests	-	(18)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**137,267**	**(11,366)**

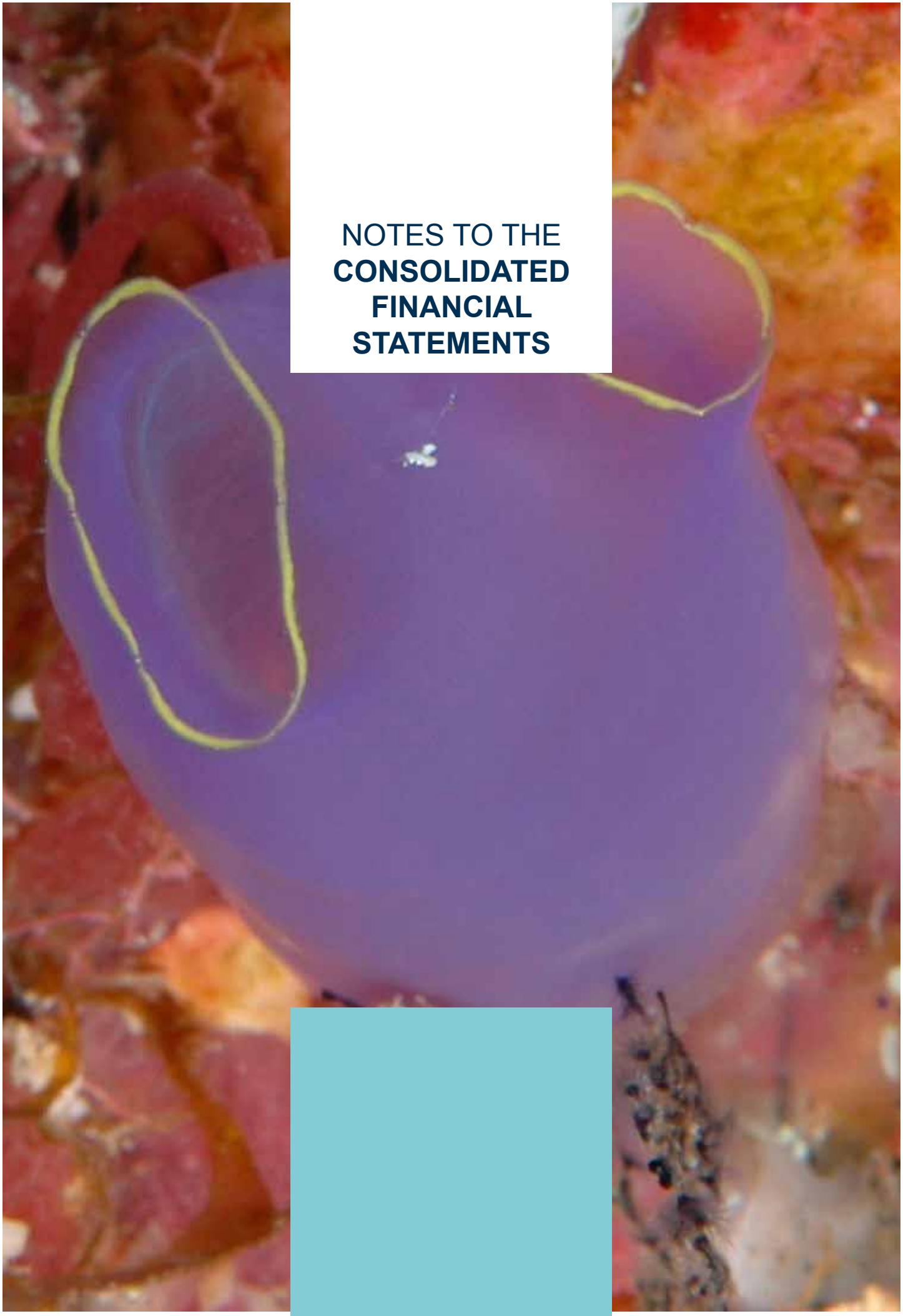
The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (thousand euro)	Share capital	Share premium account	Own shares	Revaluation reserve and other reserves	Reserves and other retained earnings	Non-controlling interests	Total equity
Balance as of 1 January 2019	**11,132**	**71,278**	**(2,243)**	**12**	**(58,806)**	**(3,900)**	**17,473**
Fair value gain / (loss), gross:							
- Financial assets at fair value through other comprehensive income (note 12)	-	-	-	3	-	-	3
- Other revenues and expenses recognized directly in equity	-	-	-	-	28	-	28
Other comprehensive income	**-**	**-**	**-**	**3**	**28**	**-**	**31**
2019 income	-	-	-	-	(11,379)	(18)	(11,397)
Comprehensive income for the year	**-**	**-**	**-**	**3**	**(11,351)**	**(18)**	**(11,366)**
Shares purchased (Note 17)	-	-	(7,467)	-	-	-	(7,467)
Shares sold (Note 17)	-	-	7,904	-	596	-	8,500
Value of employee services — Employee share ownership plan (Note 37)	-	-	307	-	23	-	330
Other movements	-	-	-	-	(14)	-	(14)
Balance as of 31 December 2019	**11,132**	**71,278**	**(1,499)**	**15**	**(69,552)**	**(3,918)**	**7,456**
Balance as of 1 January 2020	**11,132**	**71,278**	**(1,499)**	**15**	**(69,552)**	**(3,918)**	**7,456**
Fair value gain / (loss), gross:							
- Financial assets at fair value through other comprehensive income (Note 12)	-	-	-	(1)	-	-	(1)
- Other revenues and expenses recognized directly in equity	-	-	-	-	6	-	6
Other comprehensive income	**-**	**-**	**-**	**(1)**	**6**	**-**	**5**
2020 income	-	-	-	-	137,262	-	137,262
Comprehensive income for the year	**-**	**-**	**-**	**(1)**	**137,268**	**-**	**137,267**
Shares purchased (Note 17)	-	-	(63,773)	-	-	-	(63,773)
Shares sold (Note 17)	-	-	24,842	-	5,429	-	30,271
Value of employee services — Employee share ownership plan (Note 37)	-	-	528	-	(160)	-	368
Dividend payments (Note 18)	-	-	-	-	(8,819)	-	(8,819)
Change of non-controlling interest in dependent companies (Note 19)	-	-	-	-	(3,918)	3,918	-
Capital reduction (Note 17)	(119)	-	18,449	-	(18,380)	-	(50)
Other movements	-	-	-	-	2	-	2
Balance as of 31 December 2020	**11,013**	**71,278**	**(21,453)**	**14**	**41,870**	**-**	**102,722**

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

CONSOLIDATED CASH FLOW STATEMENT (thousand euro)	Note	31-12-20	31-12-19
Income before taxes:		**145,606**	**(23,322)**
Adjustments for:		**17,833**	**14,981**
Amortization	6, 8 & 9	7,211	8,034
Impairment of accounts receivable		16	28
Fixed asset impairment	6 & 8	368	(81)
Financial revenues	34	(336)	(35)
Financial expenses	34	3,124	3,753
Income from sale of fixed assets		31	4
Share-based payments		274	265
Deferred revenues - subsidies		(405)	(285)
(Gain)/Loss on sale of subsidiary	25	-	3,269
Exchange differences		7,550	-
Other adjustments to income		-	29
Changes in working capital		**127,941**	**(13,582)**
Inventories	15	(3,031)	(2,418)
Customer and other receivables	13	(12,630)	(16,521)
Other assets and liabilities		5,694	(2,147)
Supplier and other accounts payable	20	4,654	5,499
Deferred and accrued items	21	133,254	2,005
Other operating cash flows:		**(12,438)**	**(2,286)**
Interest paid	34	(3,124)	(2,321)
Interest received	34	336	35
Income tax received/(paid)	14	(9,650)	-
TOTAL NET OPERATING CASH FLOW		**278,942**	**(24,209)**
Investment payments:		**(119,009)**	**(3,981)**
Property, plant and equipment, intangible assets and investment property	6 & 7	(3,002)	(3,962)
Other financial assets		(116,007)	(19)
Divestment receipts:		**-**	**36,049**
Group and associated undertakings and business units	25	-	33,386
Property, plant and equipment, intangible assets and investment property	6 & 7	-	26
Other assets		-	2,637
TOTAL NET INVESTING CASH FLOW		**(119,009)**	**32,068**
Receipts and (payments) in connection with equity instruments:		**(33,462)**	**1,083**
Issuance of equity instruments	17	-	(14)
Cancellation	17	(120)	-
Acquisition	17	(63,708)	(7,467)
Disposal	17	30,366	8,564
Receipts and (payments) in connection with financial liabilities:		**(31,539)**	**(14,049)**
Loans received	23	834	4,792
Loans repaid	23	(32,373)	(18,841)
Payment of dividends and remuneration on other equity instruments		**(8,819)**	**-**
TOTAL NET FINANCING CASH FLOW		**(73,820)**	**(12,966)**
EFFECT OF EXCHANGE RATE FLUCTUATIONS		**(7,541)**	**-**
TOTAL NET CASH FLOW FOR THE YEAR		**78,572**	**(5,107)**
Beginning balance of cash and cash equivalents	16	17,638	22,745
ENDING BALANCE OF CASH AND CASH EQUIVALENTS		**96,210**	**17,638**

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



NOTES TO THE **CONSOLIDATED FINANCIAL STATEMENTS**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS OF PHARMA MAR, S.A. AND SUBSIDIARIES

as of 31 December 2020
(thousand euro)

1 / GENERAL INFORMATION

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

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

Until June 2019, the Group had a business line focused on chemical products for consumers, which it has disinvested in the last two years.

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

Yondelis® (trabectedin)

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

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

On 28 September 2015, Taiho, a company with which Pharma Mar had previously signed an agreement to develop and commercialize Yondelis® in Japan, received authorization from Japan's Ministry of Health, Labor and Welfare to commercialize Yondelis® in Japan for the treatment of soft tissue sarcoma. On 23 October 2015, Janssen, Pharma Mar's partner for the development and commercialization of Yondelis® in the US, obtained authorization from the FDA to commercialize Yondelis® in the US for the treatment of certain soft tissue sarcoma types.

Aplidin® (plitidepsin)

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

In December 2017, the Company received a negative opinion from the European Medicines Agency's CHMP (Committee for Medical Products for Human Use) with regard to the application for approval to market Aplidin® in Europe for treating multiple myeloma. The Company brought an action against the European Commission before the General Court of the European Union requesting annulment of the decision. In October 2020, the Court upheld Pharma Mar's claim and annulled the Commission's decision. As a result, the European Commission has urged the European Medicines Agency to reexamine the procedure.

Zepzelca™ (lurbinectedin)

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

As a result of that approval, Jazz Pharmaceuticals Ireland Limited (hereinafter "Jazz Pharmaceuticals"), with which Pharma Mar had entered into an exclusive licensing agreement in December 2019 for marketing anti-tumor compound Zepzelca™ in the US to treat relapsed small cell lung cancer, commenced marketing the compound in that territory. Pursuant to the agreement and as a result of the accelerated approval, Pharma Mar received a non-refundable payment of USD100 million (€88.5 million) in June 2020, in addition to the USD200 million (€181 million) upfront payment it had received in January 2020 for signing the licensing agreement. Pharma Mar may receive additional payments of up to USD150 million if the FDA grants full approval of Lurbinectedin within the specified time frames. Additionally, Pharma Mar may collect up to USD 550 million for achieving sales targets, as well as royalties on net sales of lurbinectedin.

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

As of 31 December 2020, Pharma Mar continued to develop its other products.

The COVID-19 pandemic had the following effects on the Group's activities:

- Oncology segment: During 2020, the Oncology segment commenced the APLICOV-PC clinical trial with Aplidin® for treating COVID-19 patients, whose goal is to assess the efficacy and safety of plitidepsin in COVID-19 patients requiring hospitalization. Approximately €5 million were expended in 2020 up to conclusion of the Phase II clinical trial. As of the date of this report, that trial has concluded successfully, having attained its primary and secondary endpoints; consequently, a Phase III clinical trial is currently starting up.

- Diagnostics segment: In March, Genómica, S.A.U. developed its own PCR kits for fast diagnostics of IgM and IgG antibodies to COVID-19 and signed a distribution agreement. As a result, this segment booked €13.0 million in revenues, a 137% increase year-on-year.

As of the date of authorization of these financial statements, COVID-19 has not had a material impact on the measurement of assets and liabilities. Likewise, there was no adverse impact on the Company's revenues, which increased significantly in the year.

The directors and managers of the Group monitor the situation constantly in order to anticipate any financial or non-financial impacts that might arise. Each of the notes to financial statements details the potential impact of COVID-19.

Consolidation scope

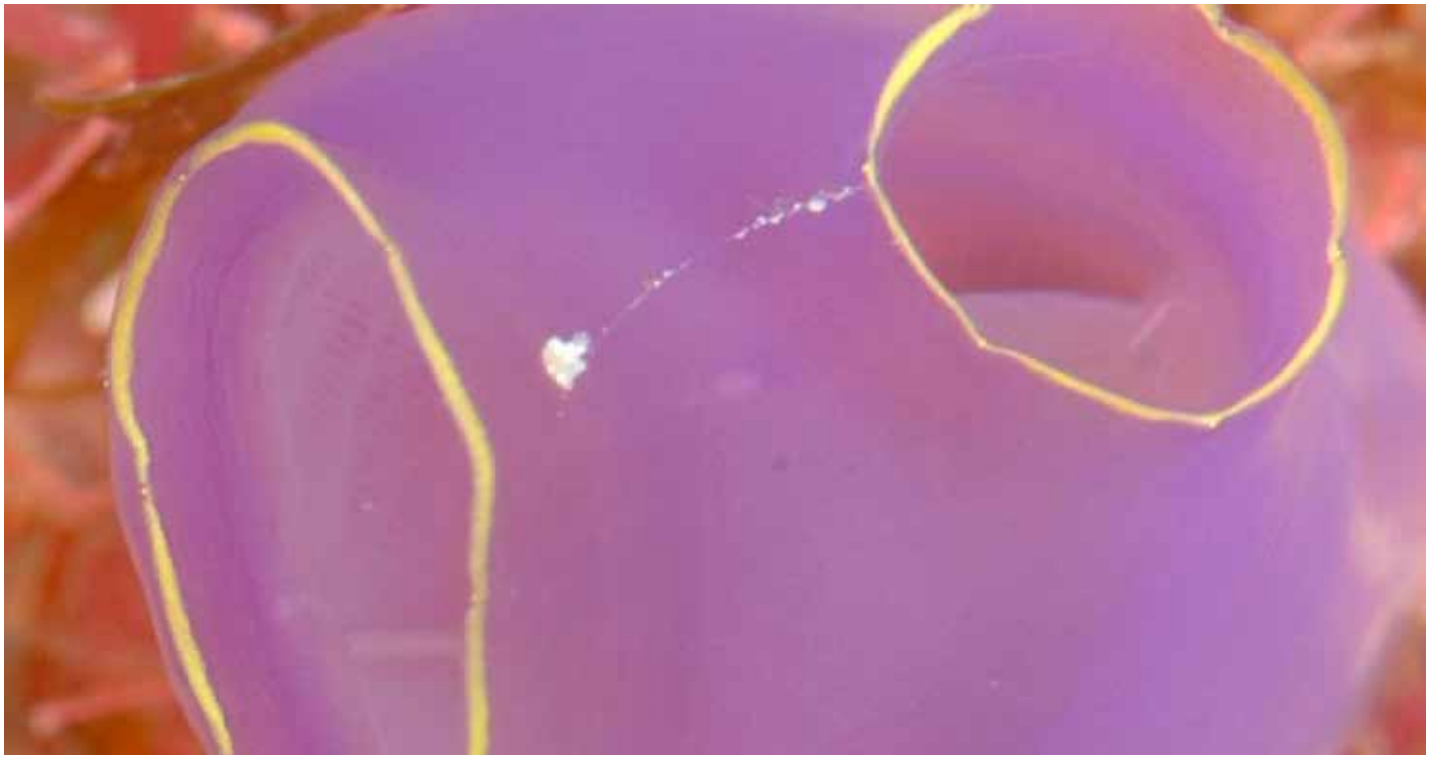
For the purposes of drafting these financial statements, a group is considered to exist when a controlling company has one or more subsidiaries over which it has control, directly or indirectly.

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

On 26 May 2019, the company's Board of Directors approved the signature of an agreement for the sale of 100% of Zelnova Zeltia S.A. to the companies Allentia Invest, S.L. and Safoles, S.A. (together, the "Buyer"), which are owned directly and indirectly by, among others, Mr. Pedro Fernández Puentes, a director of Pharma Mar, and parties related to him. The Board of Directors resolved to submit this transaction to the Shareholders' Meeting for authorization. Once the shareholders had authorized the transaction, the sale was completed on 28 June 2019. The total consideration received from the Buyer was €33,417 thousand, paid in cash upon completion.

Under IFRS 5 "Non-current assets classified as held for sale and discontinued operations", Zelnova Zeltia, S.A. was classified under discontinued operations. As a result, the 2019 consolidated financial statements presented Zelnova Zeltia, S.A., which was sold in June 2019, under discontinued operations.

The company Genómica Brasil Consultoria e Intermediaçao Ltda was liquidated in October 2019.



The list of the consolidated Group's subsidiaries as of 31 December 2020 is as follows:

Name	Registered offices	Stake		
		Direct	Indirect	Total
Pharma Mar USA INC	195 Montague St, Suite 1023, NY 11201	100.00%	-	100.00%
PharmaMar AG	Seschenvorstadt, 71 - Basle - Switzerland	100.00%	-	100.00%
Pharma Mar Sarl	6 Rue de l´Est – 92 100 Boulogne Billancourt, Paris, France	100.00%	-	100.00%
Pharma Mar GmbH	Uhlandstraße 14 - 10623 Berlin - Germany	100.00%	-	100.00%
Pharma Mar Srl	Via Lombardia 2/A C/O Innov. Campus 20068, Peschiera Borromeo, Milan - Italy	100.00%	-	100.00%
Pharma Mar, Ltd (**)	110 Cannon Street, London EC4N 6EU	100.00%	-	100.00%
Pharma Mar, Srl (Belgium)	Avenue du Port 86C, boite 204, 1000 Brussels, Belgium	100.00%	-	100.00%
Pharma Mar Ges.m.b.H	Mooslackengasse 17, 1190 Vienna, Austria	100.00%	-	100.00%
Genómica, S.A.U.	Via de los Poblados, 1, Edif. B, Parq. Emp. Alvento, Madrid, Spain	100.00%	-	100.00%
Genómica, A.B. (*)	Ideon Science Park, Scheelevägen 17, Lund, Sweden	-	100.00%	100.00%
Genómica (Wuhan) Trading Co.Ltd. (*)	No.401-421 (Wuhan Free Trade Area) 4/F, Office Building A, No.777, Guanggu 3 Road, Wuhan East Lake High-tech Development Zone	-	100.00%	100.00%
Sylentis , S.A.U.	Pza. del Descubridor Diego de Ordás 3, Madrid, Spain	100.00%	-	100.00%

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

(**) In liquidation.

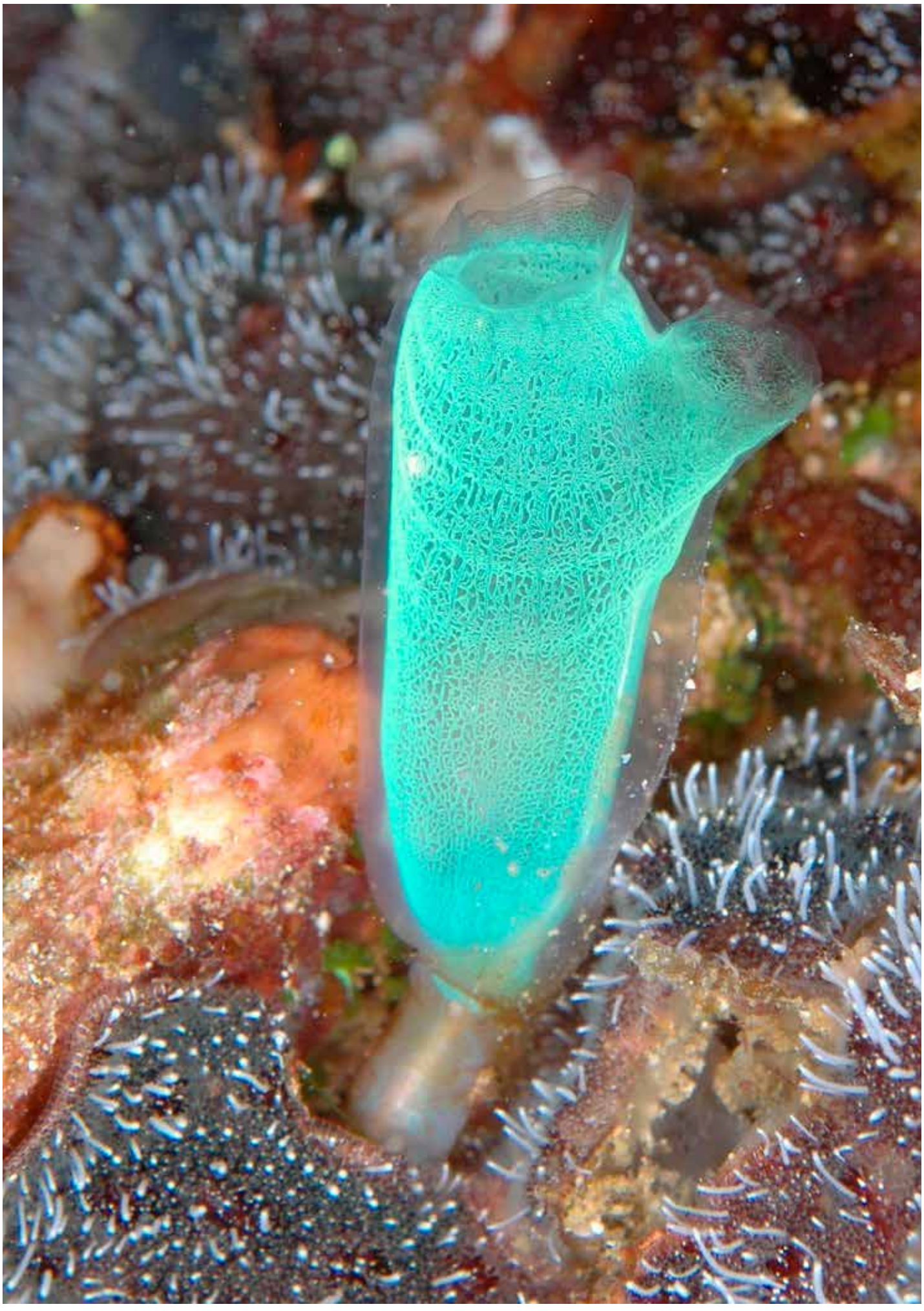
Below is a list of the Group's subsidiaries and the firms that audited their 2020 financial statements:

Name and domicile	Statutory audit
Pharma Mar USA INC	Walter & Shufain, PC
PharmaMar AG	PwC
Pharma Mar Sarl	PwC
Pharma Mar GmbH	No
Pharma Mar Srl	PwC
Pharma Mar, Ltd	No
Pharma Mar, Srl (Belgium)	PwC
Pharma Mar Ges.m.b.H	No
Genómica, S.A.U.	KPMG
Genómica, A.B.	KPMG
Genómica Trading Co.Ltd.	Grant Thornton
Sylentis, S.A.U.	KPMG

Description of subsidiaries

The principal activity of the Group companies, all of which were fully consolidated as of 31 December 2020 and 2019, is as follows:

- Pharma Mar USA: Business development in the US.
- PharmaMar AG: Marketing pharmaceutical products in the Swiss market.
- Pharma Mar SARL: Marketing pharmaceutical products in the French market.
- Pharma Mar GmbH: Marketing pharmaceutical products in the German market.
- Pharma Mar S.r.L.: Marketing pharmaceutical products in the Italian market.
- Pharma Mar S.R.L. Belgium: Marketing pharmaceutical products in the Belgian market.
- Pharma Mar Ltd. (UK): Marketing pharmaceutical products in the UK market. Liquidation of this company commenced in 2018 and was ongoing as of 31 December 2020.
- Pharma Mar Ges.m.b.H AT (Austria): It is primarily engaged in marketing pharmaceutical products in the Austrian market.
- Genómica, S.A.U. (Genómica): Development and marketing of diagnostic applications and related services.
- Genómica, A.B.: Marketing diagnostic applications and related services in the Scandinavian market.
- Genómica Trading Co., Ltd. (China).: Wholesale trade, import and export of Class III and Class I medical devices, R&D and sales of Class III IVD reagents; commission agency (excluding auctions) and supply of related support services.
- Sylentis, S.A.U. (Sylentis): Research, development, production and sale of products with therapeutic activity based on reducing or silencing gene expression, and pharmaceutical derivatives of same in a range of formulations and applied in various ways to all types of diseases; it does not yet have any products on the market.
- Noscira, S.A. (Liquidated in November 2020). On 18 December 2012, the Shareholders' Meeting of Noscira resolved to dissolve the company and commence the period of liquidation of same, since the company had an equity imbalance and was in one of the situations of dissolution established by article 363.1.e) of the Capital Companies Act as its net equity had declined to less than one-half of its capital stock.
- Zelnova Zeltia, S.A.: Zelnova Zeltia was sold and deconsolidated in June 2019. Its object consisted of the manufacture and marketing of domestic and industrial insecticides and air fresheners.
- Copyr, S.p.A.: Copyr S.p.A., which was wholly owned by Zelnova Zeltia, S.A., was sold and deconsolidated in June 2019. Its object consisted of the manufacture and sale of automatic aerosol dispensers. It also operated in the market for products for ecological farming.



2 / ACCOUNTING POLICIES

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

2.1 / Basis of presentation

These consolidated financial statements for 2020 and those for 2019 presented for comparison were prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, by virtue of which all companies governed by the law of a Member State of the European Union and whose shares are listed on a regulated market of a Member State must prepare their consolidated accounts, for annual periods beginning on or after 1 January 2005, in accordance with the IFRS adopted by the European Union.

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

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

The accounting policies applied in preparing the consolidated financial statements as of 31 December 2020 are consistent with those used to prepare the consolidated financial statements for the year ended 31 December 2019. The material estimates made in the 2020 financial statements are also consistent with those made in the 2019 financial statements.

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

2.2 / Standards, amendments and interpretations that are obligatory for all annual periods beginning on or after 1 January 2020

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

- IAS 1 (Amendment) and IAS 8 (Amendment) "Definition of material: These amendments clarify the definition of "material" by introducing the concept of "obscuring" information in addition to omitting and misstating information such that it might influence users' decisions. These amendments make IFRS more consistent, but are not expected to have a significant impact on the preparation of financial statements.

- Amendments to References to the Conceptual Framework in IFRS Standards: The IASB has issued a revised conceptual framework to be used in developing accounting standards. Although no changes are made to any of the existing accounting standards, undertakings that rely on the conceptual framework to determine their accounting policies for transactions, events or conditions that fall outside the scope of the issued accounting standards will be required to apply the revised conceptual framework from 1 January 2020.

- IFRS 16 (Amendment) "COVID-19 related rent reductions": The IASB issued an amendment to IFRS 16 "Leases" that provides an optional practical expedient for lessees in assessing whether a rent concession related to COVID-19 is a lease modification. Lessees may elect to account for such lease concessions in the same way as they would

if they were not lease modifications. In many cases, this will result in the concession being accounted for as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment does not provide the same facility for lessors, who must conform to the current requirements of IFRS 16 and consider whether or not there has been an amendment to the pertinent lease.

For the purposes of the EU-IFRS, the amendments must be applied retrospectively and no later than 1 June 2020 for annual periods beginning on or after 1 January 2020. The Group assessed the foregoing standards and concluded that they do not have a material impact on the financial statements.

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

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

- IFRS 10 (Amendment)
- IAS 28 (Amendment) “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture”
- IFRS 3 (Amendment) “Reference to the Conceptual Framework”
- IAS 1 (Amendment) “Classification of Liabilities as Current or Non-Current”
- IAS 16 (Amendment) “Property, Plant and Equipment — Proceeds before Intended Use”
- IAS 37 (Amendment) “Onerous Contracts— Cost of Fulfilling a Contract
- IFRS Annual Improvements Cycle 2018 – 2020

2.4 / Consolidation principles

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

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

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

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

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

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

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

The excess of the consideration transferred, the amount of any non-controlling interest in the

acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree with respect to the fair value of the identifiable net assets acquired is recognized as goodwill. If the total of the consideration transferred, the recognized non-controlling interest and previously-held equity interest is lower than the fair value of the net assets of a subsidiary acquired in very advantageous conditions, the difference is recognized directly in profit or loss.

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

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

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

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

2.4.1 / Transactions with non-controlling interests

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

2.5 / Segment reporting

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

2.6 / Foreign currency transactions

2.6.1 / Functional and presentation currency

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

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

Regarding PharmaMar AG, the Swiss subsidiary, Pharma Mar Ltd, the UK subsidiary, and Genómica, AB, the Swedish subsidiary, their functional currencies in 2020 and 2019 were the Swiss franc, the pound sterling and the Swedish krona, respectively, as their sales are in local currency. Also, the two subsidiaries of Genómica in Brazil and China operated with reais and yuan, respectively, as their functional currency during 2020. The impact of translation to euro is not material given the small volume which their transactions represent with respect to the Group.

2.6.2 / Transactions and balances

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

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

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was

determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities, such as equities held at fair value through profit or loss, are recognized in profit or loss as part of the fair value gain or loss, and translation differences on non-monetary assets such as equity securities classified as financial assets at fair value through other comprehensive income are recognized in other comprehensive income.

2.6.3 / Group undertakings

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

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

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

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

2.7 / Property, plant and equipment

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

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

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

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

Assets	YEARS OF USEFUL LIFE
Structures	17-50
Machinery and installations	5-10
Tools and equipment	3-10
Furniture and fixtures	3-10
Vehicles	4-7
Computer hardware	4-7
Other assets	7-15

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

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

2.8 / Investment property

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

2.9 / Intangible assets

2.9.1 / Research & Development expenses

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

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

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

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

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

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

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

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

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

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

2.9.2 / Trademarks and licenses

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

2.9.2.1 / Computer programs

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

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

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

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

2.10 / Impairment losses on non-financial assets

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

2.11 / Leases

The Group adopted IFRS 16 retroactively as of 1 January 2019 but did not restate the comparative figures for the previous period, as allowed by the transitional arrangements under the standard.

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

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

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

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

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

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

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case in the Group's leases, the lessee's incremental borrowing rate is used, i.e. the rate that the individual lessee would have to pay to borrow the funds required to acquire an asset of similar value to the right-of-use asset in a similar economic environment in similar terms, guarantees and conditions.

To determine the incremental borrowing rate, the Group calculates its risk premium each year and applies the following indices for each functional currency:

- EUR: EURIBOR
- USD: LIBOR
- SEK: STIBOR

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

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in

the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is re-measured and adjusted against the right-of-use asset.

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

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

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

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

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

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

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

termination option were advantageous in relation to market prices.

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

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

2.11.1 / Impact on segment disclosures

EBITDA, assets and liabilities of the segments as of 31 December 2019 increased as a result of application of the new standard (See Note 9).

2.11.2 / Extension and termination options

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

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

2.12 / Investments and other financial assets

2.12.1 / Classification

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

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

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

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

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

2.12.1.1 / Recognition and derecognition

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

2.12.1.2 / Measurement

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

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

a. Debt instruments

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

- Amortized cost: Assets held for the collection of contractual cash flows, when those cash flows represent only payments of principal and interest, are measured at amortized cost. Interest revenues from these financial assets are recognized under financial revenues according to the effective interest rate method. Any gain or loss that arises on derecognition is recognized directly in profit or loss along with gains and losses from exchange differences. Impairment is recognized separately in the income statement.

- Fair value through other comprehensive income: Assets held for the collection of contractual cash flows and financial assets held for sale, when the cash flows from the assets represent only payments of principal and interest, are measured at fair value with changes through other comprehensive income. Changes in the carrying amount are recognized in other comprehensive income, except for the recognition of impairment gains or losses, ordinary interest revenues, and gains or losses from exchange differences, which are recognized in profit or loss. When the financial asset is derecognized, the

accumulated gain or loss recognized previously in other comprehensive income is reclassified from equity to profit or loss. Interest revenues from these financial assets are recognized under financial revenues according to the effective interest rate method. Exchange gains and losses are presented in other gains and losses and the impairment expense is presented as a separate item in the income statement.

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

b. Equity instruments

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

2.12.2 / Impairment

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

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

2.12.3 / Derivatives and hedging

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

- fair value hedges of recognized assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows from recognized assets and liabilities and highly likely planned transactions (cash flow hedges), or
- hedges of net investment in a foreign operation (net investment hedges).

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

2.13 / Inventories

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

Cost is determined as follows:

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

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

2.14 / Trade receivables

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

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

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

2.15 / Cash and cash equivalents

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

2.16 / Share capital and distribution of dividends

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

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

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

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

2.17 / Government grants

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

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

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

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

2.18 / Trade and other accounts payable

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

2.19 / Interest-bearing debt

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

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

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

2.20 / Current and deferred taxes

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

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

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

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

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

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

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

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

2.21 / Employee benefits

2.21.1 / Share-based payments

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

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

2.21.2 / Termination indemnities

Termination indemnities are paid to employees as a result of the Group's decision to terminate the employment contract before the normal retirement age or when the employee agrees to resign voluntarily in exchange for those benefits. The Group recognizes these benefits on the following date, whichever is earlier: (a) when the Group can no longer withdraw the offer of such indemnities, or (b) when the undertaking recognizes the costs of a restructuring in the scope of IAS 37 and it entails the payment

of termination indemnities. When an offer to encourage voluntary termination by employees is made, termination indemnities are measured on the basis of the number of employees expected to accept the offer. Benefits that are not to be paid in the twelve months following the balance sheet date are discounted to their present value.

2.22 / Provisions

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

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

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

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

2.23 / Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or to be received, net of value-added tax, returns and discounts, after eliminating sales between Group undertakings.

The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2.23.1 / Sales of products

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

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

2.23.2 / Sale of medical supplies for clinical diagnosis

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

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

2.23.3 / Licensing, co-development and other similar agreements

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

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

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

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

or where what is being transferred is a right of access).

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

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

In the marketing phase, they include:

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

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

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

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

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

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

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

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

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

2.23.4 / Variable consideration

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

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

There are also royalties; these items are recognized when it is highly likely that the recognized revenues will not have to be adjusted in the future. Royalties are based on the partner's actual sales, considering also that the intellectual property license is the principal item to which the royalty refers.

2.23.5 / Financial component of costumer advances

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

Based on the nature of the services offered and the terms of collection, the Group has determined that, in the case of license contracts that require customers to pay advances that in some cases may be long-term, the terms of collection were structured mainly for reasons other than the

obtainment of finance for the Group since the financial structure of the Group is stable. These advance receipts are common practice in the biopharmaceutical industry.

2.23.6 / Services

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

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

2.24 / Discontinued operations

A discontinued operation is a component of the undertaking that has been disposed of or classified as held-for-sale, and represents a line of business or a geographical area of operations that is material and separate from the rest, is part of an individual coordinated plan to dispose of such line of business or operational area, or is a subsidiary acquired exclusively for the purpose of resale. The results of discontinued operations are presented separately in the income statement.

When an operation is classified as discontinued, the comparative consolidated profit and loss account and the comparative consolidated statement of cash flows are restated as if the operation had been discontinued since the beginning of the comparison year.

3 / FINANCIAL RISK MANAGEMENT

3.1 / Financial risk

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

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

3.2 / Market risk

3.2.1 / Exchange rate risk

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

The Oncology segment engages in material transactions in foreign currencies.

Mainly, they relate to licensing and development agreements in US dollars amounting to €154,638 thousand in 2020 and €9,482 thousand in 2019. Group management did not consider it necessary to establish a hedging policy in 2020 and 2019.

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

If, as of 31 December 2020, the euro had appreciated by 5% with respect to the US dollar while all other variables remained constant, income after taxes for the year would have been lower by €5,274 thousand (€68 thousand in 2019), mainly as a result of translation into euro of trade and other receivables and debt denominated in US dollars. If, as of 31 December 2020, the euro had depreciated by 5% with respect to the US dollar while all other variables remained constant, income after taxes for the year would have been higher by €5,538 thousand (€71 thousand in 2019).

3.2.2 / Interest rate risk on cash flows and fair values

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

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

With respect to financial liabilities, as of 31 December 2020, interest rate risk was basically due to the Group's bank debt, of which approximately 73.5% (59% as of 31 December 2019) was at floating rates indexed to Euribor. As of 31 December 2020, bank debt amounted to €13,848 thousand (€39,658 thousand as of 31 December 2019).

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

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

If, as of 31 December 2020, the interest rates on the interest-bearing debt and remunerated assets at variable interest rates had been 100 basis points higher while all other variables remained constant, profit after tax would have been €842 thousand higher (€187 thousand in 2019).

3.2.3 / Price risk

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

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

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

3.3 / Credit risk

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

3.3.1 / Risk management

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

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

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

- Fixed-income funds that invest in sovereign or private-sector debt (bonds, bills, commercial paper), generally secured, which pay periodic coupons.
- Money market funds comprising fixed-income securities, where security is given priority in exchange for a slightly lower yield than other investments.

The credit quality of the financial assets and of customers with which the Group had balances as of 31 December 2020 and 2019 is set out in Note 11. The composition of the Group's financial assets is set out in Notes 12 and 13.

Regarding credit risk concentration, as of 31 December 2020, the Group had government bonds and bank products and balances at five credit institutions amounting to €200,824 thousand (€20,606 thousand at five institutions in 2019).

3.3.2 / Impairment losses on financial assets

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

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

3.3.2.1 / Trade receivables

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

To measure expected credit losses, trade accounts receivable are grouped on the basis of the characteristics of shared credit risk and days past due.

To calculate the expected loss on trade accounts receivable, the weighted average maturity of these accounts was calculated together with their nominal amount.

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

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

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

With regard to credit risk with public authorities, management analyzes the credit quality and

recoverability of outstanding balances and generally claims default interest when the average collection period exceeds 365 days (Note 13).

3.3.2.2 / Current financial assets at amortized cost

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

3.4 / Liquidity risk

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

The net cash position, defined as cash and cash equivalents and current financial assets (€195,516 thousand in 2020, €20,895 thousand in 2019) less short-term borrowings (€15,313 thousand in 2020, €29,655 thousand in 2019), was positive in the amount of €180,203 thousand at the end of 2020 (negative in the amount of €8,760 thousand in 2019).

Long-term interest-bearing debt amounted to €37,732 thousand (€53,063 thousand in 2019), of which €17,571 thousand (€21,223 thousand in 2019) was in the form of research and development loans from official bodies which are repayable over 10 years, with a three-year grace period, at zero or below-market interest rates.

The Group generated operating cash flow amounting to €279 million in 2020, whereas in 2019 it generated negative cash flow amounting to €24.2 million.

As indicated in Notes 1 and 27.3, in 2020 the Company collected a number of payments totaling USD 300 million (€269.5 million) in connection with the exclusive licensing agreement signed with Jazz Pharmaceuticals on 19 December 2019 for the commercialization of Zepzelca™ in the United States. They were the upfront payment for signing the licensing agreement, and the milestone payment for obtaining accelerated approval from the FDA for commercialization to treat small cell lung cancer. Pharma Mar also received €12.7 million in royalties from Jazz Pharmaceuticals for sales of Zepzelca™ in the US in 2020.

The following should be noted in connection with the Group's liquidity position as of 2020 year-end:

- The Group ended 2020 with cash and cash equivalents plus current financial assets amounting to €195,516 thousand.
- The Group had non-current financial assets amounting to €20,988 thousand as of 31 December 2020.
- The Group had unused credit lines in the amount €10,679 thousand as of 31 December 2020.
- Working capital is positive in the amount of €150,732 thousand.

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

At least once per year, the Company's finance department presents the directors with a

business plan for the next five years, together with cash flow estimates for the following year, including a range of scenarios for the source and application of funds, based on progress with ongoing research.

The directors estimate that R&D expenditure in 2021 will be similar to 2020 and that the other operating expenses will not increase significantly.

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

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

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

	31-12-19				
FINANCIAL LIABILITIES, BY MATURITY (thousand euro)	**2020**	**2021-2022**	**2023-2025**	**2026 and thereafter**	**Total**
Bank debt and other interest-bearing debt	11,844	15,358	4,441	18,619	**50,262**
Debt to official authorities	5,616	10,337	10,135	4,377	**30,465**
Finance lease liabilities	1,759	1,274	429	127	**3,589**
Suppliers	16,471	-	-	-	**16,471**
Other accounts payable	2,862	-	-	-	**2,862**
TOTAL LIABILITIES	**38,552**	**26,969**	**15,005**	**23,123**	**103,649**

3.4.1 / Capital management

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

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

TOTAL CAPITAL AND LEVERAGE (thousand euro)	**31-12-20**	**31-12-19**
Long-term interest-bearing debt	(37,732)	(53,063)
Short-term interest-bearing debt	(15,313)	(29,655)
Cash and cash equivalents	96,210	17,638
Non-current and current financial assets	120,294	4,286
Equity	(102,722)	(7,456)
TOTAL CAPITAL	**60,737**	**(68,250)**
Leverage	**0.00%**	**89.08%**

In 2020, the increase in cash and financial assets (current and non-current) as a result of Group's good business performance led to a cash position of €216,504 thousand in 2020, which exceeded the amount of debt plus equity, with the result that there was zero leverage in 2020. Leverage was 89% in 2019.

3.4.2 / Fair value estimates

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

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

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

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

The table below presents the Group's assets and liabilities at fair value as of 31 December 2019:

FAIR VALUE ESTIMATES 2019 (thousand euro)	Level 1	Level 3	Total
Loans and receivables			
- Term financial assets (Note 10)	-	302	**302**
Financial assets at fair value through other comprehensive income			
- Equity securities, net (Note 12)	28	-	**28**
TOTAL ASSETS	**28**	**302**	**330**

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

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

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

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

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

4 / ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

Deferred tax assets (Note 2.20)

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

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

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

- Projections through 2030 are included for Pharma Mar, and through 2025 for Genómica and Sylentis.
- The information for preparing the tax plan is the budget presented to the Board of Directors, which includes projections through 2025, extended to 2030 in the case of Pharma Mar, using the Group's best estimates of future earnings based on past experience, and the assumptions made in the first five years of estimation.

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

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

  b) estimated sale price, and

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

- The tax plan also uses the following significant assumptions:

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

  b) Average 7.53% growth in sales in the Oncology segment. That growth is due mainly to the good prospects for sales in the US market of lurbinectedin, a product currently under development, by our partner.

  c) Average 4.55% sustained growth in operating expenses in the Oncology segment.

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

- A 1% increase in the probability assigned to revenues from Phase III research would result in the recognition of an additional €639 thousand.

- A 5% reduction in the estimated price for the main research compound (Lurbinectedin) would result in the derecognition of €1,757 thousand.

- A 5% reduction in sales of Yondelis® would result in derecognition of assets in the amount of €288 thousand.

- A 1-year delay in sales of the main compound under development, Lurbinectedin, would result in derecognition of €2,696 thousand.

- A 10% loss of market share for the main compound under development, Lurbinectedin, would result in derecognition of €2,796 thousand.

- A 10% reduction in US market share for our compound (Lurbinectedin) would result in derecognition of assets in the amount of €1,166 thousand.

Note 24.1 details the assets recognized by the Group as of 31 December 2020 and 2019 and the assets not recognized by application of this approach.

Capitalized development expenses (Note 2.9.1)

New drug development is subject to uncertainty due to the long period of maturation for the drugs and the technical results obtained at different stages of the trials involved in the development process. It may prove necessary to abandon development at any stage of the process, whether because the drug does not meet medical or regulatory standards or because it proves unprofitable. For these reasons, the Group follows standard practice in the biopharmaceutical industry and considers that uncertainty to have been dissipated only when the product being developed has attained at least the registration phase.

5 / SEGMENT REPORTING

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

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

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

- Revenue from each operating segment is the revenue metric used for reporting to the Board of Directors.
- EBITDA from each operating segment (calculated as detailed in the segment disclosures below) is the profit metric used for reporting to the Board of Directors. This is an indicator of the company's direct activity because it eliminates the tax effect. In the case of the Pharma Mar group, the tax item often has a positive sign and varies considerably between years, which distorts the comparability of net profit. Moreover, the financial burden that this indicator eliminates is not the Group's most significant expense and it is quite stable between years. EBITDA is the indicator that best reflects the Company's activity.
- Corporate costs are not allocated to individual operating segments and are presented as "unallocated". They basically consist of expenses associated with the central corporate services that should not distort the operating business segments, including personnel expenses, rent, consulting fees, expenses related to being listed on the stock market, etc.
- Total assets and liabilities are broken down in the same way in which the operating segments provide this information to the Board of Directors on a regular basis.
- Transactions between the operating segments were not material in 2020 and 2019.

The qualitative elements used in aggregating segments include the following:

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

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

Consequently, the following three business segments were identified in 2020: Oncology, Diagnostics and RNA interference.

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

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

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

The Group had a fourth business segment, Consumer Chemicals, until June 2019, when it divested the two subsidiaries making up that segment; consequently, in the segment reporting for 2020 shown below, the results of Zelnova Zeltia, S.A. and Copyr S.p.A. are shown under "Results from discontinued operations" for the year ended 31 December 2019.

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

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

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

	Biopharmaceuticals			
SEGMENT ASSETS AND LIABILITIES 2020 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Group**
Non-current assets	79,937	3,325	1,346	**84,608**
Current assets	237,491	5,736	2,424	**245,651**
Non-current liabilities	127,584	733	4,301	**132,618**
Current liabilities	90,660	2,266	1,993	**94,919**
Investment in fixed assets	2,493	373	218	**3,084**

Income statement information by reporting segment for the year ended 31 December 2019 is as follows:

	Biopharmaceuticals			CC(*)		
SEGMENT INCOME 2019 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**DO(**)**	**Unallocated**	**Group**
Revenues	80,074	5,745	-	-	-	**85,819**
Cost of goods sold	(2,766)	(2,462)	-	-	-	**(5,228)**
Other operating revenues / other net gains	894	50	11	-	-	**955**
R&D expenses	(45,673)	(2,060)	(2,909)	-	-	**(50,642)**
Other expenses	(33,919)	(3,754)	(377)	-	(10,340)	**(48,390)**
Net operating income	**(1,390)**	**(2,481)**	**(3,275)**	**-**	**(10,340)**	**(17,486)**
Net financial income	**(3,424)**	**(406)**	**(338)**	**-**	**-**	**(4,168)**
Income before taxes	**(4,814)**	**(2,887)**	**(3,613)**	**-**	**(10,340)**	**(21,654)**
Corporate income tax (expense)/revenue	12,390	(8)	92	-	-	**12,474**
Income from continuing operations	**7,576**	**(2,895)**	**(3,521)**	**-**	**(10,340)**	**(9,180)**
Income from discontinued operations	**-**	**-**	**-**	**(2,217)**	**-**	**(2,217)**
Equity-holders of the controlling company	**7,576**	**(2,895)**	**(3,521)**			
Non-controlling interests	**-**	**-**	**-**			
Income from continuing operations (1)	7,576	(2,895)	(3,521)			
Corporate income tax (expense)/revenue (2)	(12,390)	8	(92)			
Financial income (3)	3,424	406	338			
Depreciation and amortization (4)	6,790	1,027	218			
Fixed asset impairment losses (5)	(81)	-	-			
Impairment and changes in trade provisions (6)	15	4	-			
EBITDA (1)+(2)+(3)+(4)+(5)+(6)	**5,334**	**(1,450)**	**(3,057)**			

(*) Consumer chemicals
(**) Discontinued operations

Assets and liabilities by reporting segment as of 31 December 2019 are presented as supplementary information:

	Biopharmaceuticals				
SEGMENT ASSETS AND LIABILITIES 2019 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Unallocated**	**Group**
Non-current assets	70,674	3,256	799	-	**74,729**
Current assets	43,673	2,405	2,386	1,512	**49,976**
Non-current liabilities	51,211	804	4,795	-	**56,810**
Current liabilities	56,100	2,687	1,444	208	**60,439**
Investment in fixed assets	3,582	328	9	-	**3,919**

In 2020 and 2019, there were no material transactions between reporting segments, and no goodwill impairment losses were recognized.

In 2020, the Group recognized losses due to impairment of inventories and trade accounts receivable amounting to €81 thousand, compared with €9 thousand in 2019.

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

NON-CURRENT ASSETS (thousand euro)	**31-12-20**	**31-12-19**
Spain	26,466	29,177
Rest of the European Union	186	194
	26,652	**29,371**

Most of the Group's sales are made in Spain and other European Union countries. The euro area accounted for 95.4% of total ordinary revenues in 2019 (88.6% in 2019).

Almost all the investment in property, plant and equipment, intangible assets and investment property in 2020 and 2019 was concentrated in Spain.

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

REVENUES BY SEGMENT IN 2020 (thousand euro)	Oncology	Diagnostics	RNAi	Unallocated	Total
Product sales	122,279	13,035	-	-	135,314
Returns, discounts	(21,575)	-	-	-	(21,575)
Licensing and co-development agreements	140,233	-	-	56	140,289
Royalties	15,661	-	-	-	15,661
Other revenues	140	128	4	-	272
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**256,738**	**13,163**	**4**	**56**	**269,961**
Geographies					
Spain	13,054	10,838	4	56	23,952
Italy	17,645	48	-	-	17,693
Germany	18,505	-	-	-	18,505
Ireland	153,756	-	-	-	153,756
Rest of the European Union	41,931	1,606	-	-	43,537
United States	2,244	-	-	-	2,244
Other	9,603	671	-	-	10,274
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**256,738**	**13,163**	**4**	**56**	**269,961**
Point of recognition of revenues					
At a point in time	116,505	13,035	4	56	129,600
Over a period of time	140,233	128	-	-	140,361
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**256,738**	**13,163**	**4**	**56**	**269,961**

REVENUES BY GEOGRAPHY IN 2020 (thousand euro)	Spain	Italy	Germany	Ireland	Rest of the European Union	United States	Other	Total
Product sales	25,093	21,648	19,878	5,382	57,130	-	6,183	**135,314**
Returns, discounts	(1,469)	(3,955)	(1,373)	-	(14,593)	-	(185)	**(21,575)**
Licensing and co-development agreements	56	-	-	135,655	1,000	-	3,578	**140,289**
Royalties	-	-	-	12,719	-	2,244	698	**15,661**
Other revenues	272	-	-	-	-	-	-	**272**
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**23,952**	**17,693**	**18,505**	**153,756**	**43,537**	**2,244**	**10,274**	**269,961**

The following tables show the breakdown of the Group's revenues from contracts with customers based on the type of goods or services provided to customers, the geographical area and the time of transfer of goods and services, classified by reporting segment, in 2019.

REVENUES BY SEGMENT IN 2019 (thousand euro)	Oncology	Diagnostics	Total
Product sales	91,592	5,507	97,099
Returns, discounts	(18,570)	-	(18,570)
Licensing and co-development agreements	3,950	-	3,950
Royalties	3,102	-	3,102
Other revenues	-	238	238
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**80,074**	**5,745**	**85,819**
Geographies			
Spain	14,486	3,666	18,152
Italy	20,643	51	20,694
Germany	16,485	-	16,485
Rest of the European Union	19,726	947	20,673
Japan	615	-	615
United States	2,389	-	2,389
Other	5,730	1,081	6,811
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**80,074**	**5,745**	**85,819**
Point of recognition of revenues			
At a point in time	76,874	5,507	82,381
Over a period of time	3,200	238	3,438
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**80,074**	**5,745**	**85,819**

REVENUES BY GEOGRAPHY IN 2019 (thousand euro)	Spain	Italy	Germany	Rest of the European Union	Japan	United States	Other	Total
Product sales	18,474	22,127	18,141	35,305	-	69	2,983	**97,099**
Returns, discounts	(560)	(1,433)	(1,656)	(14,632)	-	(167)	(122)	**(18,570)**
Licensing and co-development agreements	-	-	-	-	-	-	3,950	**3,950**
Royalties	-	-	-	-	615	2,487	-	**3,102**
Other revenues	238	-	-	-	-	-	-	**238**
TOTAL REVENUES FROM CONTRACTS WITH CUSTOMERS	**18,152**	**20,694**	**16,485**	**20,673**	**615**	**2,389**	**6,811**	**85,819**

6 / PROPERTY, PLANT AND EQUIPMENT

The breakdown of, and changes in, this caption in 2020 and 2019 are as follows:

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

PROPERTY, PLANT AND EQUIPMENT (thousand euro)	31-12-18	Recognitions	Derecognitions	Reclassifications and transfers	Exchange rate effect	31-12-19
Land and structures	24,540	35	(2,585)	-	-	21,990
Technical installations and machinery	31,834	375	(10,918)	453	(8)	21,736
Other installations, tools and furniture	21,242	45	(1,403)	651	-	20,535
Advances & construction in progress	1,166	416	(280)	(1,107)	-	195
Other property, plant & equipment	2,931	153	(374)	3	-	2,713
Provisions	(1,288)	-	81	-	-	(1,207)
Cost	**80,425**	**1,024**	**(15,479)**	**-**	**(8)**	**65,962**
Structures	(9,636)	(725)	1,983	-	-	(8,378)
Technical installations and machinery	(24,500)	(1,022)	8,854	-	7	(16,661)
Other installations, tools and furniture	(17,264)	(600)	1,607	-	-	(16,257)
Other property, plant & equipment	(2,388)	(218)	392	-	-	(2,214)
Accumulated depreciation	**(53,788)**	**(2,565)**	**12,836**	**-**	**7**	**(43,510)**
PROPERTY, PLANT AND EQUIPMENT	**26,637**	**(1,541)**	**(2,643)**	**-**	**(1)**	**22,452**

The most significant additions to fixed assets in 2020 relate to the acquisition of laboratory equipment for the R&D area, the refurbishment of three production labs, and acquisition of audiovisual equipment. The main items recognized in 2019 related to warehouse expansion and the packing and serialization room.

The "Derecognitions" column in 2019 includes the derecognition of assets as a result of the sale of Zelnova Zeltia, S.A. (Note 25).

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

DEPRECIATION OF PROPERTY, PLANT AND EQUIPMENT (thousand euro)	**31-12-20**	**31-12-19**
Cost of goods sold	151	152
Marketing expenses	455	458
Administrative expenses	1,078	1,018
Research & development expenses	761	712
Depreciation and amortization	**2,445**	**2,340**

As of 31 December 2020 and 2019, the Company did not have any property, plant and equipment under finance lease.

As of 31 December 2020, none of the Group's property, plant and equipment was encumbered. As of 31 December 2019, one of the Group's buildings was mortgaged as security for a bank loan. It is a building owned by Pharma Mar (Oncology segment) in Colmenar Viejo, Madrid province, with a net carrying amount of €9,231 thousand as of 31 December 2019. In March 2020, the Group repaid that loan early by paying the amount outstanding at that time: €4,360 thousand. The early cancellation did not entail any additional costs. The initial amount of the transaction, signed in 2014, was €9,000 thousand, maturing in 2024. As of 31 December 2019, the unamortized balance of the loan amounted to €4,360 thousand.

7 / INVESTMENT PROPERTY

As of 31 December 2020, this heading contains a plot of land valued at €845 thousand which the Group owns in Tres Cantos, for which it signed a 25-year lease with a third party in 2016 (non-cancelable in the first ten years).

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

Receipts for non-cancelable operating leases on investment property (thousand euro)	**31-12-20**	**31-12-19**
Up to 1 year	60	60
1-5 years	300	300
5-10 years	-	60
TOTAL	**360**	**420**

8 / INTANGIBLE ASSETS

The breakdown of, and changes in, this caption in 2020 and 2019 are as follows:

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

INTANGIBLE ASSETS (thousand euro)	31-12-18	Recognitions	Derecognitions	Reclassifications and transfers	31-12-19
Development expenses	23,186	3,054	(33)	-	26,207
Concessions, patents & trade marks	10,765	-	(9,786)	-	979
Computer software	6,055	212	(1,709)	-	4,558
Advances on intangible assets	68	-	-	-	68
Cost	**40,074**	**3,266**	**(11,528)**	**-**	**31,812**
Development expenses	(17,704)	(3,352)	-	-	(21,056)
Concessions, patents & trade marks	(833)	(114)	114	-	(833)
Computer software	(4,879)	(378)	1,406	2	(3,849)
Accumulated amortization	**(23,416)**	**(3,844)**	**1,520**	**2**	**(25,738)**
INTANGIBLE ASSETS	**16,658**	**(578)**	**(10,008)**	**2**	**6,074**

The “Derecognitions” column includes the derecognition of assets resulting from the sale of Zelnova Zeltia, S.A.U. in 2019 (Note 25).

Development expenses

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

As of 31 December 2020, the Group had capitalized the cost of preparing the dossier and documentation required to file a new drug application (NDA) with the FDA for Lurbinectedin as monotherapy for treating patients with relapsed small cell lung cancer. The capitalized balance as of December 2019 also included several clinical trials with Yondelis® in both soft tissue sarcoma and ovarian cancer, which were fully amortized in 2020. Those trials were performed mainly for two purposes:

- To support and provide the necessary input for the process of approval by the FDA and other regulators.
- To obtain a reimbursement price in other locations in response to requirements by the regulatory agencies of certain countries.

Clinical trials have been affected by the COVID-19 pandemic, which reduced patient enrollment due to the saturation of hospitals, as they focused almost entirely on treating COVID-19 patients. This represents a delay in development calendars that is very difficult to quantify. It had no impact on the valuation of these assets.

Computer software

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

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

AMORTIZATION OF INTANGIBLE ASSETS (thousand euro)	**31-12-20**	**31-12-19**
Administrative expenses	15	13
Research & development expenses	2,863	3,702
Depreciation and amortization	**2,878**	**3,715**

9 / RIGHT-OF-USE ASSETS

The breakdown of, and changes in, this caption in 2020 and 2019 are as follows:

RIGHT-OF-USE ASSETS, BY ASSET TYPE (thousand euro)	31-12-2019	Additions and provisions / (reversals)	Derecognitions	Exchange rate effect	31-12-2020
Offices, Premises, Warehouses	2,517	1,435	(72)	-	3,880
Vehicles	2,103	757	(126)	-	2,734
Laboratory equipment	453	144	(327)	-	270
Computer hardware	12	-	-	-	12
TOTAL COST	**5,085**	**2,336**	**(525)**	**-**	**6,896**
Offices, Premises, Warehouses	(798)	(1,054)	31	5	(1,816)
Vehicles	(670)	(758)	80	(1)	(1,349)
Laboratory equipment	(270)	(73)	170	-	(173)
Computer hardware	(3)	(3)	-	-	(6)
ACCUMULATED DEPRECIATION	**(1,741)**	**(1,888)**	**281**	**4**	**(3,344)**
TOTAL NET COST	**3,344**	**448**	**(244)**	**4**	**3,552**

RIGHT-OF-USE ASSETS, BY ASSET TYPE (thousand euro)	First-time application of IFRS 16 01-01-2019	Additions and provisions / (reversals)	Derecognitions	Exchange rate effect	31-12-2019
Offices, Premises, Warehouses	3,121	1,243	(1,848)	2	2,518
Vehicles	1,461	968	(325)	(1)	2,103
Laboratory equipment	453	-	-	-	453
Computer hardware	12	-	-	-	12
TOTAL COST	**5,047**	**2,211**	**(2,173)**	**1**	**5,086**
Offices, Premises, Warehouses	-	(985)	187	-	(798)
Vehicles	-	(721)	51	-	(670)
Laboratory equipment	-	(270)	-	-	(270)
Computer hardware	-	(3)	-	-	(3)
ACCUMULATED DEPRECIATION	**-**	**(1,979)**	**238**	**-**	**(1,741)**
TOTAL NET COST	**5,047**	**232**	**(1,935)**	**1**	**3,345**

Derecognitions in 2019 mainly include the departure of Zelnova Zeltia, S.A. from the Group. The following table shows the impact of those derecognitions:

IMPACT DISCONTINUED OPERATIONS - ZELNOVA S.A (thousand euro)	First-time application of IFRS 16 01/01/2019	Additions and provisions / (reversals)	Derecognitions	31-12-2019
Offices, Premises, Warehouses	471	1,163	(1,634)	-
Vehicles	191	31	(222)	-
TOTAL COST	**662**	**1,194**	**(1,856)**	**-**
Offices, Premises, Warehouses	-	(71)	71	-
Vehicles	-	(20)	20	-
ACCUMULATED DEPRECIATION	**-**	**(91)**	**91**	**-**
TOTAL NET COST	**662**	**1,103**	**(1,765)**	**-**

As of 1 January 2019, a financial lease liability was recognized for the same amount as the right-of-use assets in connection with leases.

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

Leases of low-value assets include computer hardware and small items of office furniture. The Group estimated that the amount of these commitments from 2020 is €359 thousand (€1,720 thousand in 2019)

The following table shows the impact of adopting IFRS 16 on the various segments in 2020 and 2019:

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

IMPACT OF IFRS 16 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**31-12-19**
Financial position:				
Non-current asset:				
Right-of-use asset	2,917	182	246	3,345
Deferred tax assets - IFRS 16	12	1	1	14
Non-current liability:				
Lease liabilities	1,570	36	113	1,719
Current liabilities:				
Lease liabilities	1,392	149	137	1,678
Impact on profit or loss:				
Lease expenses	1,590	334	139	2,063
Amortization of usage right	(1,521)	(326)	(133)	(1,980)
Financial expenses (Note 34)	(115)	(11)	(10)	(136)
Income tax	12	1	1	14
NET IMPACT ON PROFIT OR LOSS	**(34)**	**(2)**	**(3)**	**(39)**

10 / FINANCIAL INSTRUMENTS BY CATEGORY

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

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

Financial instruments by category 31-12-19 (thousand euro)	Loans and receivables	Assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Investments held to maturity	Total
ASSETS ON BALANCE SHEET	**29,652**	**302**	**28**	**3,472**	**33,454**
Non-current financial assets					
Equity instruments	-	302	-	-	302
Non-current financial assets at amortized cost	-	-	-	215	215
Financial assets at fair value through other comprehensive income (Note 12)	-	-	28	-	28
Accounts receivable	484	-	-	-	484
Current financial assets					
Trade receivables (Note 13)	11,164	-	-	-	11,164
Accounts receivable (Note 13)	366	-	-	-	366
Current financial assets at amortized cost	-	-	-	3,257	3,257
Cash and cash equivalents (Note 16)	17,638	-	-	-	17,638
LIABILITIES ON BALANCE SHEET	**105,447**	**-**	**-**	**-**	**105,447**
Non-current borrowings (Note 23)	53,063	-	-	-	53,063
Non-current lease liabilities (Note 9)	1,719	-	-	-	1,719
Current borrowings (Note 23)	29,655	-	-	-	29,655
Current lease liabilities (Note 9)	1,678	-	-	-	1,678
Supplier and other accounts payable (Note 20)	19,332	-	-	-	19,332

11 / CREDIT QUALITY OF FINANCIAL ASSETS

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

CREDIT QUALITY OF FINANCIAL ASSETS (thousand euro)		31-12-20	31-12-19
Accounts receivable:			
Customers without an external credit rating			
	Group 1	2,757	695
	Group 2	21,297	10,835
TOTAL ACCOUNTS RECEIVABLE		**24,054**	**11,530**

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

CASH AT BANKS AND BANK DEPOSITS (thousand euro)		31-12-20	31-12-19
	A1	*33*	*-*
	A2	*36,296*	*2,565*
	A3	*116,090*	*7,606*
	Aa3	*555*	*102*
	Ba2	*1,001*	*2*
	Ba3	*1,497*	*7*
	Baa1	*20,146*	*-*
	Baa2	*25,141*	*10,611*
	Unrated	*2,731*	*1,031*
TOTAL CASH AT BANKS AND BANK DEPOSITS		**216,504**	**21,924**

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

12 / OTHER FINANCIAL ASSETS

12.1 / Financial assets at fair value through other comprehensive income

All of these financial assets consist of shares listed on the US market, all of them in the biopharmaceutical sector. Their fair value matches their listed market price: €27 thousand (€28 thousand in 2019).

Marking these securities to market in 2020 on the basis of their official listed prices led to a negative change of €0.7 thousand (a positive change of €3 thousand in 2019) that was recognized in other comprehensive income.

12.2 / Investments held to maturity

Other non-current financial assets at amortized cost in 2020 include an investment maturing in June 2022, amounting to €20,000 thousand, the principal of which is guaranteed to maturity with a return tied to Euribor, paying interest every three months at a rate of between 0.4% and 1.2%. The balance of this item was zero in 2019.

Other current financial assets at amortized cost mainly include term deposits in US dollars (USD 118 million) amounting to €96,230 thousand in 2020 at various financial institutions tied to Libor and maturing between April and October 2021, with yields ranging from 0.29% to 0.42%. The balance of this item in 2019 was €3,257 thousand.

13 / TRADE RECEIVABLES

The detail of this caption as of 31 December 2020 and 2019 is as follows:

TRADE RECEIVABLES (thousand euro)	31-12-20	31-12-19
Customer receivables for sales and services	24,046	11,471
Impairment	(388)	(307)
Net	**23,658**	**11,164**
Other receivables	396	366
TOTAL	**24,054**	**11,530**

Customer receivables discounted with credit institutions amounted to zero as of 31 December 2020 (€2,241 thousand in 2019). Those discounts were recognized as secured loans since the Group retains the default and late payment risk.

As of 31 December 2020, accounts receivable amounting to €108 thousand were past due (€135 thousand in 2019) but had not suffered impairment. The analysis of those accounts receivable by age is as follows (thousand euro):

ACCOUNTS RECEIVABLE PAST DUE AND NOT PROVISIONED (thousand euro)	31-12-20	31-12-19
3-6 months	70	129
Over 6 months	38	6
TOTAL	**108**	**135**

The past-due accounts that had not been impaired as of 31 December 2020 and 2019 are mainly due from public hospitals belonging to the Spanish national health system and from distributors of vials for the two therapeutic uses which have been approved for Yondelis®. The average collection period from the Spanish national health system does not exceed one year. The Group does not impair past-due receivables with public authorities and expects to recover the total amount due plus any default interest that it claims. The average collection period for public authorities outside Spain is not more than one year.

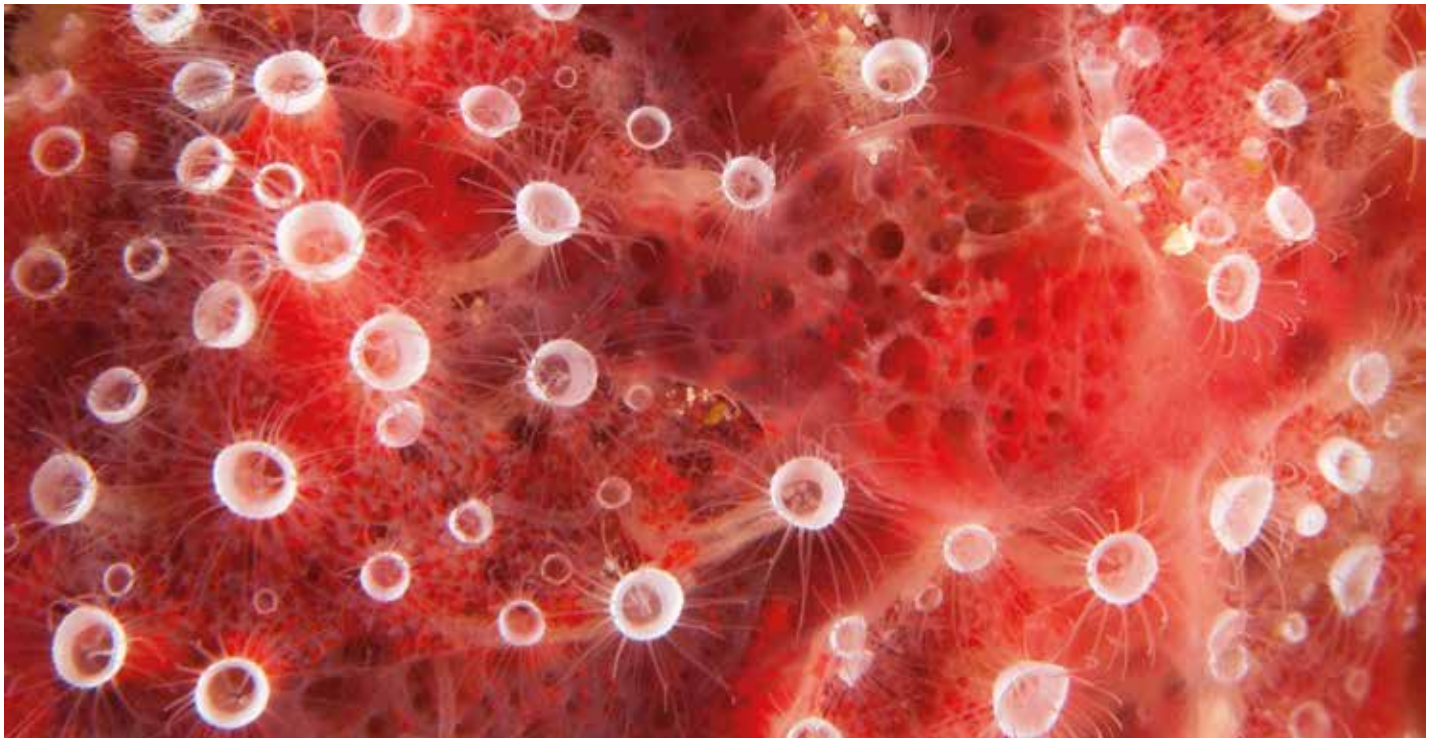
Despite the COVID-19 pandemic, no credit losses are expected to be incurred on trade accounts receivable. A significant percentage of the Group's sales are to government institutions; accordingly, default risk is low.

In 2020, the Group arranged non-recourse factoring agreements with institutions specialized in this type of transaction for €2,270 thousand of debt owed by public authorities in Spain and Italy (€10,903 thousand in 2019).

The breakdown of the factored debt by country and the interest cost as of 31 December 2020 and 2019 is as follows:

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

2019	Factored	Interest	Total received
Spain	6,836	72	**6,764**
Italy	4,067	102	**3,965**
	10,903	**174**	**10,729**



As of 31 December 2020, an impairment loss on accounts receivable was recognized amounting to €81 thousand (€9 thousand in 2019). The changes in provisions for impairment are as follows:

CHANGE IN PROVISIONS (thousand euro)	31-12-20	31-12-19
Beginning balance	**(307)**	**(1,028)**
Provision	(81)	(9)
Reversal	-	30
Other	-	700
Ending balance	**(388)**	**(307)**

The "Other" item as of 31 December 2019 and 2018 relates to bad debt provisions at Zelnova Zeltia, S.A. that were derecognized as a result of the sale of that company (Note 25).

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

AGE OF PROVISION (thousand euro)	31-12-20	31-12-19
Over 6 months	388	307
TOTAL	**388**	**307**

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

NET CARRYING AMOUNT OF CUSTOMER AND OTHER ACCOUNTS RECEIVABLE (thousand euro)	31-12-20	31-12-19
EUR	23,144	10,494
USD	573	500
Other currencies	337	536
TOTAL	**24,054**	**11,530**

The breakdown as of 31 December 2020 and 2019 of receivables from public authorities for sales and services, by geography, is as follows:

CUSTOMER RECEIVABLES FROM PUBLIC AUTHORITIES (thousand euro)	31-12-20	31-12-19
Spain	1,565	1,497
Austria	139	186
Belgium	271	272
France	2,860	539
Germany	560	874
Italy	1,861	2,822
Luxembourg	39	19
TOTAL	**7,295**	**6,209**

As of 31 December 2020 and 2019, the credit rating of the accounts receivable from public authorities, by geography, is as follows:

CREDIT RATING (thousand euro)	Credit rating	31-12-20	31-12-19
Germany	Aaa	560	874
Andalusia	Baa2	116	115
Aragon	BBB	32	63
Asturias	Baa1	19	23
Austria	Aaa	139	186
Balearic Islands	BBB+	26	208
Belgium	Aaa	271	272
Canary Islands	BBB+	8	12
Cantabria	BBB	50	224
Castilla la Mancha	Ba1	45	66
Castilla y León	Baa1	400	122
Catalonia	Ba3	49	84
Extremadura	Baa2	7	14
France	Aaa	2,860	539
Galicia	Baa1	181	23
Italy	Baa3	1,861	2,822
Luxembourg	Aaa	39	19
Madrid	Baa1	187	275
Murcia	Ba1	52	18
Navarra	A+	42	14
Basque Country	A3	30	41
Valencia	Ba1	321	195
TOTAL		**7,295**	**6,209**

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

Claims of principal and default interest from public authorities

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

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

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

During 2020 and 2019, no default interest was claimed due to the improvement in the periods of payment by the public sector.

14 / OTHER CURRENT ASSETS

The breakdown of “Other current assets” as of 31 December 2020 and 2019 is as follows:

OTHER CURRENT ASSETS (thousand euro)	31-12-20	31-12-19
Prepaid expenses	997	1,335
Balances with public authorities	13,151	7,314
TOTAL	**14,148**	**8,649**

The detail of the Group’s balances with public authorities as of 31 December 2020 and 2019 is as follows:

BALANCES WITH PUBLIC AUTHORITIES (thousand euro)	31-12-20	31-12-19
VAT	2,656	1,712
Other	10,495	5,602
TOTAL	**13,151**	**7,314**

The “Other” caption in 2020 relates mainly to corporate income tax prepayments in the amount of €9,650 thousand.

15 / INVENTORIES

INVENTORIES (thousand euro)	31-12-20	31-12-19
Trade inventories	226	179
Raw materials and other supplies	493	241
Semi-finished products and products in process	10,490	7,918
Finished products	724	564
TOTAL	**11,933**	**8,902**

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

The cost of inventories recognized as an expense and included under cost of goods sold amounted to €10,959 thousand in 2020 (€3,873 thousand in 2019) (Note 32).

No material impairment losses were recognized for inventories in 2020 and 2019.

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

Despite the COVID-19 pandemic, the Group has sufficient raw material and inventories to continue both the regular sale of Yondelis® and the launch of Zepzelca™, as well as the various clinical trials under way.

16 / CASH AND CASH EQUIVALENTS

The detail of this caption as of 31 December 2020 and 2019 is as follows:

CASH AND CASH EQUIVALENTS (thousand euro)	31-12-20	31-12-19
Cash on hand and at banks	96,210	17,638
TOTAL	**96,210**	**17,638**

There were no bank overdrafts at the closing date.

17 / CAPITAL AND SHARE PREMIUM

As of 31 December 2020, Pharma Mar's authorized share capital amounted to €11,013 thousand (€11,132 thousand as of 31 December 2019) and was represented by 18,354,907 shares (222,649,287 shares as of 31 December 2019), with a par value of €0.60 per share (€0.05 per share as of 31 December 2019). All Pharma Mar shares have been fully subscribed and paid.

In March 2020 the Company launched a Share Buyback Plan with the dual purpose of (i) reducing the Company's share capital by canceling the shares acquired under the plan, thereby improving earnings per share and contributing to shareholder remuneration, and (ii) fulfilling the obligations arising from the share ownership plans for Group executives and employees. The buyback plan was capped at €30 million and established that up to 1,800,000 shares acquired in the plan would be allocated to the Employee Share Ownership Plans; the remainder up to the maximum number would be canceled.

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

In September, after the stock merge had been completed, the share buyback plan concluded having reached its monetary ceiling (€30 million), with the following result: 150,000 shares (1,800,000 old shares) were held by the Company as treasury stock for future Employee Share Ownership Plans and the remaining 199,200 shares acquired under the buyback plan were canceled, as provided in the plan, this cancellation reduced share capital by €119 thousand and voluntary reserves by €18,330 thousand. The capital reduction was registered in the Mercantile Register in November 2020. The Company's capital was represented by 18,354,907 shares as of 31 December 2020.

(thousand euro/thousand shares)	Number of outstanding shares	Share capital	Share premium account	Own shares
Balance as of 1 January 2019	**221,957**	**11,132**	**71,278**	**(2,243)**
Own shares sold	-	-	-	7,904
Own shares purchased	-	-	-	(7,467)
Share ownership plans	-	-	-	307
Balance as of 1 January 2020	**221,957**	**11,132**	**71,278**	**(1,499)**
Own shares sold	2,359	-	-	8,488
Own shares purchased	(4,403)	-	-	(22,391)
Share ownership plans	128	-	-	528
Balance as of 22 July 2020	**220,041**	**11,132**	**71,278**	**(14,874)**
Effect of 1-for-12 stock merge	**18,337**	**11,132**	**71,278**	**(14,874)**
Own shares sold	188	-	-	16,355
Own shares purchased	(213)	-	-	(41,382)
Own shares purchased for cancellation	(199)	(119)	-	18,448
Balance as of 31 December 2020	**18,113**	**11,013**	**71,278**	**(21,453)**

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

Own shares

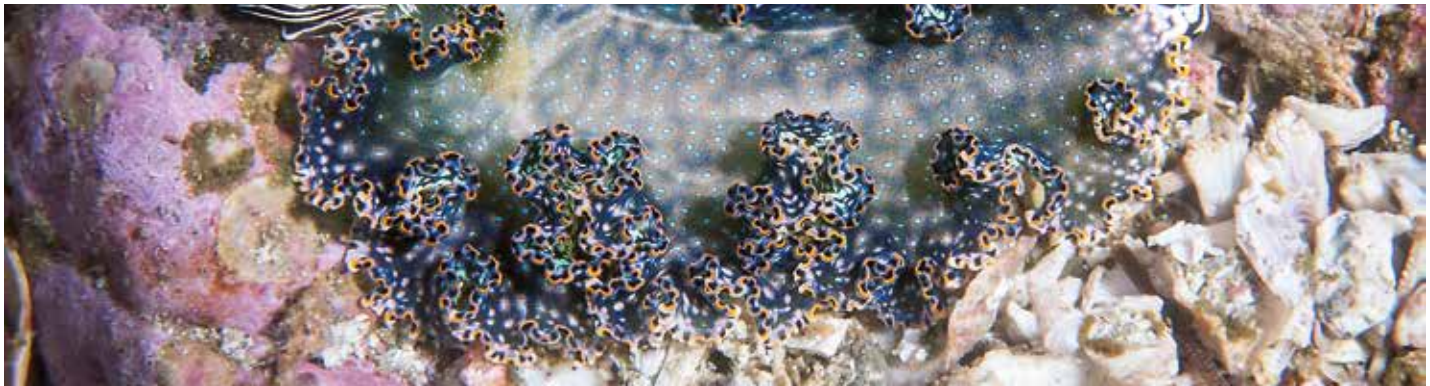
The number of shares outstanding as of 31 December 2020 was 18,113 thousand (221,957 thousand in 2019). As of 31 December 2020, the controlling company held 242 thousand own shares (692 thousand in 2019).

In 2020, the Group acquired 4,815 thousand own shares (3,987 thousand in 2019) for €63,773 thousand (€7,467 thousand in 2019), and sold 2,487 thousand own shares (4,711 thousand in 2019), recognizing a gain of €5,429 thousand (a gain of €596 thousand in 2019).

According to information in the official registers of the National Securities Market Commission as of 31 December 2020, the holders of significant stakes in Pharma Mar, either directly or indirectly, amounting to over 10% are as follows:

	DIRECT STAKE		INDIRECT STAKE (1)		TOTAL STAKE
	No. of shares	%	No. of shares	%	%
José Mª Fernández Sousa - Faro (1)	1,101,225	6.000%	937,163	5.106%	11.105%

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



18 / AVAILABILITY AND RESTRICTIONS ON RESERVES AND RETAINED EARNINGS

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

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

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

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

The proposed distribution of 2020 income and other reserves to be submitted to the Shareholders' Meeting for approval, and the actual distribution for 2019, are as follows:

BASIS OF DISTRIBUTION (thousand euro)	**31-12-20**	**31-12-19**
Basis of distribution		
Income for the year	28,952	17,659
	28,952	**17,659**
Distribution		
Dividend	11,013	8,819
Prior years' income	17,939	8,840
	28,952	**17,659**

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

19 / NON-CONTROLLING INTERESTS

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

There were no changes in the share capital of Noscira, S.A. en liquidación in 2019.

The changes in non-controlling interests in 2020 and 2019 are as follows:

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

Noscira reported a net loss of €68 thousand in 2019, of which €18 thousand corresponded to non-controlling interests, in line with their 26.7% stake in the company.

20 / SUPPLIER AND OTHER ACCOUNTS PAYABLE

The composition of this caption is as follows:

SUPPLIER AND OTHER ACCOUNTS PAYABLE (thousand euro)	31-12-20	31-12-19
Payable for purchases and services received	21,039	16,471
Debts to related parties	922	946
Advances received for orders	1,102	1,655
Other accounts payable	157	260
TOTAL	**23,220**	**19,332**

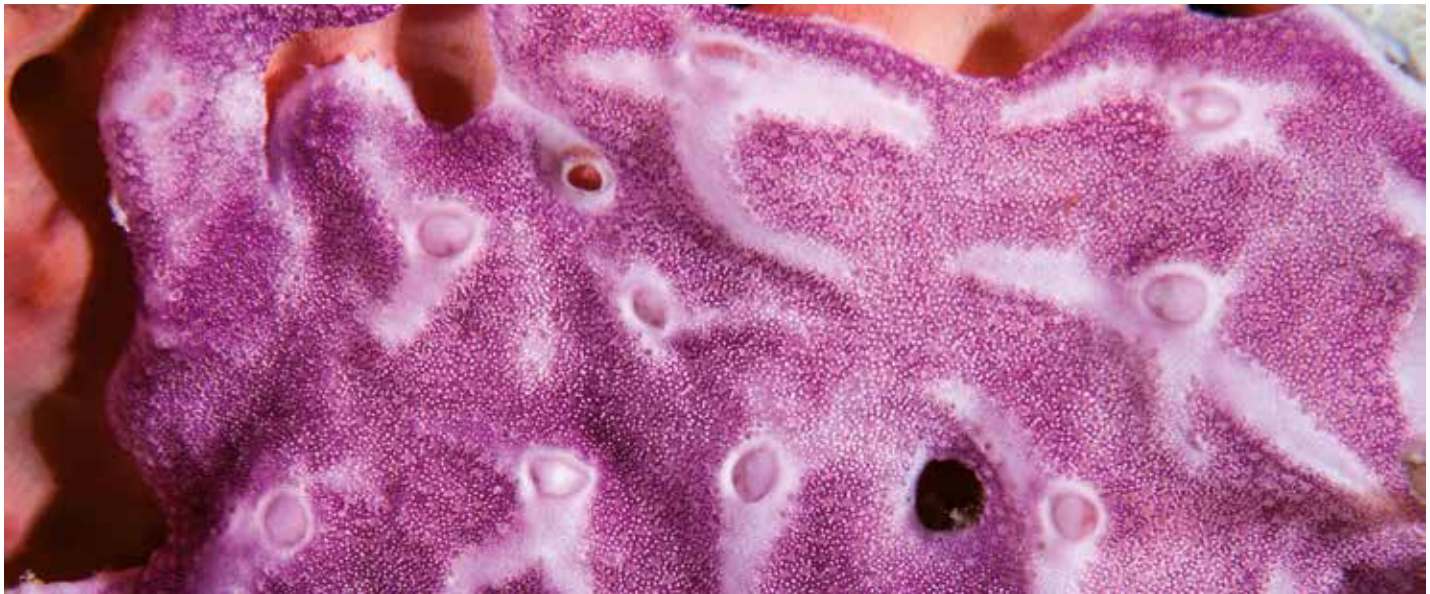
All payables mature within 12 months from the closing date of each year. Debt to related parties refers mainly to accrued outstanding bylaw-mandated allocations to members of Pharma Mar's Board and fees for membership of Pharma Mar's board committees that have accrued and are outstanding (€894 thousand as of 31 December 2020, €824 thousand as of 31 December 2019), and accrued outstanding allocations to directors of Genómica who are also directors of Pharma Mar (€28 thousand as of 31 December 2020, and €28 thousand in 2019), and €94 thousand for directors of Noscira in 2019.

Information on payments for commercial transactions performed in 2020 and 2019 and amounts pending payment at the end of the year in relation to the maximum legal payment periods envisaged in Act 15/2010 is as follows:

PAYMENT INFORMATION	31-12-20	31-12-19
Average period taken to pay suppliers (days)	55	64
Proportion of transactions paid (days)	56	67
Proportion of transactions outstanding (days)	50	71
Total payments made (thousand euro)	38,335	31,246
Total payments outstanding (thousand euro)	5,362	4,511

The average supplier payment lag in the year between 1 January and 31 December 2020 was 55 days (64 days in 2019).

The foregoing disclosure refers only to companies domiciled in Spain.



21 / CURRENT AND NON-CURRENT DEFERRED REVENUES

As indicated in Note 1, Pharma Mar signed an exclusive licensing agreement with Jazz Pharmaceuticals in December 2019. For signing the agreement, Pharma Mar collected an upfront payment of USD 200 million (€181 million) in January 2020. Subsequently, as a result of the FDA's accelerated approval to market Zepzelca™ in June 2020, Pharma Mar collected a non-refundable payment of USD100 million (€88.5 million) from Jazz Pharmaceuticals.

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

The detail of the balance of these items as of 31 December 2020 and 2019 is as follows, with deferred revenues (both short and long term) relating to the contract with Jazz Pharmaceuticals Ireland Ltd amounting to €133,708 thousand.

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

Additionally, it includes grants that are intended to finance property, plant and equipment within R&D projects in the Oncology segment, the balance of which amounted to €1,436 thousand in 2020 (€1,851 thousand in 2019).The subsidies detailed below consist mostly of subsidized interest rates.

NON-CURRENT DEFERRED REVENUES (thousand euro)	31-12-20	31-12-19
Subsidies	1,436	1,851
Deferred revenues	91,124	-
TOTAL	**92,560**	**1,851**

Current deferred revenues

As of 31 December 2020, this item mainly includes €43,583 thousand relating to the aforementioned agreement with Jazz Pharmaceuticals which are expected to be recognized in the next twelve months.

CURRENT DEFERRED REVENUES (thousand euro)	31-12-20	31-12-19
Deferred revenues	43,603	1,465
TOTAL	**43,603**	**1,465**

In 2019, the balance of the current "Deferred revenues" item included €1,257 thousand of the upfront payment under the Lurbinectedin licensing agreement signed with Luye Pharma Group Ltd. in June 2019 (amounting to €4,452 thousand) which was not recognized as revenue in 2019 by application of the standard on revenue recognition.

22 / OTHER NON-CURRENT AND CURRENT LIABILITIES

Other non-current liabilities, amounting to €176 thousand (€177 thousand in 2019), refer mainly to provisions for taxes.

Other current liabilities amounting to €4,902 thousand (€2,575 thousand in 2019) refer basically to balances owed to public authorities amounting to €2,376 thousand (€1,927 thousand in 2019).

23 / FINANCIAL DEBT

The breakdown of the Group's non-current and current debt as of 31 December 2020 and 2019 is as follows:

BREAKDOWN OF NON-CURRENT INTEREST-BEARING DEBT (thousand euro)	31-12-20	31-12-19
Bank debt	3,561	15,291
Bonds and other marketable securities	16,600	16,549
Interest-bearing debt to official authorities	17,571	21,223
TOTAL	**37,732**	**53,063**

BREAKDOWN OF CURRENT INTEREST-BEARING DEBT (thousand euro)	31-12-20	31-12-19
Bank debt	10,287	24,367
Bonds and other marketable securities	405	405
Interest-bearing debt to official authorities	4,621	4,883
TOTAL	**15,313**	**29,655**

23.1 / Bank debt

Non-current and current debt consists of bank loans, credit lines and discounted bills, as detailed in the table below as of 31 December 2020 and 2019:

(thousand euro)	No. of products	Maturities	31-12-20	No. of products	Maturities	31-12-19
Non-current debt						
Pharma Mar	6	2021-2024	3,561	11	2021-2024	15,291
TOTAL NON-CURRENT DEBT	**6**		**3,561**	**11**		**15,291**
Current debt						
Bank loans						
Pharma Mar	8	2021-2024	5,487	12	2019-2024	10,497
	8		**5,487**	**12**		**10,497**
Credit lines						
Pharma Mar	7	2021-2022	4,771	8	2020	10,886
Genómica	2	2021	-	2	2019	697
	9		**4,771**	**10**		**11,583**
Bills and certificates						
Pharma Mar	1	2021	-	1	2020	2,241
	1		**-**	**1**		**2,241**
Interest and other accounts payable						
Pharma Mar	-		29	-		46
	-		**29**	**-**		**46**
TOTAL CURRENT DEBT	**18**		**10,287**	**23**		**24,367**

Non-current debt

In March 2020, Pharma Mar canceled early a mortgage loan that matured in 2024 and whose outstanding balance as of 31 December 2109 was €4,360 thousand (€5,263 thousand in 2018). That mortgage loan maturing in 2024 was arranged in 2014 through cancellation of the original financial liability and subsequent recognition of a new financial liability. In that same month, the Company canceled early another long-term loan maturing in 2022 whose outstanding balance as of 31 December 2019 was €4,605 thousand.

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

REPAYMENT SCHEDULE FOR NON-CURRENT INTEREST-BEARING DEBT (thousand euro)	31-12-20	31-12-19
2021	-	8,293
2022	3,105	5,033
2023	225	1,224
2024	231	741
2025 and thereafter	-	-
TOTAL	**3,561**	**15,291**

Current debt

Current bank debt is broken down as follows:

BREAKDOWN OF CURRENT BANK DEBT (thousand euro)	31-12-20	31-12-19
Bank loans	5,487	10,497
Credit lines	4,771	11,583
Discounted bills and certificates	-	2,241
Interest and other accounts payable	29	46
TOTAL	**10,287**	**24,367**

Some credit lines are subject to tacit renewal, although most are renewed annually. As of 31 December 2020, the Group had nine credit lines (ten in December 2019) with a total limit of €15,450 thousand (€13,700 thousand in 2019).

The vast majority of the loans and credit lines are at floating interest rates consisting of Euribor plus a spread of between 1.9% and 3.2% (between 1% and 4.18% in 2019).

The effective interest rates as of 31 December are:

EFFECTIVE INTEREST RATES	31-12-20	31-12-19
Bank overdrafts	29.00%	29.00%
Bank loans	2.34%	2.34%
Credit lines	2.59%	2.11%
Discounted notes	1.20%	1.20%

The Group's exposure to bank debt at floating rates is €10,163 thousand as of 31 December 2020 (€21,938 thousand in 2019), indexed mainly to three-month Euribor.

All the bank loans are arranged in euro.

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

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

CHANGES IN LIABILITIES DUE TO FINANCING ACTIVITIES (thousand euro)	31-12-18	Cash flows	Reclassification to short term	Other	31-12-19
Long-term bank loans	24,279	927	(9,915)	-	15,291
Short-term bank loans	10,245	(9,662)	9,915	(1)	10,497
Long-term bonds and other marketable securities	16,501	-	-	48	16,549
Short-term bonds and other marketable securities	405	(809)	-	809	405
Credit lines	12,912	(1,329)	-	-	11,583
Discounted bills and certificates	2,064	177	-	-	2,241
Interest and other accounts payable	611	(538)	-	(27)	46
Long-term interest-bearing debt to official authorities	24,142	2,036	(4,881)	(74)	21,223
Short-term interest-bearing debt to official authorities	2,248	(2,922)	4,881	676	4,883
Long-term lease debt	-	-	(1,453)	3,172	1,719
Short-term lease debt	-	(1,928)	1,453	2,153	1,678
TOTAL LIABILITIES RELATED TO FINANCING ACTIVITIES	**93,407**	**(12,120)**	**-**	**1,431**	**86,115**

23.2 / Bonds and other marketable securities

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

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

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

23.3 / Interest-bearing debt to public authorities

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

As of 31 December 2020, the Group had debt balances with official authorities for a total of €22,192 thousand, calculated on the basis of cash flows discounted at Euribor plus a spread based on the Group's risk (€26,106 thousand in 2019), of which €17,571 thousand were non-current (€21,223 thousand in 2019) and €4,621 thousand were current (€4,883 thousand in 2019).

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

REPAYMENT SCHEDULE (thousand euro)	31-12-20	31-12-19
2021	-	4,359
2022	4,370	4,435
2023	3,939	3,953
2024	3,087	7,160
2025 and thereafter	6,175	1,316
TOTAL	**17,571**	**21,223**

23.4 / Fair value

The fair value and carrying amount of the non-current and current interest-bearing debt as of 31 December 2020 and 2019 are as follows:

FAIR VALUE AND CARRYING AMOUNT OF INTEREST-BEARING DEBT (thousand euro)	Fair value		Carrying amount	
	31-12-20	31-12-19	31-12-20	31-12-19
Non-current				
Bank loans	3,561	15,291	3,561	15,291
Due to official authorities	20,427	24,883	17,571	21,223
Bonds	17,000	17,000	16,600	16,549
TOTAL	**40,988**	**57,174**	**37,732**	**53,063**
Current				
Bank loans	5,487	10,497	5,487	10,497
Credit lines	4,771	11,583	4,771	11,583
Bank overdrafts	-	-	-	-
Unmatured discounted bills and certificates	-	2,241	-	2,241
Interest payable	29	44	29	44
Due to official authorities	5,170	5,552	4,621	4,883
Bonds	405	405	405	405
Other debt	-	2	-	2
TOTAL	**15,862**	**30,324**	**15,313**	**29,655**

24 / DEFERRED TAXES AND INCOME TAX

24.1 / Deferred taxes

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

NET DEFERRED TAX ASSETS (thousand euro)	31-12-20	31-12-19
Deferred tax assets	34,284	41,561
Deferred tax liabilities	(868)	(577)
TOTAL	**33,416**	**40,984**

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

DEFERRED TAX ASSETS (thousand euro)	Research & development expenses / Tax loss carryforwards	Tax withholding	Intangible assets and property, plant and equipment	Other	TOTAL
As of 1 January 2019	**16,980**	**10,853**	**3,037**	**2,463**	**33,333**
Tax withholding	-	328	-	-	328
Recognized in profit or loss	8,348	-	(490)	42	7,900
As of 31 December 2019	**25,328**	**11,181**	**2,547**	**2,505**	**41,561**
Tax withholding	-	377	-	-	377
Recognized in profit or loss	(4,833)	-	(584)	(2,237)	(7,654)
As of 31 December 2020	**20,495**	**11,558**	**1,963**	**268**	**34,284**

The “Tax credits for R&D” item includes mainly capitalized tax losses as well as differences in the accounting treatment for research and development expenses between local and international standards.

The “Tax withholding” column as of 31 December 2020 and 2019 includes taxes withheld from royalties and payments received under licensing agreements.

DEFERRED TAX LIABILITIES (thousand euro)	Revaluation of investment property	Revaluation of brands with indefinite useful lives	Capital subsidies and others	TOTAL
As of 1 January 2019	**(1,025)**	**(2,229)**	**(311)**	**(3,565)**
Recognized in profit or loss	-	-	(266)	(266)
Derecognition of Zelnova Zeltia (Note 25)	1,025	2,229	-	3,254
As of 31 December 2019	**-**	**-**	**(577)**	**(577)**
Recognized in profit or loss	-	-	(291)	(291)
As of 31 December 2020	**-**	**-**	**(868)**	**(868)**

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

The Group performed an analysis of unused tax losses. As a result of this analysis, the Group did not take account of €291 million in unused tax losses (€220 million in 2019).

At the same date, there are also unused R&D tax credits that have not been recognized in the balance sheet amounting to €196,178 thousand (€195,595 thousand in 2019).

Those unused tax losses and the differences due to different accounting treatment and deductions were not recognized in relation to deferred tax assets at the end of 2020 and 2019 as a result of the analysis performed by the Group as described in Note 4 “Accounting estimates and judgments”.

The following table shows the validity periods of unused tax credits that have specific expiry dates but were not recognized as deferred tax assets as of 31 December 2020:

TAX CREDITS GENERATED BY:	Total amount	2021	2022	2023	2024	2025	2026	2027	2028 and thereafter
Unused R&D tax credits	196,178	13,364	9,775	10,889	10,760	9,977	11,332	9,697	120,384
Other unused tax credits	384	384	-	-	-	-	-	-	-
TOTAL	**196,562**	**13,748**	**9,775**	**10,889**	**10,760**	**9,977**	**11,332**	**9,697**	**120,384**

24.2 / Income taxs

In 2020, the corporate income tax return was filed on a group basis by the tax group headed by Pharma Mar and comprising the following Group undertakings: Genómica, S.A.U, S.A. and Sylentis, S.A.U. The other companies, namely Pharma Mar USA, PharmaMar AG, Pharma Mar SARL, Pharma Mar GmbH, Pharma Mar Ltd, Pharma Mar Srl, Pharma Mar sprl, Pharma Mar Ges.m.b.H.AT, Genómica AB and Genómica Trading Co. Ltd. (China), file individual tax returns.

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

RECONCILIATION OF TAX EXPENSE (thousand euro)	**31-12-20**	**31-12-19**
Income before taxes (thousand euro)	**145,606**	**(21,654)**
Tax rate (25%)	**(36,402)**	**5,414**
Tax effect of:		
- Exempt revenues and other minor items	5,589	432
- Timing differences with an impact on profit or loss	-	(2,213)
- Reversal of impairment	7,867	-
- Other adjustments	14,602	4,007
- Monetization of tax credits	-	4,834
Tax revenue (expense)	**(8,344)**	**12,474**

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

The liquidation of Noscira was recognized in 2020 and resulted in a reduction in the tax expense of €7,867 thousand. One-fifth of the impairment recognized in previous years was reversed for tax purposes in 2019 due to the investment in subsidiary Noscira (in liquidation), resulting in an increase in the tax expense in the amount of €2.2 million that year.

As of 31 December 2020, the Other adjustments item includes the effect of not recognizing all the prepaid taxes that arise from the tax losses generated in prior years based on the tax budget, and the tax effect of differences in the accounting treatment of research and development expenditure. In 2019, it reflected capitalization of tax bases on the basis of the Group's tax budget.

Additionally, during 2019, the company recognized €4,834 thousand in revenue under the tax expense heading as a result of monetizing research and development tax credits.

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

TAX (EXPENSE)/ REVENUE (thousand euro)	**31-12-20**	**31-12-19**
Current tax	(399)	4,840
Deferred tax	(7,945)	7,634
TOTAL	**(8,344)**	**12,474**

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

The amount of current tax in 2019 (€4,840 thousand) mainly contains the effect of monetization revenues indicated above.

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

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

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

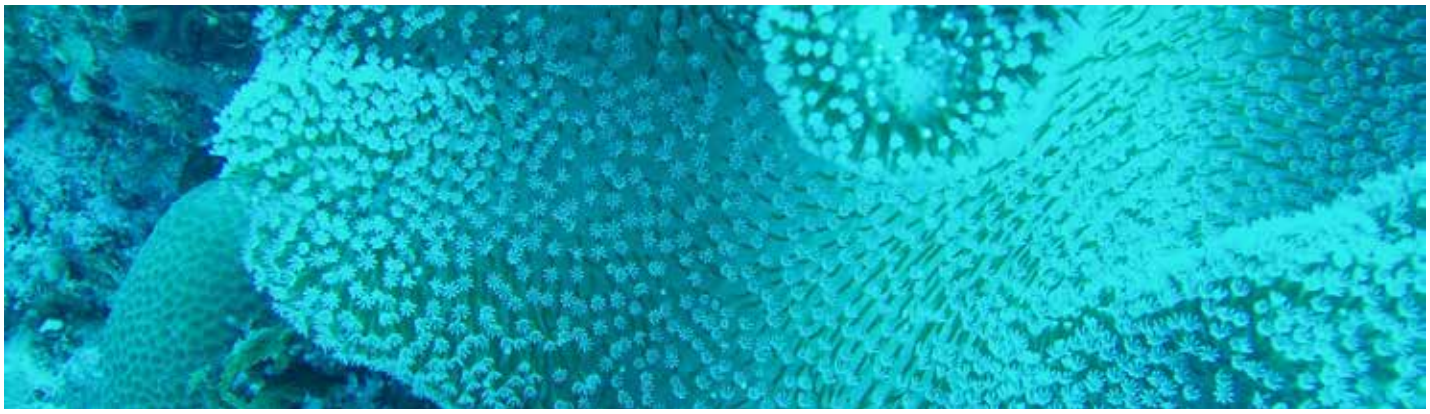
	Corporate income tax	VAT	Personal income tax - Spanish residents	Personal income tax - Non-residents	Income from capital
Zeltia, S.A.	2010-2013	2011-2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013
Genómica, S.A.U.	2010-2013	2011-2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013
Pharma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

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

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

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

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



25 / DISCONTINUED OPERATIONS

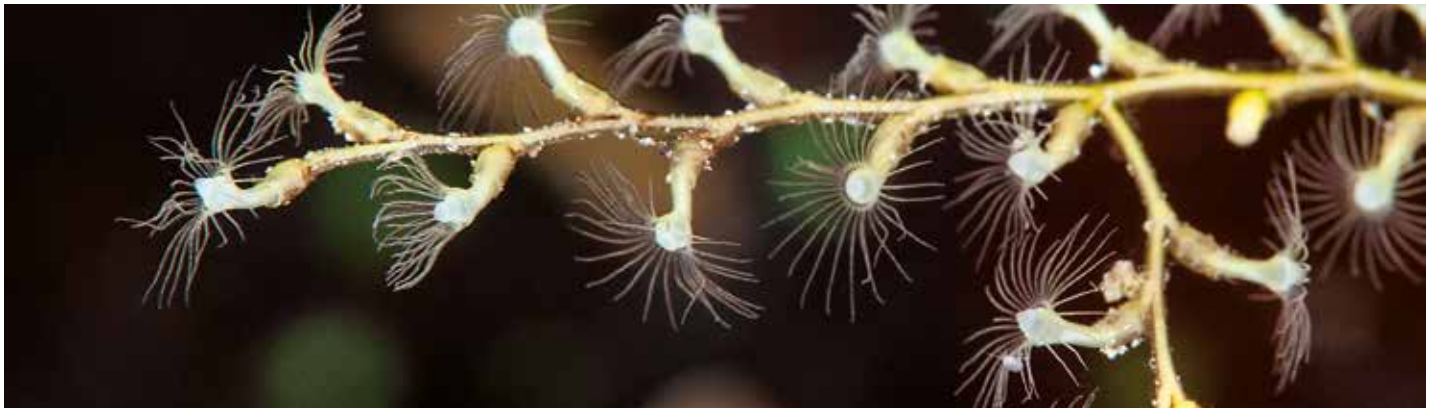
As described in Note 1, the sale of subsidiary, Zelnova Zeltia (and its subsidiary, Copyr S.p.A.), both of which manufacture and market insecticide products for domestic use, air fresheners and other home care products, was completed on 28 June 2019. Consequently, the consolidated income statement as of 31 December 2019 presented Zelnova Zeltia's operations and the outcome of the sale under discontinued operations.

Zelnova Zeltia, S.A. formed part of the Consumer Chemicals segment.

INCOME FROM DISCONTINUED OPERATIONS - ZELNOVA ZELTIA, S.A. (thousand euro)	28-06-19
Revenues	33,977
Expenses	(32,377)
Income before taxes	**1,600**
Corporate income tax	(548)
Income after tax from discontinued operations	**1,052**
Income after tax from sale of subsidiary	(3,269)
INCOME FROM DISCONTINUED OPERATIONS	**(2,217)**

NET CASH REVENUE GENERATED BY ZELNOVA ZELTIA, S.A. (thousand euro)	28-06-19
Net operating cash flow	(6,037)
Net investing cash inflow/(outflow)	34,844
Net (outflow) of cash from financing activities	5,081
NET CASH REVENUE GENERATED BY SUBSIDIARY	**33,888**

DETAILS OF THE SALE OF ZELNOVA ZELTIA S.A. (thousand euro)	28-06-19
Cash consideration received	33,417
Selling costs	(811)
Carrying amount of net assets sold	(35,875)
GAIN ON SALE OF SUBSIDIARY	**(3,269)**



The amounts of assets and liabilities on the subsidiary's books on the sale date were as follows:

BREAKDOWN OF CARRYING AMOUNT OF NET ASSETS SOLD - ZELNOVA ZELTIA, S.A. (thousand euro)	28-06-19
Property, plant & equipment and intangible assets	12,704
Investment property	5,226
Right-of-use assets in connection with leases	1,765
Goodwill	2,548
Other non-current assets	19
Inventories	14,133
Customer receivables and other current assets	28,814
Total assets classified as available-for-sale	**65,209**
Non-current liabilities	3,597
Non-current lease debt (IFRS 16)	1,463
Current interest-bearing debt	5,081
Current lease debt (IFRS 16)	318
Trade creditors	18,875
Total liabilities classified as available-for-sale	**29,334**
NET ASSETS	**35,875**

26 / PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

As of 31 December 2020 and 2019, this caption includes outstanding remuneration to Group employees in relation to bonuses that had accrued and were outstanding, and estimated bonuses accrued and outstanding at year-end, based on the compensation systems agreed by the Group with employees.

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

PROVISION FOR OTHER LIABILITIES AND EXPENSES (thousand euro)	31-12-20	31-12-19
Beginning balance	**5,734**	**6,266**
Provision for expenses	7,516	9,332
Payments	(6,839)	(9,403)
Transfers and other	-	(461)
TOTAL	**6,411**	**5,734**

The “Transfers and other” item refers to remuneration derecognized due to the sale of Zelnova Zeltia, S.A. (Note 25).

27 / NET REVENUES

The detail of this caption as of 31 December 2020 and 2019 is as follows:

BREAKDOWN OF REVENUES (thousand euro)	31-12-20	31-12-19
Product sales	135,314	97,099
Returns, rebates and volume discounts	(21,575)	(18,570)
TOTAL	**113,739**	**78,529**
Licensing and co-development agreements	140,289	3,950
Royalties	15,661	3,102
Services provided	272	238
TOTAL	**269,961**	**85,819**

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

Commercial activity was unaffected by the COVID-19 pandemic; in fact, direct sales of Yondelis®, including sales of raw materials to partners, were similar to 2019.

The Group has out-licensing and co-development agreements with a number of pharmaceutical companies. The breakdown of revenue, including royalties, in 2020 and 2019 is as follows:

BREAKDOWN OF ROYALTIES AND LICENSING FEES (thousand euro)	31-12-20	31-12-19
Jazz Pharmaceuticals Zepzelca™ (lurbinectedin)	12,719	-
Johnson & Johnson Group Yondelis® (trabectedin)	2,243	2,487
Taiho Pharmaceuticals Co. Yondelis® (trabectedin)	699	615
Total royalties	**15,661**	**3,102**
Jazz Pharmaceuticals Zepzelca™(lurbinectedin)	135,655	-
Luye Pharma Zepzelca™ (lurbinectedin)	1,257	3,200
Impilo Zepzelca™ (lurbinectedin)	1,000	-
Other agreements Yondelis® (trabectedin)	1,871	150
Other agreements Zepzelca™ (lurbinectedin)	450	600
Other	56	-
Total licenses	**140,289**	**3,950**
TOTAL	**155,950**	**7,052**

COVID-19 did not affect any of the Group's material agreements, which remain in force under the same conditions.

27.1 / Yondelis®

Janssen Products LP

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

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

- Co-development of Yondelis® from the date of signature of the agreement up to marketing, and financing of a percentage of total development costs incurred by the two parties;
- Assignment to OBP of the future marketing rights for the United States and the rest of the world except Europe (retained by the Group). For this assignment, the Group will collect royalties based on OBP's sales.
- The Group retains the exclusive right to manufacture the active ingredient, which will be supplied to OBP on a cost-plus basis;

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

The amounts attributed to the development phase are recognized as revenue during the development phase based on the degree of progress with development and the project's total estimated costs. As of 31 December 2020, the Group did not have any amounts pending recognition since all the necessary obligations had been fulfilled and the related expenses had already been incurred by Pharma Mar. Consequently, Pharma Mar did not recognize any amount under this heading in 2020 and 2019.

The amounts attributed to the marketing phase are royalties, which are recognized on an accrual basis. In 2020, royalties were recognized in the amount of €2,244 thousand for sales of Yondelis® (€2,487 thousand in 2019).

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

At the same time, the Group and Janssen signed a framework transfer agreement under which Janssen transferred to Pharma Mar all rights to the compound in the other territories licensed to Janssen, i.e. all the countries in the world except the United States, Europe and Japan (the latter licensed to Taiho Pharmaceuticals Co. Ltd). This transfer agreement will be phased in gradually, depending on the regulatory requirements in each country. Janssen will continue to sell the product until the commercialization authorizations have been transferred. Pharma Mar plans to market Yondelis® in the transferred territories via local partners.

As a result, in 2020 Pharma Mar entered into seven different agreements for the marketing of Yondelis®: with Valeo for Canada; with Adium Pharma for marketing Yondelis® in Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Curaçao, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Jamaica,

Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay and Venezuela; with Onko Ilak San for marketing Yondelis® in Turkey; with Key Oncologics for marketing Yondelis® in the Republic of South Africa, Namibia and Botswana; with TTY for marketing and distribution of Yondelis® in Taiwan, Hong Kong and Macau; with STADA for marketing Yondelis® in the Middle East and North Africa; and with R-Pharm for marketing Yondelis® in Russia, the rest of the Commonwealth of Independent States and Georgia. Those agreements ensure marketing of Yondelis® in most of the territories which Pharma Mar recovered in 2019.

In 2019, the Group signed two marketing agreements for Yondelis®: one with Specialised Therapeutics Asia, Pte. Ltd. (STA) for Australia, New Zealand and Southeast Asia, for which it received an upfront payment of €300 thousand and may receive additional revenues, including regulatory milestone payments, and one with Megapharm Ltd. for Israel and the territory known as the Palestinian Authority. Pharma Mar collected a €150 thousand upfront payment and may collect additional revenues, including milestone payments.

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

Taiho Pharmaceutical Co

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

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

- Assignment to Taiho of future rights to market Yondelis® in Japan. For this assignment, the Group will collect royalties based on Taiho's sales once authorization is obtained to market the drug in Japan.
- The Group retains the exclusive right to manufacture the active ingredient, which will be supplied to Taiho.
- Taiho assumes the responsibility, at its own expense, for researching, developing and obtaining regulatory approval for Yondelis® in Japan.

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

As a result, royalties for the sale of Yondelis® in Japan were recognized in the amount of €699 thousand in 2020 (€615 thousand in 2019).

27.2 / Aplidin®

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

Specialised Therapeutics Asia Pte, Ltd

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

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

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

treating multiple myeloma in combination with dexamethasone.

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

TTY Biopharm

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

The Company did not collect any amount under this agreement in 2020 and 2019.

Boryung Pharmaceutical Co.

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

The Company did not collect any additional amount under this agreement in 2020 and 2019.

Eip Eczacibasi Ilac Pazarlama A.S.

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

The Company did not collect any amount under this agreement in 2020 and 2019.

27.3 / Zepzelca™

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

Jazz Pharmaceuticals

As described in Note 1, on 19 December 2019, Pharma Mar and Jazz Pharmaceuticals signed an exclusive licensing agreement for marketing anti-tumor compound Zepzelca™ in the US for treating relapsed small cell lung cancer. The agreement came into force in January 2020 upon receiving authorization by the US anti-trust authorities under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

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

- R&D activities: The Group undertook to complete and conduct certain trials of the licensed molecule that will be required by the FDA. These trials may be carried out by a third party and, hence, are classified as a different service and, therefore, as a performance obligation.
- Manufacturing: The Group retains the exclusive right to manufacture the medicine, which will be supplied to Jazz Pharmaceuticals.
- Pharmacovigilance activities: The Group assumes this function on behalf of Jazz Pharmaceuticals.
- Granting of a license to the compound lurbinectedin, which entails assignment of the commercialization rights.

When the agreement came into force in January 2020, Pharma Mar collected an upfront payment of USD 200 million (€181 million). Subsequently, in June, Zepzelca™ was approved for commercialization in the US by the FDA under the accelerated approval procedure. As a result, Pharma Mar collected USD 100 million

(€88.5 million) as a milestone payment from Jazz Pharmaceuticals. The upfront payment was recognized as revenue in profit or loss on the basis of Pharma Mar's fulfillment of its commitments under the contract.

The milestone payment was recognized as revenue as a function of the degree of progress with the clinical development activities required to attain full approval. As of 31 December 2020, €135.6 million in total revenues had been recognized.

Pharma Mar also received royalties from Jazz Pharmaceuticals amounting to €12,719 thousand for sales of Zepzelca™ in the US in 2020.

Luye Pharma Group

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

Specialised Therapeutics Asia Pte, Ltd

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

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

Boryung Pharmaceutical

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

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

Other agreements

Inmedica Pharma

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

27.4 / Other molecules

Seattle Genetics Inc.

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

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

28 / RESEARCH & DEVELOPMENT EXPENSES

The following table shows the amounts spent on R&D by business segment in 2020 and 2019:

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

RESEARCH AND DEVELOPMENT EXPENSES (thousand euro)				2019
	Oncology	**Diagnostics**	**RNAi**	**TOTAL**
Total expenses	(48,694)	(2,060)	(2,909)	(53,663)
Capitalized expenses	3,021	-	-	3,021
Research & development expenses	**(45,673)**	**(2,060)**	**(2,909)**	**(50,642)**

29 / GENERAL, ADMINISTRATION AND OTHER OPERATING EXPENSES

Consolidated general and administration expenses amounted to €13,515 thousand in 2020, 2.6% less than in 2019 (€13,881 thousand).

Other consolidated operating expenses, mainly relating to corporate functions, increased to €11,576 thousand in 2020, 9.5% more than in 2019 (€10,573 thousand).

30 / MARKETING EXPENSES

Commercial and marketing expenses decreased by 7.0% with respect to 2019, to €22,257 thousand in 2020 (€23,936 thousand in 2019). Expenses under this heading in the Oncology segment declined to €20,142 thousand, compared with €21,972 thousand in 2019. This decline was due mainly to the decrease in medical sales activities and to the fact that no oncology conferences were held at physical venues because of the COVID-19 pandemic.

31 / OTHER NET INCOME

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

BREAKDOWN OF OTHER NET INCOME (thousand euro)	31-12-20	31-12-19
Capital subsidies	974	768
Other income	134	198
TOTAL	**1,108**	**966**

32 / BREAKDOWN OF EXPENSES BY TYPE

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

BREAKDOWN OF EXPENSES BY TYPE (thousand euro)	31-12-20	31-12-19
Changes in finished product and product-in-process inventories	(1,016)	(2,144)
Raw materials and other supplies	11,975	6,017
Employee benefit expenses	47,367	42,207
Depreciation and amortization	7,211	8,035
Impairment/(Reversal)	368	(81)
Transport	1,015	913
Marketing expenses	5,538	4,636
Expenses of R&D performed by third parties	19,662	19,491
Other expenses	23,005	25,197
TOTAL	**115,125**	**104,271**

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

Production capacity was unaffected by the COVID-19 pandemic, although there were occasional shortages of certain items such as ethanol and 2-propanol. Similarly, the shortage of flights caused some delays in deliveries, but there was no impact on profit or loss.

33 / EMPLOYEE WELFARE EXPENSES

The breakdown of employee welfare expenses is as follows:

EMPLOYEE BENEFIT EXPENSES (thousand euro)	31-12-20	31-12-19
Salaries and wages	38,270	33,202
Indemnities	1,303	1,213
Social security	6,195	6,244
Pension cost	49	35
Share ownership plans	239	203
Other welfare expenses	1,311	1,310
TOTAL	**47,367**	**42,207**

The average number of employees by category is as follows:

AVERAGE NUMBER OF EMPLOYEES BY CATEGORY	31-12-20	31-12-19
Executive directors	2	2
Senior management	9	7
Management	28	30
Middle management	49	45
Technical staff	271	271
Clerical and similar staff	57	57
Other	27	24
TOTAL	**443**	**436**

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

(MEN)	31-12-20	31-12-19
Executive directors	2	2
Senior management	5	4
Management	14	16
Middle management	23	21
Technical staff	102	109
Clerical and similar staff	6	6
Other	17	14
TOTAL	**169**	**172**

(WOMEN)	31-12-20	31-12-19
Senior management	4	3
Management	14	14
Middle management	26	24
Technical staff	169	162
Clerical and similar staff	51	51
Other	10	10
TOTAL	**274**	**264**

The average number of employees by gender is as follows:

AVERAGE NUMBER OF EMPLOYEES	31-12-20	31-12-19
Men	169	172
Women	274	264
TOTAL	**443**	**436**

As of 31 December 2020, four of the eleven members of the Board of Directors were women (in 2019, three of the eleven members were women). Among Pharma Mar's 21 executives (21 executives in 2019), including executive directors at the closing date, there were eight women (eight in 2019).

The Group companies have an average of six employees with disability greater than or equal to 33% (ten in 2019).

The Group did not need to avail itself of furlough or layoff measures as a result of the COVID-19 pandemic. The Group's average headcount increased by 7 in 2020 with respect to 2019.

Although the Company was classified as performing essential activities in accordance with Royal Decree 463/2020, of 14 March, once the state of alarm was declared the employees whose work did not require physical presence (about 60% of the workforce) began teleworking regardless of their vulnerability category as defined by the Ministry of Health. To facilitate telework, laptop computers were leased for the employees who needed them and telecommunications facilities were upgraded to enable virtual meetings A total of €540 thousand were expended on these items.

34 / NET FINANCIAL INCOME

NET FINANCIAL RESULT (thousand euro)	31-12-20	31-12-19
On debts to third parties and similar expenses	(3,124)	(3,888)
Losses on financial assets	-	(258)
Exchange loss	(12,252)	(225)
Financial expenses	**(15,376)**	**(4,371)**
Other interest and similar revenues from other companies	336	35
Exchange gains	4,702	168
Financial revenues	**5,038**	**203**
TOTAL NET FINANCIAL INCOME	**(10,338)**	**(4,168)**

In 2020, most of the exchange differences were due to marking to market, as of 31 December 2020, the portion of the amounts received from Jazz Pharmaceutical that were held in US dollars.

35 / EARNINGS PER SHARE

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

Basic earnings per share in 2020 and 2019 were as follows:

EARNINGS PER SHARE (BASIC)	31-12-20	31-12-19
Income attributable to equity-holders of the controlling company (thousand euro)	137,262	(11,379)
Weighted average number of outstanding ordinary shares (thousand shares)	18,293	221,244
BASIC EARNINGS PER SHARE (EURO)	**7.50**	**(0.05)**

EARNINGS PER SHARE FROM CONTINUING OPERATIONS (BASIC)	31-12-20	31-12-19
Income from continuing operations (thousand euro)	137,262	(9,180)
Weighted average number of outstanding ordinary shares (thousand shares)	18,293	221,244
BASIC EARNINGS PER SHARE (EURO)	**7.50**	**(0.04)**

EARNINGS PER SHARE FROM DISCONTINUED OPERATIONS (BASIC)	31-12-20	31-12-19
Income from discontinued operations (thousand euro)	-	(2,217)
Weighted average number of outstanding ordinary shares (thousand shares)	18,293	221,244
BASIC EARNINGS PER SHARE (EURO)	**-**	**(0.01)**

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

The diluted earnings per share in 2020 and 2019 were as follows:

EARNINGS PER SHARE (DILUTED)	31-12-20	31-12-19
Income attributable to equity-holders of the controlling company (thousand euro)	137,262	(11,379)
Weighted av. no. of ordinary shares for diluted earnings per share (thousand shares)	18,325	221,603
RESULTADOS DILUIDOS POR ACCIÓN (EUROS)	**7.49**	**(0.05)**

EARNINGS PER SHARE FROM CONTINUING OPERATIONS (DILUTED)	31-12-20	31-12-19
Income from continuing operations (thousand euro)	137,262	(9,180)
Weighted av. no. of ordinary shares for diluted earnings per share (thousand shares)	18,325	221,603
DILUTED EARNINGS PER SHARE (EURO)	**7.49**	**(0.04)**

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

RECONCILIATION OF BASIC TO DILUTED SHARES	31-12-20	31-12-19
Weighted average number of outstanding ordinary shares (thousand shares)	18,293	221,244
Adjustments for: Employee share ownership plan (thousand shares)	32	359
WEIGHTED AV. NO. OF ORDINARY SHARES FOR DILUTED EARNINGS PER SHARE	**18,325**	**221,603**

36 / RELATED-PARTY TRANSACTIONS

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

Significant shareholders are those who own over 3% of capital. Employees who report to the Chairman, who is the Company's chief executive, are classified as executives even if they have an ordinary employment contract (not a senior management contract in accordance with Spanish Royal Decree 1382/85).

36.1 / Board of Directors

The following table shows the remuneration paid in 2020 and 2019 to directors of Pharma Mar:

REMUNERATION (thousand euro)	31-12-20	31-12-19
Fixed remuneration for executive directors	1,164	1,154
Variable remuneration for executive directors	448	267
Fixed remuneration for belonging to the Board of Directors	736	678
Board and Board committee attendance fees	535	497
Fixed remuneration for belonging to Board committees	580	543
Remuneration for belonging to Boards of other Group companies	30	53
Remuneration for Lead Director	17	17
Other remuneration	2,140	356
TOTAL	**5,650**	**3,565**

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

With respect to the executive director's variable remuneration, €448 thousand have accrued to date as a result of evaluation of objectives approved by the Board of Directors at its meeting of 28 January 2021, based on a proposal by the Appointments and Remuneration Committee.

The company has arranged a civil liability policy for the members of the Company's Board of Directors. The premium paid in 2020 amounted to €283 thousand.

36.2 / Senior management remuneration and loans

Company senior management received an aggregate total of €3,340 thousand in 2020 (€2,130 thousand in 2019). The increase between years is due mainly to the extraordinary remuneration agreed by the Board of Directors for some of the members of senior management for their decisive participation in the agreement reached with Jazz Pharmaceuticals.

36.3 / Companies related to the directors and executives and their close relatives

On 26 May 2019, the Board of Directors approved the sale of 100% of Zelnova Zeltia to Allentia Invest, S.L. y Safoles, S.A. (together, the "Buyer"), which are owned directly and indirectly by, among others, Mr. Pedro Fernández Puentes, a director of Pharma Mar, and persons related to him. The Board of Directors resolved to submit the authorization to the Shareholders' Meeting. By doing so, it complied with the provisions of article 230 of the Capital Companies Act with regard to shareholders waiving the prohibition on the company transacting with its directors, and also with article 160.f) of the Capital Companies Act, regarding shareholder approval for the sale of assets considered to be essential to the Company. Once the shareholders had authorized the transaction, the sale was completed on 28 June 2019. The total consideration received from the Buyer was €33,417 thousand, paid in cash upon completion.

In 2020, a company related to one member of the Board of Directors provided services to two Group undertakings amounting to €13 thousand (€13 thousand in 2019).

37 / SHARE-BASED PAYMENTS

As of 2020 year-end, Pharma Mar and the Group undertakings had three Employee Share Ownership Plans in force for Group employees and executives (not including directors of Pharma Mar, S.A.) who receive annual variable remuneration, have an indefinite contract, have passed any trial period and attained at least 50% of the objectives set for the year by their department head or their hierarchical superior.

Below are details of the essential terms and conditions of those share ownership plans. At the start of each year, each Group company that has decided to apply the Share Ownership Plans provides the Board of Directors of Pharma Mar with a list of plan beneficiaries (i.e. employees who meet the conditions established in the relevant decision by the Shareholders' Meeting) which details the degree of attainment by the beneficiary of the objectives set for the preceding year. Given that participation in such plans has been voluntary until now, only employees and executives who have decided to participate in the plans and allocate part or all of their variable remuneration to those plans are included in such lists. Based on that information, the Board of Directors approves that such beneficiaries be granted, by their respective employers, the amounts in shares specified in such lists (in no event can such amounts exceed €12,000 per beneficiary per year), which assigns to each beneficiary a coefficient based on their level of attainment of the objectives for the previous year (and which is used as a basis for calculating the amount in shares). The number of shares to be delivered to each beneficiary is the result of dividing the amount of variable remuneration allocated to the Plan, multiplied by the corresponding coefficient, by the value attributed to the shares, which is the lower of: a) the weighted average price of the Pharma Mar share in the electronic market on the Plan's execution date; or b) the arithmetic mean of the weighted average price of the Pharma Mar share in the electronic market in the month prior to the execution date.

Executives and employees who elect not to participate in the Plans collect their variable remuneration entirely in cash, but without a multiplier being applied.

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

37.1 / Year 2017 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 23 June 2016) - Granted prior to the stock merge (Note 17)

On 23 June 2016, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in March 2017. The Company allocated 500,000 own shares to execute this plan.

In executing this plan, a total of 211,664 shares were allocated in 2017 to 173 beneficiaries at a value of €2.7680 per share.

In 2018, 56,908 shares were released from lock-up under this plan.

In relation to this Plan, a total of 47,325 shares (3,932 shares after the stock merge) have been canceled: 12,955 shares (1,071 shares after the stock merge) purchased by employees and 34,370 shares (2,861 shares after the stock merge) contributed by the Company.

This Plan concluded in March 2020 since the three-year lock-up period had expired, and the

shares that were under lock-up were released. A total of 107,431 shares (8,941 shares after the stock merge) were released under this Plan.

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

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

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

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

In relation to this Plan, a total of 45,437 shares (3,778 shares after the stock merge) have been canceled: 12,844 shares (1,057 shares after the stock merge) purchased by employees and 32,593 shares (2,721 shares after the stock merge) contributed by the Company.

As of 31 December 2020, 118,852 shares (9,910 shares after the stock merge) contributed by the Company had not accrued.

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

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

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

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

In relation to this Plan, a total of 9,281 shares (773 shares after the stock merge) were canceled in 2020: 3,140 shares (261 shares after the stock merge) purchased by employees and 6,141 shares (512 shares after the stock merge) contributed by the Company.

As of 31 December 2020, 110,632 shares (9,207 shares after the stock merge) contributed by the Company had not accrued.

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

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

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

In relation to this Plan, a total of 4,669 shares (387 shares after the stock merge) were canceled in 2020: 1,410 shares (117 shares after the stock merge) purchased by employees and 3,259 shares (270 shares after the stock merge) contributed by the Company.

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

The Shareholders' Meeting of Pharma Mar, S.A. on 18 June 2020 approved a new Share Ownership Plan with a double objective, as in previous years: to reward employees and executives whose performance in 2020 was satisfactory, and to incentivize beneficiaries to stay in the Group.

The maximum number of shares that can be allocated for the execution of this plan was set by the Shareholders' Meeting at 500,000, which will be taken from treasury stock held by the Company at the time the plan is implemented. The Shareholders' Meeting determined the Plan's beneficiaries as Group employees and executives (excluding directors of Pharma Mar, S.A.) who have a permanent contract, have completed any trial period by 31 December 2020 and collect variable remuneration in 2021 relating to attainment of objectives in 2020, provided that they attained over 50% of the targets established by their department head or hierarchical superior.

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

The following table shows the number of shares under each plan as of 31 December 2020, adjusted for the stock merge:

	Shares awarded under plan	Shares purchased by employees - canceled	Shares purchased by employees - accrued	Shares purchased by employees - not yet accrued	Shares contributed by employer - canceled	Shares contributed by employer - accrued	Shares contributed by employer - not yet accrued	Total number of shares not yet accrued	Fair value per share	Accrual period
	(1)+(2)+(3)+(4) +(5)+(6)	(1)	(2)	(3)	(4)	(5)	(6)	(3)+(6)		
Plan / Grant date										
Plan 15 June 2016/ Granted March 2017	17,587	1,071	4,714	-	2,861	8,941	-	-	2.77	Mar. 20
Plan 16 June 2017/ Granted April 2018	18,881	1,057	5,193	-	2,721	-	9,910	9,910	1.67	Mar. 21
Plan 17 June 2018 (Granted June 2019)	13,609	261	3,629	-	512	-	9,207	9,207	2.08	June 22
Plan 18 June 2019/ (Granted May 2020)	10,641	117	-	2,683	270	-	7,571	10,254	4.61	May 23
TOTAL	**60,718**	**2,506**	**13,536**	**2,683**	**6,364**	**8,941**	**26,688**	**29,371**		

A total of €242 thousand were recognized as reserves for the amortization of the plans in 2020 (€208 thousand in 2019). Additionally, the amount recognized in the period was €414 thousand (€228 thousand in 2019), and €7 thousand were derecognized (€7 thousand in 2019).

38 / DUTY OF LOYALTY

Director conflicts of interest

Based on the disclosures presented by each of the Company's directors, they and, to the best of their knowledge and belief, their related parties did not incur in the situations of conflict of interest envisaged in article 229.1 of the Consolidated Text of the Capital Companies Act, except in the case of related-party transactions authorized by the Company's Board of Directors or its Committees, which are disclosed in Note 29 to the Separate Financial Statements, Note 36 to the Consolidated Financial Statements, and section D.3 of the Annual Corporate Governance Report for the year ended 31 December 2020, which forms part of these Financial Statements.

39 / CONTINGENCIES

Contingent liabilities

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

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

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

Contingent assets

The Group did not have contingent assets as of 31 December 2020 and 2019.

40 / COMMITMENTS

Operating lease commitments

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

OPERATING LEASE COMMITMENTS (thousand euro)	31-12-20	31-12-19
Under 1 year	2,504	2,696
1 to 5 years	3,066	3,440
TOTAL	**5,570**	**6,136**

41 / AUDITORS' FEES

The fees earned during the year by PricewaterhouseCoopers Auditores, S.L. and other firms in its network amounted to €384 thousand in 2020 (€333 thousand in 2019) for statutory audit services, and €105 thousand (€238 thousand in 2019) for other audit services. The fees for non-audit services provided to Pharma Mar Group companies amounted to €27 thousand in 2020 (€436 thousand in 2019).

Companies in the PwC network did not accrue any fees for tax advisory services in 2020 and 2019.

The fees accrued during the year by other auditors of subsidiaries amounted to €28 thousand for audit services in 2020 (€32 thousand in 2019) and €7 thousand for other verification services in 2020 (€14 thousand in 2019).

42 / ENVIRONMENT

The Company did not need to incur significant investments during the year to protect and improve the environment. Environmental protection expenses amounted to €82 thousand in 2020 (€51 thousand in 2019).

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

43 / SUBSEQUENT EVENTS

On 17 February 2021, the Company announced that the UK's Medicines and Healthcare products Regulatory Agency (MHRA) had given authorization for UK patients to participate in the NEPTUNO Phase III clinical trial to determine the efficacy of Aplidin® for treating hospitalized patients with moderate COVID-19 infection.

On 12 February 2021, the Company collected €5,000 thousand from the Spanish tax authorities for monetization of certain research and development tax credits under 2019 corporate income tax.

In 2021, the Company tacitly rolled over a credit line amounting to €3,000 thousand in total.

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