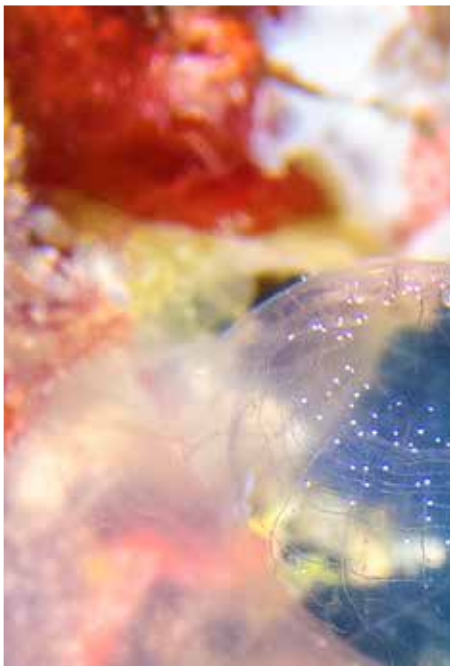

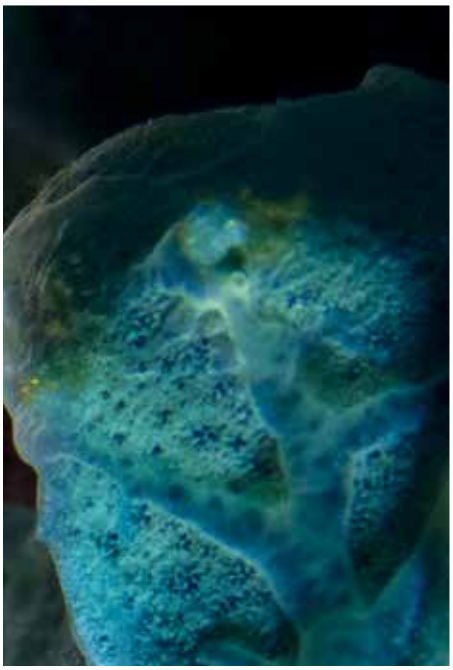

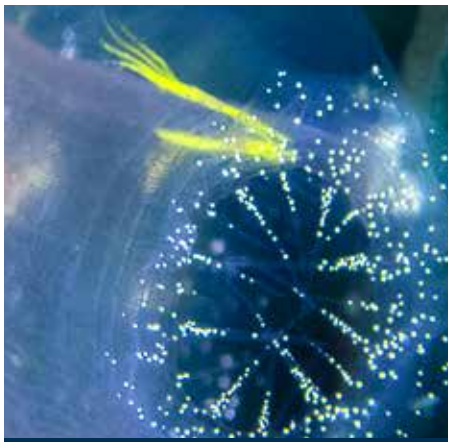


FINANCIAL STATEMENTS

2020

Pharma Mar

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AUDITORS' REPORT AND FINANCIAL STATEMENT

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

Independent auditor´s report on the annual accounts

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

Report on the annual accounts

Opinion

We have audited the annual accounts of Pharma Mar, S.A. (the Company), which comprise the balance sheet as at December 31, 2020, and the income statement, statement of changes in equity, cash flow statement and related notes for the year then ended.

In our opinion, the accompanying annual accounts present fairly, in all material respects, the equity and financial position of the Company as at December 31, 2020, as well as its financial performance and cash flows for the year then ended, in accordance with the applicable financial reporting framework (as identified in note 2 of the notes to the annual accounts), and, in particular, with the accounting principles and criteria included therein.

Basis for opinion

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

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

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

Key audit matters

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

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

Pharma Mar, S.A.

Key audit matter	How our audit addressed the key audit matter
Development expenses	
The Company is mainly engaged in the research, development and marketing of bioactive ingredients, particularly of marine origin. As indicated in note 6 of the accompanying annual accounts, in 2020 the Company recognized development expenses as an increase in the value of assets in the amount of €4,506 thousand, write-downs due to disposals and impairment amounting to €60,544 thousand and €58,029 thousand, respectively, and an amortization charge of €10,612 thousand in the income statement for the year. The carrying amount of development expenses capitalized in the balance sheet at December 31, 2020 amounts to €2,807 thousand and relates to Zepzelca. The Company recognizes development expenses as an increase in the value of assets under the heading intangible assets as from the moment the conditions stated in note 4.1 of the the accompanying annual accounts are fulfilled. For the purposes of subsequent measurement, impairment is assessed whenever project circumstances give rise to an indication of impairment or there may be doubts as to recoverability in relation to the fulfilment of the conditions that resulted in capitalization. As indicated in note 6.1 of the accompanying notes, in January 2020 the USA anti-trust authorities authorized the exclusive license agreement to market Zepzelca in the United States entered into between the Company and Jazz Pharmaceuticals Ireland Limited. This license agreement permanently assigns the rights and benefits associated with Zepzelca in the USA, so the Company has written down the asset to reflect the licensing of the compound in the amount of €60,544 thousand. In addition, in December 2020 the results of the Atlantis trial in Zepzelca phase III in Europe were obtained. As the study did not meet the primary objective and there are doubts as to recoverability based on fulfilment of the capitalization conditions, the Company has written off a total of €58,029 thousand in development expenses capitalized in relation to that trial.	We have assessed the application of the development expenditure recognition policy described in note 4.1 of the notes to the accompanying annual accounts and the design and implementation of the relevant controls in the development expenditure area. As regards the recognition of development expenses as an increase in the value of assets in 2020, we obtained a breakdown of development expenditure by project and reconciled it with the amounts carried in the accounts. For a sample of invoices in the breakdown, we checked that the items may be capitalized and that the Company correctly allocates costs by nature, department and project. In addition, we met with the directors of the clinical development and R&D departments to obtain an understanding of the phases of research and development projects in progress and to assess compliance with capitalization requirements by analyzing the documents furnished by the Company for such purposes. As regards the derecognition of capitalized development expenses as a result of the exclusive license agreement with Jazz Pharmaceuticals Ireland Limited, we assessed the reasonableness of the amount written down based on the significance of the US market in relation to the economic returns expected from Zepzelca at the global level. With respect to impairment losses, we obtained a breakdown of all expenses capitalized in connection with the Atlantis trial in Zepzelca phase III in Europe and we checked that the items impaired relate to that trial, in respect of which the capitalization conditions described in note 4.1 are no longer fulfilled. As regards the information disclosed in the note to the accounts, we checked that it includes the details required by the Spanish Chart of Accounts in section 7 on disclosures in the notes to the accounts.

Key audit matter	How our audit addressed the key audit matter
The assessment of both the fulfilment of the capitalization conditions and the impairment indicators requires a high level of judgement and estimation by management. These two aspects, together with the derecognition of development expenditure as a result of the agreement with Jazz Pharmaceuticals Ireland Limited, had material impacts on the Company's annual accounts, so we have treated this work as a key audit matter.	On the basis of the analysis carried out, we obtained sufficient and appropriate audit evidence to deem the accounting treatment afforded by the Company and the associated disclosures in the accompanying notes to the 2020 annual accounts to be reasonable.

Recognition and recoverability of deferred tax assets

At 31 December 2020, the Company records in the balance sheet deferred tax assets and liabilities of €29,685 thousand and €845 thousand, respectively, as described in note 21 of the accompanying notes to the annual accounts, recognized on the basis of the tax budgeting exercise conducted for the companies forming the Spanish tax group, as described in notes 2.2 and 4.11 of the notes to the annual accounts.

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

Note 2.2 of the accompanying notes to the 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 Company 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 accounts, we checked that it includes the details required by the Spanish Chart of Accounts in section 12 on disclosures in the notes to the accounts.

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

Pharma Mar, S.A.

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 Company 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 4.14 of the accompanying notes to the accounts, the Company 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 annual accounts, these considerations are particularly relevant in relation to the recognition of the agreement between the Company 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 22.1 and 20, 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 annual accounts, so this is a key audit matter.	In order to assess the recognition of revenue by the Company 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 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 accounts is sufficient to understand the transaction and the assumptions made by the Company when interpreting the agreement. Following these procedures, we consider the judgements and estimates made by the Company when analyzing the agreement with Jazz Pharmaceuticals Ireland Limited to be appropriate.

Pharma Mar, S.A.

Other information: Management report

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

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

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

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

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

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

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

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

Auditor's responsibilities for the audit of the annual accounts

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

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

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

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

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

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

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

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

We communicate with the 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 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 Company´s audit committee, we determine those matters that were of most significance in the audit of the annual accounts of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Pharma Mar, S.A. for the 2020 financial year that comprises an XHTML file of the annual accounts for the financial year, which will form part of the annual financial report.

Pharma Mar, S.A.

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 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 management report.

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

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

Report to the audit committee

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

Appointment period

The General Ordinary Shareholders' Meeting held on June 18, 2020 appointed us as auditors 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, 1997.

Services provided

Services provided to the Company for services other than the audit of the accounts are disclosed in note 33 of the notes to the annual accounts.

For services other than the audit of the accounts provided to the Company's subsidiaries, see the audit report dated February 26, 2021 on the consolidated financial statements of Pharma Mar, S.A. and subsidiaries in which they are included.

PricewaterhouseCoopers Auditores, S.L. (S0242)

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

26 February 2021

BALANCE SHEET (thousand euro)			
ASSETS	**Note**	**31-12-20**	**31-12-19**
A) Non-current assets		**134,630**	**228,735**
I. Intangible assets		**3,619**	**128,190**
1. Development	6	2,807	127,486
2. Computer software	6	812	704
II. Property, plant and equipment		**18,843**	**19,118**
1. Land and structures	7	11,602	12,488
2. Technical installations and other tangible fixed assets	7	6,487	6,434
3. Advances & construction in progress	7	754	196
III. Investment property		**845**	**845**
1. Land	8	845	845
IV. Non-current investment in group and associated undertakings		**61,164**	**56,165**
1. Equity instruments	11	53,967	53,967
2. Loans to Group undertakings	14 & 30	7,197	2,198
V. Non-current financial assets		**20,474**	**474**
1. Equity instruments	12	330	330
2. Loans to third parties		6	6
3. Other financial assets	14 & 15	20,138	138
VI. Deferred tax assets	21	**29,685**	**23,943**
B) Current assets		**233,421**	**41,541**
II. Inventories		**11,117**	**8,291**
1. Raw materials and other supplies	13	125	89
2. Products in process	13	10,329	7,782
3. Finished products	13	663	420
III. Trade and other accounts receivable		**35,344**	**16,641**
1. Customer receivables for sales and services	14	18,699	5,825
2. Receivable from group and associated undertakings	14 & 30	4,519	4,099
3. Sundry debtors	14	190	174
4. Personnel	14	110	158
5. Current tax assets	23	10,486	5,602
6. Other receivables from public authorities	23	1,340	783
IV. Current investment in group and associated undertakings		**1,644**	**695**
1. Loans to undertakings	14 & 30	775	-
2. Other financial assets	14 & 30	869	695
V. Current financial assets		**97,163**	**927**
1. Other financial assets	15	97,163	927
VI. Accruals	14	**891**	**1,130**
VII. Cash and cash equivalents		**87,262**	**13,857**
1. Cash	16	87,262	13,857
TOTAL ASSETS (A+B)		**368,051**	**270,276**

BALANCE SHEET (thousand euro)			
TOTAL EQUITY AND LIABILITIES	**Note**	**31-12-20**	**31-12-19**
A) Equity		**153,115**	**166,723**
A-1) Capital and reserves		**151,666**	**164,721**
I. Capital		**11,013**	**11,132**
1. Share capital	17	11,013	11,132
II. Share premium account	17	**71,278**	**71,278**
III. Reserves		**287,875**	**300,990**
1. Legal and bylaw reserves	18	2,203	2,226
2. Other reserves	18	285,672	298,764
IV. (Own shares and equity instruments)	17	**(21,453)**	**(1,500)**
V. Prior years' income		**(225,999)**	**(234,838)**
1. (Prior years' loss)	18	(225,999)	(234,838)
VII. Income for the year		**28,952**	**17,659**
A-2) Value adjustments		**14**	**15**
II. Hedge transactions		**14**	**15**
A-3) Subsidies, donations and legacies received	6 & 19	**1,435**	**1,987**
B) Non-current liabilities		**125,550**	**48,289**
I. Long-term provisions		**150**	**150**
1. Other provisions		150	150
II. Non-current debt		**33,431**	**47,628**
1. Bonds and other marketable securities	20	16,600	16,549
2. Bank debt	20	3,561	15,291
3. Other financial liabilities	20	13,270	15,788
IV. Deferred tax liabilities	**21**	**845**	**511**
V. Long-term accruals	20	**91,124**	**-**
C) Current liabilities		**89,386**	**55,264**
III. Current debt		**14,731**	**28,427**
1. Bonds and other marketable securities	20	405	405
2. Bank debt and debt to official authorities	20	13,343	27,108
3. Other financial liabilities	20	984	914
IV. Current accounts payable to group and associated undertakings	20 & 30	**2,532**	**2,139**
V. Trade and other accounts payable		**28,538**	**23,441**
1. Due to suppliers	20	232	225
2. Due to group and associated undertakings	20 & 30	3,176	2,734
3. Sundry creditors	20	18,526	13,700
4. Personnel (compensation payable)	20	4,581	4,330
5. Other debt to public authorities	23	921	796
6. Customer advances	20	1,102	1,656
VI. Short-term accruals	20	**43,584**	**1,257**
TOTAL NET EQUITY AND LIABILITIES (A+B+C)		**368,051**	**270,276**

STATEMENT OF INCOME (thousand euro)	Note	31-12-20	31-12-19
A) Continuing operations			
1. Net revenues	22.1 & 22.2	**247,720**	**70,349**
a) Product sales		90,371	62,806
b) Licensing and co-development agreements		140,233	3,950
c) Royalties		15,661	3,102
d) Other revenues		1,455	491
2. Variation in finished goods and work-in-process inventories	13	**2,520**	**(1,283)**
3. Capitalized in-house work	6	**4,506**	**17,291**
4. Purchases		**(8,569)**	**(4,801)**
b) Raw materials and other consumables consumed	22.4	(2,650)	(1,045)
c) Outside work		(5,919)	(3,756)
5. Other operating revenues		**57**	**62**
a) Ancillary and other current revenues		57	62
6. Staff expenses	22.5	**(34,764)**	**(29,619)**
a) Wages, salaries and similar		(29,658)	(24,540)
b) Employee welfare expenses		(5,106)	(5,079)
7. Other operating expenses	22.6	**(48,146)**	**(46,349)**
a) Outside services		(47,451)	(45,847)
b) Taxes other than income tax		(678)	(502)
c) Losses, impairment and changes in trade provisions		(17)	-
8. Depreciation and amortization	6 & 7	**(12,583)**	**(22,045)**
9. Recognition of subsidies for non-financial assets and other	19	**1,160**	**927**
10. Impairment losses and income from disposal of assets	6.1 & 22.7	**(118,936)**	**82**
a) Impairments and losses	6.1 & 22.7	(58,397)	81
b) Income from disposals and other	6.1 & 22.7	(60,539)	1
A.1) OPERATING INCOME (1+2+3+4+5+6+7+8+9+10)		**32,965**	**(15,386)**
11. Financial revenues	24	**569**	**872**
b) Marketable securities and other financial instruments		**569**	**872**
b 1) Group and associated undertakings		233	861
b 2) Third parties		336	11
12. Financial expenses	24	**(2,593)**	**(3,172)**
a) On debts to third parties		(2,593)	(3,172)
13. Exchange differences	24	**(7,490)**	**(39)**
14. Impairment losses and income from disposal of financial instruments	24	**135**	**(4,560)**
a) Impairments and losses		135	(4,560)
A.2) FINANCIAL INCOME (11+12+13+14)		**(9,379)**	**(6,899)**
A.3) INCOME BEFORE TAXES (A.1 + A.2)		**23,586**	**(22,285)**
15. Income tax	23	**5,366**	**8,123**
A.4) INCOME FOR THE YEAR FROM CONTINUING OPERATIONS (A.3+15)		**28,952**	**(14,162)**
B) Discontinued operations			
16. Income for the year from discontinued operations, net of taxes	25	**-**	**31,821**
A.5) INCOME FOR THE YEAR (A.4+16)		**28,952**	**17,659**

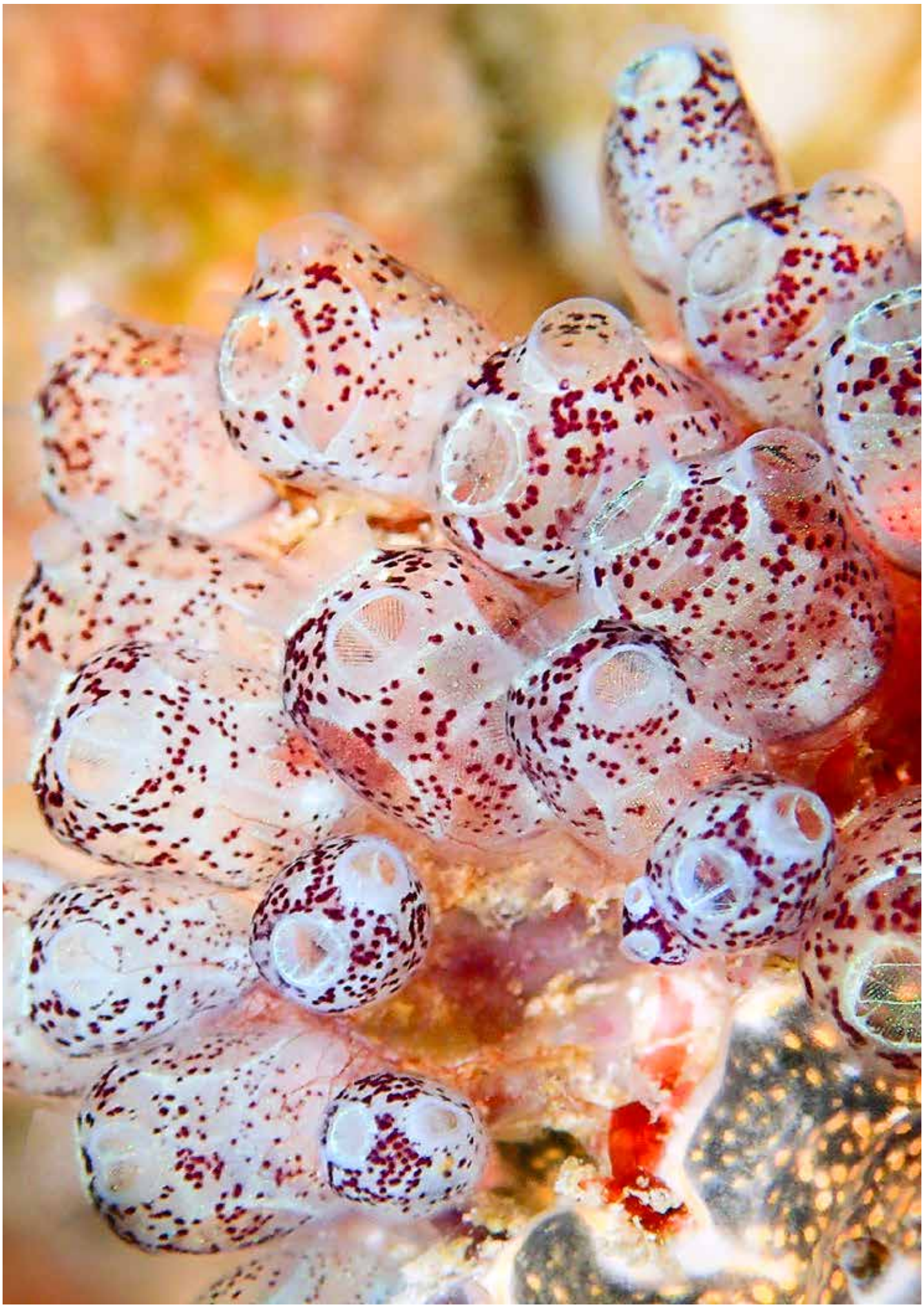
A) STATEMENT OF RECOGNIZED REVENUES AND EXPENSES FOR THE YEAR ENDED 31 DECEMBER 2020 (thousand euro)

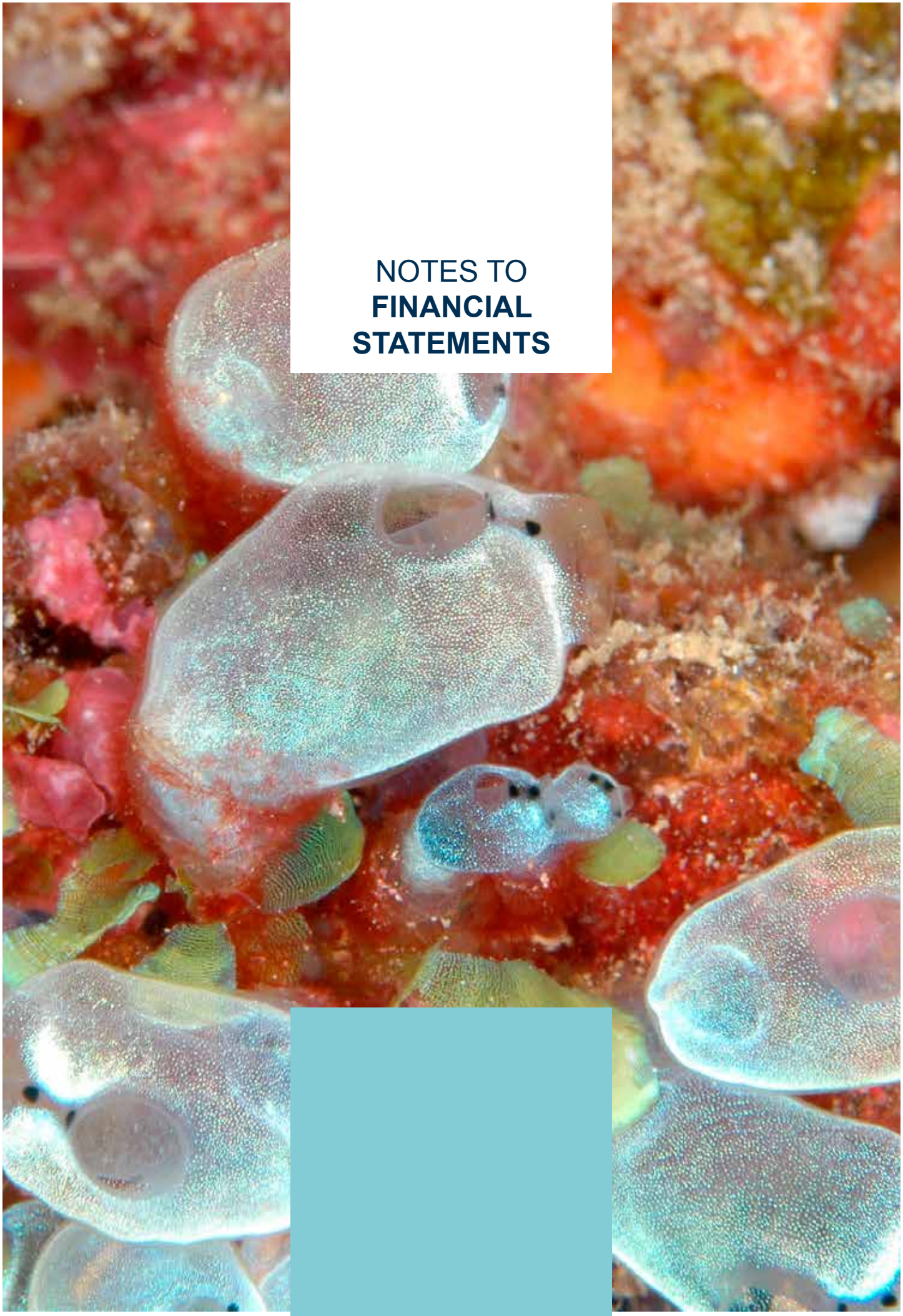
STATEMENT OF CHANGES IN NET EQUITY	Note	31-12-20	31-12-19
A) INCOME, PER INCOME STATEMENT		**28,952**	**17,659**
Revenues and expenses recognized directly in equity			
I. Subsidies, donations and legacies received	19	423	412
II. Tax effect	19	(106)	(103)
B) TOTAL REVENUES AND EXPENSES RECOGNIZED DIRECTLY IN NET EQUITY (I+II)		**317**	**309**
Transfers to profit or loss			
III. Subsidies, donations and legacies received	19	(1,159)	(927)
IV. Tax effect	19	290	232
C) TOTAL TRANSFERS TO PROFIT OR LOSS (III+IV)		**(869)**	**(695)**
TOTAL RECOGNIZED REVENUES AND EXPENSES (A + B + C)		**28,400**	**17,273**

B) TOTAL STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 (thousand euro)

TOTAL STATEMENT OF CHANGES IN EQUITY	Share capital (Note 17)	Share premium account (Note 17)	Reserves (Note 18)	(Own shares and equity instruments) (Note 17.3)	Prior years' income	Income for the year (Note 3)	Subsidies, donations and legacies received (Note 19)	Value adjustments	Total
Ending balance 2018	**11,132**	**71,278**	**300,408**	**(2,243)**	**(203,723)**	**(31,116)**	**2,373**	**12**	**148,121**
Total recognized revenues and expenses	-	-	-	-	-	17,659	(386)	-	17,273
Other changes in net equity	-	-	-	-	-	-	-	3	3
Share ownership plans (Note 17.3 & 26)	-	-	(13)	307	-	-	-	-	294
Transactions with shares (purchases) (Note 17.3)	-	-	-	(7,467)	-	-	-	-	(7,467)
Transactions with shares (sales) (Note 17.3)	-	-	596	7,903	-	-	-	-	8,499
Distribution of income (Note 3)	-	-	-	-	(31,116)	31,116	-	-	-
Ending balance 2019	**11,132**	**71,278**	**300,990**	**(1,500)**	**(234,838)**	**17,659**	**1,987**	**15**	**166,723**
Total recognized revenues and expenses	-	-	-	-	-	28,952	(552)	-	28,400
Capital reduction	(119)	-	(18,380)	18,449	-	-	-	-	(50)
Other changes in net equity	-	-	-	-	-	-	-	(1)	(1)
Share ownership plans (Note 17.3 & 26)	-	-	(165)	528	-	-	-	-	363
Transactions with shares (purchases) (Note 17.3)	-	-	-	(63,773)	-	-	-	-	(63,773)
Transactions with shares (sales) (Note 17.3)	-	-	5,430	24,843	-	-	-	-	30,273
Distribution of dividends	-	-	-	-	-	(8,820)	-	-	(8,820)
Distribution of income (Note 3)	-	-	-	-	8,839	(8,839)	-	-	-
Closing balance 2020	**11,013**	**71,278**	**287,875**	**(21,453)**	**(225,999)**	**28,952**	**1,435**	**14**	**153,115**

STATEMENT OF CASH FLOWS (thousand euro)	Notes	31-12-20	31-12-19
A) OPERATING CASH FLOW			
1. Income before taxes		**23,586**	**9,536**
2. Adjustments to income		**140,283**	**7**
a) Depreciation and amortization (+)	6, 7, 8	12,582	22,045
b) Impairment losses		58,416	-
d) Subsidies recognized (-)	19	(1,159)	(927)
e) Income from derecognitions and disposals of property, plant and equipment (+/-)	6, 7, 24	60,538	(28,303)
f) Income from derecognitions and disposals of financial instruments (+/-)		(135)	4,560
g) Share-based payments		528	293
h) Financial revenues (-)	24	(569)	(872)
i) Financial expenses (+)	24	2,593	3,172
j) Exchange differences (+/-)	24	7,490	39
3. Changes in working capital		**126,818**	**(3,041)**
a) Inventories (+/-)	13	(2,827)	595
b) Debtors and other accounts receivable (+/-)	14	(8,974)	199
d) Creditors and other accounts payable (+/-)	20	47,495	(3,880)
f) Other non-current assets and liabilities (+/-)		91,124	45
4. Other operating cash flow		**(11,743)**	**2,852**
a) Interest paid (-)		(2,609)	(3,248)
b) Dividends received (+)		-	3,600
c) Interest received (+)		589	2,500
d) Corporate income tax receipts/payments (+)	23	(9,722)	-
5. Operating cash flow (+/-1+/-2+/-3+/-4)		**278,944**	**9,354**
B) INVESTING CASH FLOW			
6. Investment payments (-)		**(129,141)**	**(28,075)**
a) Group and associated undertakings		(6,219)	(10,365)
b) Intangible assets	6	(4,969)	(17,480)
c) Property, plant and equipment	7	(1,792)	(360)
e) Other financial assets		(116,161)	130
7. Divestment receipts (+)		**580**	**32,636**
a) Group and associated undertakings	11	580	32,624
c) Property, plant and equipment		-	12
8. Investing cash flow (7-6)		**(128,562)**	**4,560**
C) FINANCING CASH FLOW			
9. Receipts and payments in connection with equity instruments		**(33,076)**	**1,443**
c) Acquisition of own equity instruments (-)		(63,773)	(7,467)
d) Disposal of own equity instruments (+)		30,274	8,498
e) Subsidies, donations and legacies received (+)	19	423	412
10. Receipts and payments in connection with instruments representing financial liabilities		**(27,591)**	**(18,382)**
a) Issuance		**2,528**	**5,619**
2. Bank debt and debt to official authorities (+)	20	2,173	5,619
3. Debt to group and associated undertakings (+)	20	355	-
b) Refund and amortization of:		**(30,119)**	**(24,001)**
1. Debt to group and associated undertakings (-)	20	-	(8,678)
2. Bank debt and debt to official authorities (-)	20	(30,119)	(15,323)
11. Payment of dividends and remuneration on other equity instruments		**(8,820)**	**-**
12. Financing cash flow (+/-9+/-10-11)		**(69,487)**	**(16,939)**
D) EFFECT OF EXCHANGE RATE VARIATIONS		**(7,490)**	**(39)**
E) NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)		**73,405**	**(3,065)**
Beginning cash and cash equivalents		13,857	16,922
Ending cash and cash equivalents		87,262	13,857





NOTES TO **FINANCIAL STATEMENTS**

NOTES TO FINANCIAL STATEMENTS OF PHARMA MAR, S.A.

as of 31 December 2020

(thousand euro)

1 / COMPANY BUSINESS

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

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

Until June 2019, the Company had a number of subsidiaries in the consumer chemicals business, which it has fully divested in recent years (Note 25).

Yondelis® (trabectedin)

On 20 September 2007, Pharma Mar received authorization from the European Commission to commercialize its first compound, Yondelis®, to treat soft tissue sarcoma; commercial sales began in the fourth quarter of 2007.

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

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

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 licensed Aplidin® to its partner STA for Australia, New Zealand and several Southeast Asian countries from December 2015.

In December 2017, the Company received a negative opinion from the European Medicines Agency's 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. Lurbinectedin 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™ (lurbinectedin) in combination with doxorubicin, against the investigator's choice of topotecan or cyclophosphamide/doxorubicin/vincristine (CAV), in adult patients with small cell lung cancer whose disease had progressed after platinum-based treatment, were published in December 2020. The trial did not attain the pre-specified primary endpoint of Overall Survival (OS), comparing lurbinectedin in combination with doxorubicin with the control arm. Importantly, the results favored the lurbinectedin combination arm in terms of both the primary endpoint and key secondary and subgroup analyses.

The other compounds are in the research and development phase.

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

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

The Company's directors consider that the 2020 financial statements, which were authorized on 26 February 2021, will be approved without changes by the Shareholders' Meeting.

On 26 February 2021, in accordance with the provisions of Royal Decree 1.159/2010, of 17 September, the Company authorized the Consolidated Financial Statements as of 31 December 2020 for the group of companies of which it is the controlling company, which

disclose a consolidated net profit of €137,262 thousand, equity (including net profit for the year) of €102,722 thousand, assets amounting to €330,259 thousand and revenues amounting to €269,961 thousand.

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

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

During 2020, the Oncology segment 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 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.

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 these notes to financial statements details the potential impact of COVID-19.

2 / BASIS OF PRESENTATION

2.1 / True and fair view

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

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

2.2 / Critical aspects of measuring and estimating uncertainty

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

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

Deferred tax assets

Deferred tax assets due to tax losses carried forward and unused tax credits are recognized to the extent that the Company is likely to obtain future taxable income enabling them to be offset. Accordingly, for the purpose of the 2020 financial statements, the projections of revenues and expenses were re-estimated using management's best estimates about the Company's business and the current and foreseeable economic situation.

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

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

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

- Projections through 2030 are included for Pharma Mar, and through 2025 for Genómica and Sylentis.
- The information for preparing the tax budget is the budget presented to the Board of Directors, which includes projections through 2025, extended to 2030 using the Company's best estimates of future earnings based on past experience, and the assumptions made in the first 5 years of estimation.
- The main variables used in projections for the Oncology segment are as follows: a) the probability assigned to ongoing developments (revenue expected for each product under development is assigned a probability of occurrence based on the degree of progress with ongoing development); b) the estimated selling price; and c) a penetration rate as a function of the number of patients that could potentially be treated with the product under development.

- The tax budget also uses the following significant assumptions:
  - No revenues are assumed from products under development that have not yet reached Phase III.
  - 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 Zepzelca™, a product currently under development, by our partner.
  - 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 development, the estimated price of the medicine, the prevalence of the various potential indications in the population, the time of approval, and the market share:

- Increasing the probability assigned to revenues from compounds in Phase III development by 1% would result in the recognition of an additional €639 thousand.
- A 5% reduction in the estimated price for the main compound under development (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 assets in the amount of €2,696 thousand.
- A 10% reduction in the European market share for the main compound under development (lurbinectedin) would result in derecognition of assets in the amount of €2,796 thousand.
- A 10% reduction in US market share for the main compound under development (lurbinectedin) would result in derecognition of assets in the amount of €1,166 thousand.

Recognition of revenue under licensing and/or co-development agreements

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

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

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

Capitalization of research and development expenses

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 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, technical and/or regulatory standards or because it fails to achieve the hurdle rate of return. Consequently, the Company assesses each development project to ascertain when the conditions set out in the measurement standard (Note 4.1.1) are met.

2.3 / Comparative information

The amounts for 2019 are presented alongside those for 2020 for comparison purposes.

2.4 / Grouping of items

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

3 / APPLICATION OF RESULTS

The proposed distribution of 2020 income which will be presented to the Shareholders' Meeting, and the distribution approved for 2019 by the shareholders on 18 June 2020, are as follows:

(thousand euro)	2020	2019
BASIS OF DISTRIBUTION		
Income for the year	28,952	17,659
	28,952	**17,659**
DISTRIBUTION		
Dividend (*)	11,013	8,820
Prior years' losses	17,939	8,839
	28,952	**17,659**

(*) The ordinary dividend declared by the Board of Directors is €0.60 gross for each qualifying share on the date payment is made, less any applicable withholding tax. Based on the number of shares outstanding (18,354,907 shares) and in the absence of treasury stock, that distribution would entail distributing a dividend for a maximum total amount of €11,012,944.20. The total amount distributed as dividends will be determined at the time of distribution based on the shares that the Company holds in treasury stock at that time.

The distribution of income for the year ended 31 December 2020 that will be proposed to the Shareholders' Meeting, in accordance with article 274 of the Consolidated Text of the Capital Companies Act, approved by the Legislative Royal Decree of 2 July 2010, will consist of distributing a dividend of €11,013 thousand to the Company's shareholders and of offsetting "Prior years' losses" in the amount of €17,939 thousand.

4 / ACCOUNTING AND VALUATION STANDARDS

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

4.1 / Intangible assets

Intangible assets are recognized initially if:

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

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

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

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

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

4.1.1 / Research & Development expenses

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

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

Research expenditure is expensed in the year it is incurred.

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

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

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

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

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

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

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

Fulfillment of those conditions is assessed each year.

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

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

For the purposes of subsequent remeasurement:

- Impairment is assessed during the year-end close or whenever progress with projects

gives any indication of impairment or there are doubts about fulfillment of the conditions for capitalization. As of 31 December 2020, the only capitalized development expenses relate to those incurred in the registration dossier for lurbinectedin in small cell lung cancer, which was recently approved for marketing by the US FDA (Note 6.1). As of 31 December 2020, there are no indications of impairment as the asset is generating economic returns that provide ample assurance of its recoverability.

- Annual assessments of the recoverability of the amounts capitalized in ongoing development projects, which include, among others, (i) assessment of the recoverability of the compound based on the fair value of the agreements, or (ii) assessment of the recoverability of the asset based on the Company's specific business plans for the molecule. None of those characteristics was recognized as of 31 December.

Measurement of research and development projects

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

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

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

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

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

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

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

4.1.2 / Computer software

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

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

4.2 / Property, plant and equipment

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT	
	Year
Buildings and structures	25-30
Technical installations and machinery	10
Vehicles	4-7
Furniture and fixtures	10
Computer hardware	4-7

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

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

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

4.3 / Investment property

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

4.4 / Leases

Where the Company is the lessee - Operating lease

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

Where the Company is the lessor

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

4.5 / Impairment of non-financial assets

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

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

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

4.6 / Financial assets

4.6.1 / Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets, except for those maturing over 12 months from the balance sheet date, which are classified as non-current assets. Loans and accounts receivable are recognized under “Loans to companies” and “Trade and other accounts receivable” on the balance sheet.

These financial assets are recognized initially at their fair value, including directly allocable transaction costs, and subsequently at amortized cost, recognizing accrued interest on the basis of the effective interest rate, i.e. the discount rate that matches the instrument’s carrying amount with the total estimated cash flows to maturity. Nevertheless, trade accounts receivable maturing at over one year are measured both initially and subsequently at their nominal value provided that the effect of not discounting the cash flow is not material.

At least at year-end, value adjustments are made for impairment if there is objective evidence that not all amounts receivable will be collected.

The amount of impairment loss is the difference between the asset’s carrying amount and the present value of estimated effective future cash flows, discounted at the effective interest rate applying at the time of initial recognition. Value corrections and their reversals are recognized in profit or loss.

4.6.2 / Investments in equity of group, multi-group and associated undertakings

These are carried at cost less accumulated impairment, if any. Nevertheless, where the investment preceded its classification as a group, multi-group or associated undertaking, the cost of the investment is taken to be the carrying amount before it was so classified. Pre-existing value adjustments recognized directly in equity are maintained in equity until the asset is derecognized.

Where there is objective evidence that the carrying amount is not recoverable, it is written down to the recoverable value, the latter being the fair value less selling costs or the present value of the effective cash flows arising from the investment, whichever is higher. Except where there is better evidence of the recoverable value, impairment of these investments is estimated taking account of the investee company’s equity corrected for any unrealized capital gains existing at the valuation date. Value adjustments, and any reversals of same, are recognized in profit or loss in the year in which they occur.

4.6.3 / Available-for-sale financial assets

This category includes debt securities and equity instruments not classified in any of the preceding categories. They are classified as non-current assets unless management plans to sell them within 12 months from the balance sheet date.

They are recognized at fair value and any changes are recognized directly in equity until the asset is disposed of or written off, at which point the accumulated gains and losses in equity are recognized in profit or loss. If the fair value cannot be determined, the asset is recognized at cost less impairment.

If there is objective evidence of impairment, the accumulated losses previously recognized in equity as the reduction in fair value are recognized in profit or loss. Impairment losses on equity instruments recognized in profit or loss are not reversed through profit or loss.

The fair value of listed investments is based on current purchase prices. If the market in a financial asset is not active (or if the securities are not listed), the Company establishes the fair value using valuation techniques that include recent transactions between duly-informed interested parties, references to other substantially similar instruments, discounting estimated future effective cash flows, and option pricing models, making the maximum use of observable market data and placing as little reliance as possible on the Company’s subjective judgments.

4.6.4 / Investments held to maturity

Held-to-maturity financial assets are securities representing debt claims with fixed or determinable payments and fixed maturity that are traded in an active market and that Company management has the positive intention and ability to hold to maturity. If the Company sells a material amount of financial assets held to maturity, the entire category is reclassified as available for sale. These financial assets are included in non-current assets, except for those maturing at under 12 months from the balance sheet date, which are classified as current assets.

These assets are measured using the same criteria as for loans and receivables.

4.7 / Inventories

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

The cost price is obtained as follows:

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

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

4.8 / Equity

Share capital is represented by ordinary shares.

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

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

4.9 / Financial liabilities

4.9.1 / Debts and accounts payable

This category includes both trade and non-trade accounts payable. This debt is classified under current liabilities unless the Company has an unconditional right to defer the liability settlement for at least twelve months from the balance sheet date, in which case it is classified under non-current liabilities.

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

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

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

4.10 / Subsidies received

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

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

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

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

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

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

4.11 / Current and deferred taxes

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

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

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

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

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

At each accounting close, deferred tax assets are remeasured and impairment is recognized to the extent that there are doubts as to their recovery in the future. Also, at each accounting close, the deferred tax assets not recognized on the balance sheet are remeasured and are recognized to the extent that they are likely to be recovered against future taxable income.

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

Consolidated income tax

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

The companies comprising the tax group in 2020 are: Genómica, S.A.U. and Sylentis, S.A.U., with Pharma Mar, S.A. as leading company.

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

4.12 / Employee benefits

4.12.1 / Share-based compensation

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

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

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

4.12.2 / Termination indemnities

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

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

4.13 / Provisions and contingent liabilities

Provisions for environmental restoration, restructuring costs and litigation are recognized when the Company has a present obligation, either legal or implicit, as a result of past events, an outflow of funds is likely to be necessary in the future to settle the obligation, and the amount can be estimated reliably. Restructuring provisions include lease cancellation penalties and employee termination indemnities.

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

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

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

Obligations arising as a result of past events whose materialization is conditional upon the occurrence or non-occurrence of one or more future events outside the Company's control are treated as contingent liabilities. Those contingent liabilities are not recognized in the accounts but are disclosed in detail in the notes to financial statements (Note 27).

4.14 / Recognition of revenues

Revenues are recognized for the fair value of the consideration receivable and they represent amounts receivable for goods delivered and services provided in the ordinary course of the Company's business, less returns, rebates, discounts and Value Added Tax.

The Company recognizes revenues when their amount can be measured reliably, the future economic benefits are likely to flow to the Company and the specific conditions for each activity are met, as detailed below. It is considered that the amount of revenues cannot be measured reliably until all the contingencies related to the sale have been resolved. The Company bases its estimates on past results, having regard to the type of customer, the type of transaction and the specific terms of each agreement.

4.14.1 / Revenues from the sale of pharmaceutical products

The Company sells in the European Union by virtue of the marketing approval received from the European Medicines Agency (EMA) for soft tissue sarcoma (since 2007) and relapsed platinum-sensitive ovarian cancer (since 2009).

Where the Company distributes its products directly, the sale is recognized once the product is delivered to the end customer, since that is the point at which the significant risks and benefits inherent to ownership of the goods are transferred.

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

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

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

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

Distribution costs are recognized as period expenses.

4.14.2 / Licensing, co-development and other similar agreements

In the normal course of its business, the Company 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 Company and/or are given access to products under development. The agreements under which these transfers, assignments or accesses are granted are generally complex and include multiple components in two distinct phases: development and marketing. The associated revenues must be matched with the costs and considerations to be paid by the Company.

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

- Identification of the performance obligations.

- Determination of the transaction price, taken as the value of the contract signed with the counterparty.

- 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).

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

- Upfront payments collected by Pharma Mar, which are generally non-refundable.

- Milestone payments, triggered when the compound to which the agreement refers (Yondelis®, Aplidin® or Zepzelca™) achieves development milestones, generally of a regulatory or commercial nature.

Or they may arise during the commercialization phase:

- Royalty payments,

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

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

- they are not refundable,

- the Group does not assume material future obligations (except those for which separate

consideration is provided for under arm's-length conditions), and

- substantially all of the risks and benefits inherent to the asset are transferred.

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

Deferred revenues are recognized in profit or loss over the term of the related commitments as a function of the degree of progress of the project, measured using an input model, as 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 are recognized on the basis of the same rules as for upfront payments set out above.

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

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.

4.14.3 / Royalties

Royalties are based on the partner's actual sales, considering also that the intellectual property license is the principal item to which the royalties refer.

4.14.4 / Interest revenues

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

4.14.5 / Dividends

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

4.14.6 / Provision of services

The Company provides advisory and support services to Group undertakings.

4.15 / Foreign currency transactions

4.15.1 / Functional and presentation currency

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

4.15.2 / Transactions and balances

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

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

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

4.16 / Related-party transactions

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

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

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

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

4.17 / Business combinations

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

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

4.18 / Non-recourse factoring

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

4.19 / Discontinued operations

A discontinued operation is a component of the undertaking that has been disposed of or otherwise classified as held-for-sale, and represents a line of business or a geographical area of operations that is material, is part of an individual plan, or is a subsidiary acquired exclusively for the purpose of resale. Income from discontinued operations is presented separately in a specific line-item, net of taxes, in the income statement (Note 25).

5 / RISK POLICY AND MANAGEMENT

5.1 / Financial risk factors

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

5.1.1 / Market risk

5.1.1.1 / Price risk

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

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

5.1.1.2 / Exchange rate risk

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

Transactions denominated in currencies other than the euro, basically in US dollars, Japanese yen, Swiss francs and pounds sterling, amounted to €160,693 thousand in the year ended 31 December 2020 (€13,558 thousand in 2019) (Note 22.3). The main transactions in foreign currency in 2020 were revenues from Jazz Pharmaceuticals (Note 22.1.3).

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 €5,273 thousand euro (€68 thousand in 2019), mainly as a result of translation into euro of customer and other accounts receivable and debt denominated in US dollars.

If, as of 31 December 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 €5,536 thousand (€71 thousand in 2019). The material impact of variations in the dollar as of 31 December 2020 is due mainly to the higher dollar revenues collected in 2020 in comparison with 2019, as detailed in Note 22.1.

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

5.1.1.3 / Interest rate risk on cash flows and fair values

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

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

The Company analyses its exposure to interest rate risk dynamically. It simulates a number of scenarios

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

5.1.2 / Credit risk

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

The banks and financial institutions with which the Company works generally have independent ratings. Where customers have an independent rating, that rating is used; otherwise, the Company assesses the risk based on the customer's financial position, past experience and other factors. Where there is no doubt about a customer's solvency, no credit limits are set.

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

- Acquisition of fixed-income funds that invest in public- or private-sector debt (government bonds, treasury bills and commercial paper), generally secure, which pay periodic coupons.
- Acquisition of money market funds comprising fixed-income securities where security is 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 Company had balances as of 31 December 2020 and 2019 is set out in Note 10.3.

5.1.3 / Liquidity risk

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

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

The net cash position, defined as cash and cash equivalents and current financial assets (€184,425 thousand in 2020, €14,784 thousand in 2019) less short-term borrowings (€14,731 thousand in 2020, €28,427 thousand in 2019), was positive in the amount of €169,694 thousand at the end of 2020 (negative in the amount of €13,642 thousand in 2019).

Long-term interest-bearing debt amounted to €33,431 thousand (€47,628 thousand in 2019), of which €13,261 thousand (€15,778 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 Company generated operating cash flow amounting to €278,944 thousand in 2020 and €9,354 thousand in 2019, mainly in the form of lurbinectedin license fees from Jazz Pharmaceuticals, amounting to €269.5 million in 2020, plus royalties under that same agreement, as well as from direct sales of Zepzelca™ in Europe under the TAU (Temporary Authorization for Use) program, and sales of Yondelis, which performed well in 2020. Net cash outflows from operating activities were in line with the previous year's figures.

The following should be noted in connection with Pharma Mar's liquidity position at 2020 year-end:

- Pharma Mar ended 2020 with cash and cash equivalents plus current financial assets amounting to €184,425 thousand.

- Pharma Mar had unused credit lines in the amount €9,363 thousand as of 31 December 2020.

- Working capital is positive in the amount of €144,035 thousand.

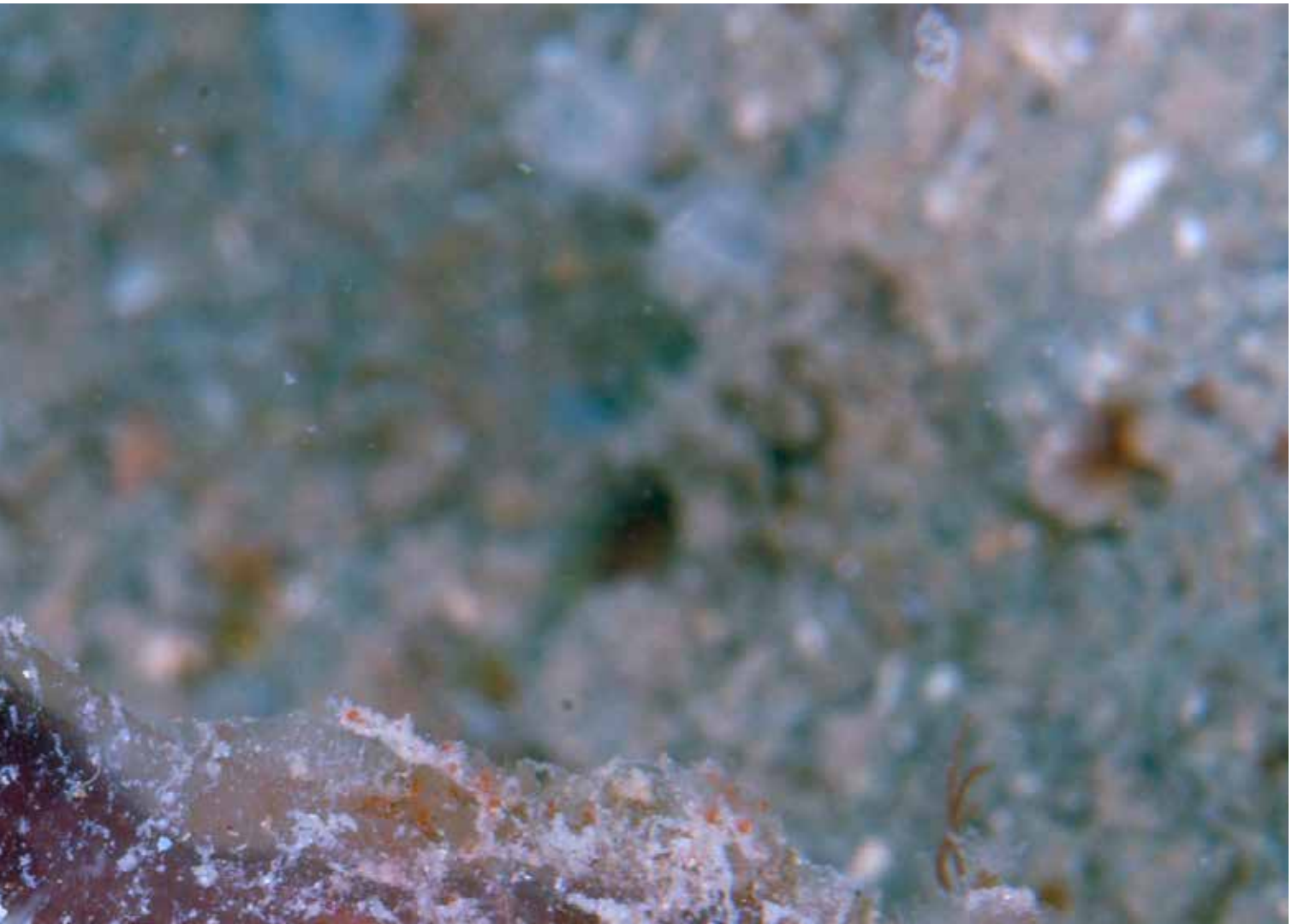
Pharma Mar regularly monitors liquidity projections on the basis of expected cash flows, and Management considers that it has sufficient cash, tradeable securities and credit lines available to meet its liquidity needs and payment commitments within the time horizon that is considered to be necessary.

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

As indicated in Note 1, in January 2020 the Company received the non-refundable upfront payment in the amount of USD 200 million (€181 million) corresponding to the exclusive Licensing Agreement signed with Jazz Pharmaceuticals on 19 December 2019 for the commercialization of Zepzelca™ in the United States. In June, as a result of the FDA's conditional approval to market Zepzelca™ in the US, Pharma Mar received a payment of USD100 million (€88.5 million) from Jazz Pharmaceuticals.

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 financial statements, the directors of Pharma Mar consider that Pharma Mar has ample liquidity to cover its research and development projects and honor its future payment obligations.



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

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

A 31-12-19 (thousand euro)	2020	2021	2022	2023	2024	2025 and thereafter	Total non-current	TOTAL
Bonds and other marketable securities	**405**	**-**	**-**	**-**	**-**	**17,000**	**17,000**	**17,405**
Bank loans	23,329	8,293	5,033	1,224	740	-	15,290	38,619
Debt to official authorities	4,431	3,745	3,840	3,272	2,383	4,557	17,797	22,228
Bank debt and debt to official authorities	**27,760**	**12,038**	**8,873**	**4,496**	**3,123**	**4,557**	**33,087**	**60,847**
Other financial liabilities	**914**	**-**	**-**	**-**	**-**	**-**	**-**	**914**
Current accounts payable to group and associated undertakings	**2,139**	**-**	**-**	**-**	**-**	**-**	**-**	**2,139**
Suppliers	**225**	**-**	**-**	**-**	**-**	**-**	**-**	**225**
Debt to group and associated undertakings	**2,734**	**-**	**-**	**-**	**-**	**-**	**-**	**2,734**
Sundry creditors	**13,700**	**-**	**-**	**-**	**-**	**-**	**-**	**13,700**
Personnel (compensation payable)	**4,330**	**-**	**-**	**-**	**-**	**-**	**-**	**4,330**
Balances with public authorities	**796**	**-**	**-**	**-**	**-**	**-**	**-**	**796**
Customer advances	**1,656**	**-**	**-**	**-**	**-**	**-**	**-**	**1,656**
TOTAL	**54,659**	**12,038**	**8,873**	**4,496**	**3,123**	**21,557**	**50,087**	**104,746**

5.2 / Fair value estimates

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

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

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

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

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

6 / INTANGIBLE ASSETS

The breakdown and changes in the “Intangible Assets” account as of 31 December 2020 and 2019 are as follows:

2020 (thousand euro)	Development	Computer software	TOTAL
Cost			
Balance as of 31-12-19	405,071	4,281	409,352
Recognitions	4,506	464	4,970
Derecognition due to impairment (Notes 22.7 & 6.1)	(58,029)	-	(58,029)
Derecognition due to disposal (Notes 22.7 & 6.1)	(60,544)	-	(60,544)
Balance as of 31-12-20	**291,004**	**4,745**	**295,749**
Impairment			
Balance as of 31-12-19 (Notes 22.7 & 6.1)	(27,028)	-	(27,028)
Balance as of 31.12.20	**(27,028)**	**-**	**(27,028)**
Accumulated amortization			
Balance as of 31-12-19	(250,557)	(3,577)	(254,134)
Provisions	(10,612)	(356)	(10,968)
Balance as of 31-12-20	**(261,169)**	**(3,933)**	**(265,102)**
Net carrying amount 31-12-2020	**2,807**	**812**	**3,619**

2019 (thousand euro)	Development	Computer software	TOTAL
Cost			
Balance as of 31-12-18	387,780	4,093	391,873
Recognitions	17,291	188	17,479
Balance as of 31-12-19	**405,071**	**4,281**	**409,352**
Impairment			
Balance as of 31-12-18	(27,028)	-	(27,028)
Balance as of 31-12-19	**(27,028)**	**-**	**(27,028)**
Accumulated amortization			
Balance as of 31-12-18	(230,373)	(3,226)	(233,599)
Provisions	(20,184)	(351)	(20,535)
Balance as of 31-12-19	**(250,557)**	**(3,577)**	**(254,134)**
Net carrying amount 31-12-2019	**127,486**	**704**	**128,190**

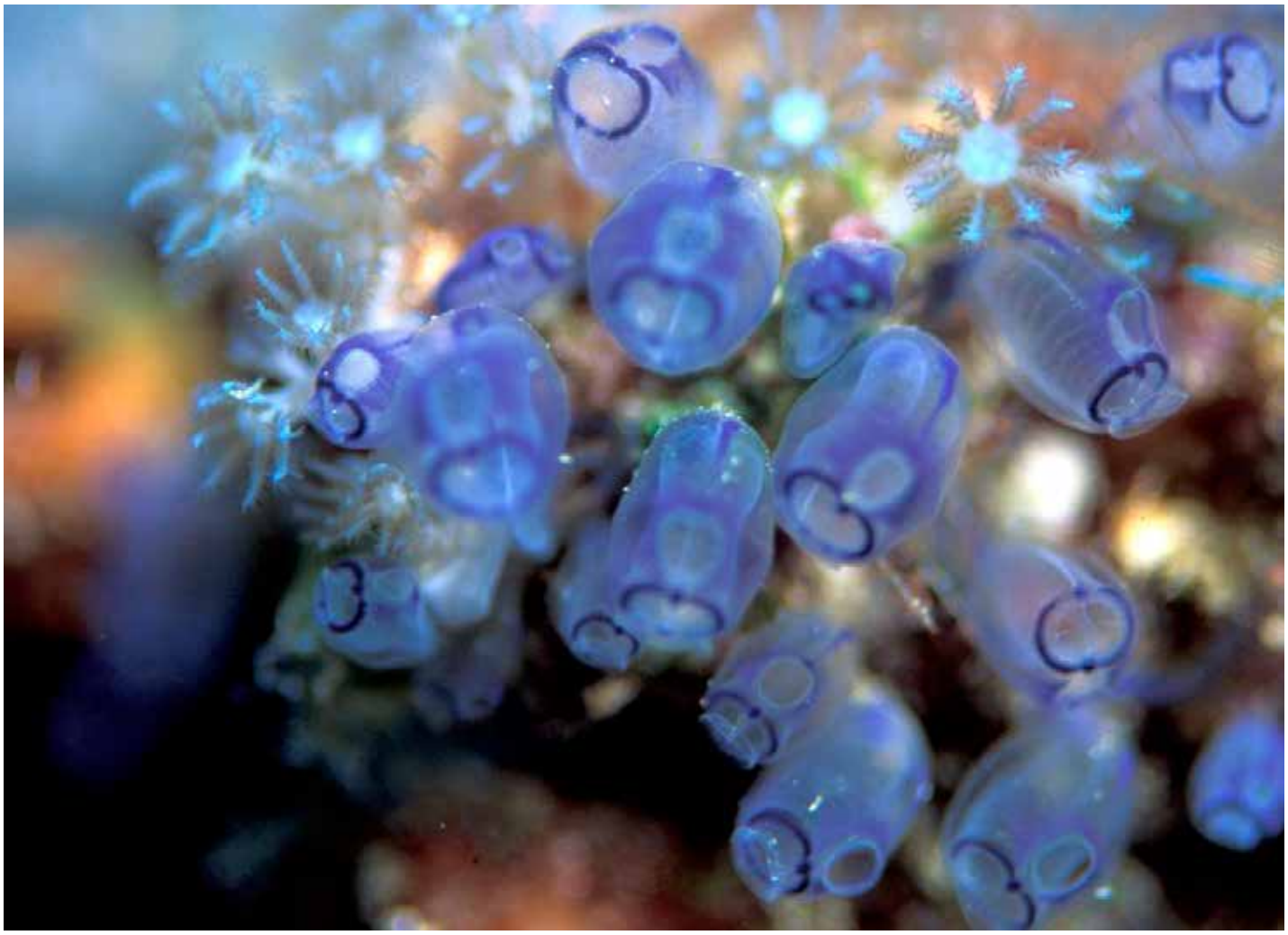
6.1 / Development

The Company continued to develop the molecules in its pipeline during 2020.

Recognitions in 2020 related mainly to the ATLANTIS Phase III clinical trial with lurbinectedin in small cell lung cancer.

In January 2020, the US antitrust authorities authorized the exclusive licensing agreement signed between Pharma Mar and Jazz Pharmaceuticals in December 2019 for marketing anti-tumor compound lurbinectedin in the US to treat relapsed small cell lung cancer. The contract came into force at that time, triggering all related effects. As a result, Pharma Mar derecognized the portion of the amounts capitalized for lurbinectedin corresponding to the market that Pharma Mar had assigned to Jazz on a permanent basis under the licensing agreement. The amount derecognized in this connection was €60,544 thousand.

The results of the ATLANTIS multicenter, randomized Phase III trial were published in December 2020. 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; therefore, since there are doubts as to its recoverability based on fulfillment of the conditions under which it was capitalized, the Company derecognized the entire amount capitalized for this clinical trial: €58,029 thousand.



Recognitions in 2019 related almost entirely to clinical trials with lurbinectedin, including the pivotal Phase III registration trial (ATLANTIS) in patients with small cell lung cancer, and the Phase II basket trial with lurbinectedin as monotherapy in selected indications. This item also included the cost of the new drug application for lurbinectedin as monotherapy in treating relapsed small cell lung cancer filed for accelerated approval with the FDA on the basis of the basket trial.

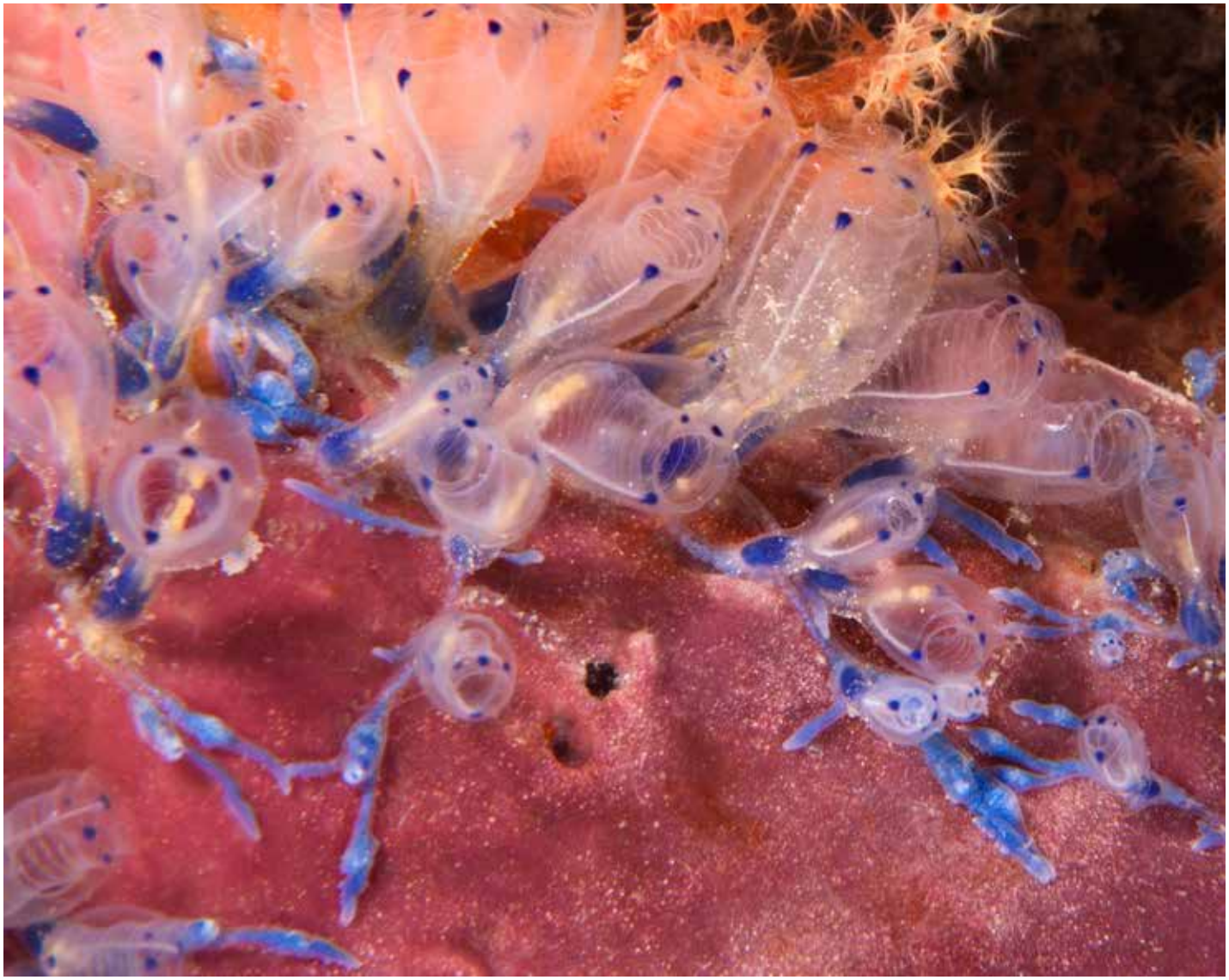
The Company continued to develop the other molecules in its pipeline, all of them at earlier stages of development.

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. This had no impact on the valuation of these assets.

Recoverability analysis

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

The basis for the impairment test applied to capitalized "Development" expenses on the



balance sheet varies depending on the available information, and the best evidence for each project is selected on the basis of its current phase of development.

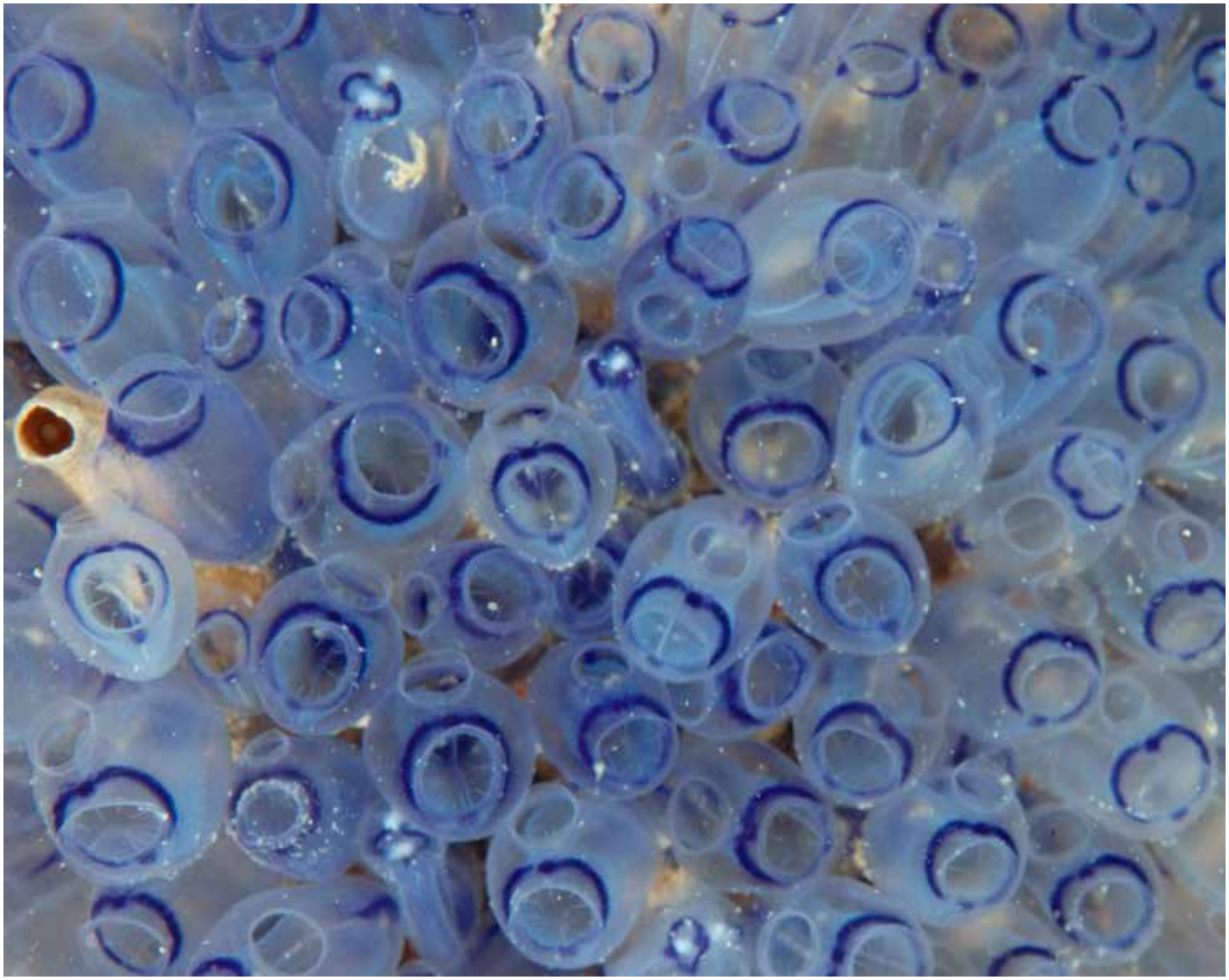
Yondelis®

As of 31 December 2020, there is no amount of capitalized expenses relating to Yondelis® as they have been fully amortized.

Zepzelca™ (lurbinectedin)

As of 31 December 2020, capitalized development expenses, which amount to €2,807 thousand, correspond to the amounts Pharma Mar allocated to preparing the registration dossier for the Phase II basket clinical trial with lurbinectedin in small cell lung cancer, which was submitted to the US FDA in December 2019 to request approval to market that compound. In June 2020, a positive response was received from the FDA under the accelerated approval procedure, with the result that Zepzelca™ began to be marketed in the United States by our licensing partner for that territory, Jazz Pharmaceuticals. In 2020, Pharma Mar received USD300 million (€269.5 million) from Jazz in the form of an upfront payment for signing the lurbinectedin licensing agreement and for meeting regulatory milestones, and €12.7 million in royalties on sales.

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



6.2 / Capitalized financial expenses

At the end of 2020, no financial expenses (€1,164 thousand at 2019 year-end) had been capitalized in connection with funding from third parties for research and development activities.

6.3 / Intangible assets located in other countries

There are no intangible assets located in other countries.

6.4 / Intangible assets acquired from group and associated undertakings

No assets were acquired from group or associated undertakings in 2020 and 2019.

6.5 / Fully amortized assets

The assets that were fully amortized as of 31 December 2020 and 2019 are as follows:

FULLY AMORTIZED INTANGIBLE ASSETS (thousand euro)	31-12-20	31-12-19
Development (Yondelis®)	239,596	-
Computer software	3,146	2,583
TOTAL	**242,742**	**2,583**

6.6 / Derecognition due to impairment

The results of the ATLANTIS multicenter randomized Phase III trial were published in December. That trial evaluated 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; therefore, the Company derecognized the entire amount capitalized for this clinical trial: €58,029 thousand.

6.7 / Derecognition due to disposal

In January 2020, the US antitrust authorities authorized the exclusive licensing agreement signed between Pharma Mar and Jazz Pharmaceuticals in December 2019 for marketing anti-tumor compound lurbinectedin in the US to treat relapsed small cell lung cancer. The contract came into force at that time, triggering all related effects. As a result, Pharma Mar derecognized the portion of the amounts capitalized for lurbinectedin corresponding to the market that Pharma Mar had assigned to Jazz on a permanent basis under the licensing agreement. The amount derecognized in this connection was €60,544 thousand.

6.8 / Assets designated as collateral and subject to ownership restrictions

As of 31 December 2020 and 2019, there were no intangible assets subject to ownership restrictions or pledged as collateral for liabilities.

6.9 / Subsidies received to finance R&D

As of 31 December 2020, the Company had €1,435 thousand (€1,987 thousand in 2019) under "Official capital subsidies" to finance research and development activities. That balance relates entirely to the subsidy component that is calculated to exist in repayable loans obtained at zero interest from official authorities to finance research and development activities, as compared with finance obtained at market rates. This heading in 2019 amounted to €1,845 thousand (Notes 5.2 & 19).

7 / PROPERTY, PLANT AND EQUIPMENT

The detail and changes in the Property, Plant and Equipment account as of 31 December 2020 and 2019 are as follows:

2020 (thousand euro)	Land and structures	Installations	Construction in progress and advances	TOTAL
Cost				
Balance as of 31-12-2019	21,988	34,001	196	56,185
Recognitions	-	1,143	649	1,792
Transfers	-	13	(13)	-
Derecognitions	-	(1,836)	(78)	(1,914)
Balance as of 31-12-2020	**21,988**	**33,321**	**754**	**56,063**
Impairment				
Balance as of 31-12-2019	(1,123)	-	-	(1,123)
Impairment (Note 22.7)	(368)	-	-	(368)
Balance as of 31-12-2020	**(1,491)**	**-**	**-**	**(1,491)**
Accumulated amortization				
Balance as of 31-12-2019	(8,377)	(27,567)	-	(35,944)
Provisions	(518)	(1,097)	-	(1,615)
Derecognitions	-	1,830	-	1,830
Balance as of 31-12-2020	**(8,895)**	**(26,834)**	**-**	**(35,729)**
Net carrying amount 31-12-2020	**11,602**	**6,487**	**754**	**18,843**

2019 (thousand euro)	Land and structures	Installations	Construction in progress and advances	TOTAL
Cost				
Balance as of 31-12-2018	21,988	32,738	1,167	55,893
Recognitions	-	224	136	360
Transfers	-	1,107	(1,107)	-
Derecognitions	-	(68)	-	(68)
Balance as of 31-12-2019	**21,988**	**34,001**	**196**	**56,185**
Impairment				
Balance as of 31-12-18	(1,204)	-	-	(1,204)
Reversal of impairment (Note 22.7)	81	-	-	81
Balance as of 31-12-2019	**(1,123)**	**-**	**-**	**(1,123)**
Accumulated amortization				
Balance as of 31-12-2018	(7,859)	(26,633)	-	(34,492)
Provisions	(518)	(990)	-	(1,508)
Derecognitions	-	56	-	56
Balance as of 31-12-2019	**(8,377)**	**(27,567)**	**-**	**(35,944)**
Net carrying amount 31-12-2019	**12,488**	**6,434**	**196**	**19,118**

As of 31 December 2020, the net carrying amount of land and structures was €5,208 thousand and €6,394 thousand, respectively (€5,576 thousand and €6,912 thousand, respectively, in 2019).

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

7.1 / Impairment losses

In 2020, the Company recognized impairment of a plot of land in Colmenar Viejo based on an external appraisal, in the amount of €368 thousand (there was a partial reversal of impairment in 2019 in the amount of €81 thousand).

7.2 / Assets acquired from Group and associated undertakings

No fixed assets were acquired from Group or associated companies in 2020 and 2019.

7.3 / Fully depreciated assets

As of 31 December 2020, the Company was using assets with a carrying amount of €22,839 thousand which had been fully depreciated (€23,780 thousand as of 31 December 2019).

7.4 / Property, plant and equipment pledged as collateral

As of 31 December 2020, none of the Company's property, plant and equipment was encumbered. As of 31 December 2019, one of the Company's buildings was mortgaged as security for a bank loan. It is a building owned by Pharma Mar 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.

7.5 / Assets acquired under finance leases

There were no finance leases outstanding as of the end of 2020 and 2019.

7.6 / Subsidies received

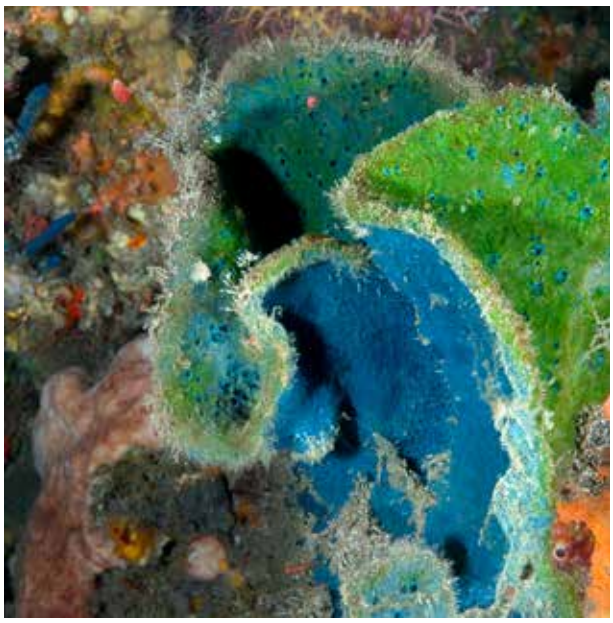
No fixed assets financed by subsidies from public authorities were acquired in 2020 and 2019.

7.7 / Insurance

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

7.8 / Assets located in other countries

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



8 / INVESTMENT PROPERTY

As of 31 December 2020, the Company had land which was held for appreciation and rental as “Investment property” for a total net amount of €845 thousand (€845 thousand in 2019). It refers to a plot of land located at Avda. de la Industria no. 52, in Polígono Industrial de Tres Cantos (Madrid), which is under a 25-year lease that may not be terminated in the first 10 years.

Revenues under this heading amounted to €57 thousand in 2020 (€62 thousand in 2019).

9 / OPERATING LEASES

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

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

OPERATING LEASE COMMITMENTS (thousand euro)	31-12-20	31-12-19
Less than 1 year	1,691	1,824
1 to 5 years	1,141	1,574
TOTAL	**2,832**	**3,398**

The expense recognized in profit or loss amounted to €1,726 thousand in 2020 (€1,869 thousand in 2019).

10 / ANALYSIS OF FINANCIAL INSTRUMENTS

10.1 / Analysis by category

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

10.1.1 / Current and non-current financial assets and liabilities

2020 (thousand euro)	Loans and accounts receivable / payable	Available-for-sale assets	Investments held to maturity	Total
Non-current financial assets				
Financial assets – Group undertakings (Note 14.2)	7,197	-	-	**7,197**
Non-current financial assets (Notes 12 & 14)	6	330	-	**336**
Other financial assets (Notes 14.1 & 15)	138	-	20,000	**20,138**
Current financial assets				
Customer and other accounts receivable (Note 14.3)	18,699	-	-	**18,699**
Customer and other accounts receivable - Group and associated undertakings (Notes 14 & 30)	4,519	-	-	**4,519**
Financial assets – Group undertakings (Notes 14 & 30)	1,644	-	-	**1,644**
Current financial assets (Note 15)	-	-	97,163	**97,163**
Other financial assets (Note 14)	1,191	-	-	**1,191**
	33,394	**330**	**117,163**	**150,887**
Non-current financial liabilities				
Bonds and other marketable securities (Note 20.1)	16,600	-	-	**16,600**
Bank loans (Note 20.2)	3,561	-	-	**3,561**
Other financial liabilities (Note 20.3)	13,270	-	-	**13,270**
Current financial liabilities				
Bonds and other marketable securities (Note 20.1)	405	-	-	**405**
Bank loans (Notes 20.2 & 20.3)	13,343	-	-	**13,343**
Other financial liabilities	984	-	-	**984**
Current accounts payable to group and associated undertakings (Notes 20 & 30)	2,532	-	-	**2,532**
Due to Group undertakings (Notes 20 & 30)	3,176	-	-	**3,176**
Suppliers	232	-	-	**232**
Sundry creditors	18,526	-	-	**18,526**
Personnel (compensation payable)	4,582	-	-	**4,582**
Customer advances	1,102	-	-	**1,102**
	78,313	**-**	**-**	**78,313**

2019 (thousand euro)	Loans and accounts receivable / payable	Available-for-sale assets	Investments held to maturity	Total
Non-current financial assets				
Financial assets – Group undertakings (Note 14.2)	2,198	-	-	**2,198**
Non-current financial assets (Notes 12 & 14)	6	330	-	**336**
Other financial assets (Note 14.1)	138	-	-	**138**
Current financial assets				
Customer and other accounts receivable (Note 14.3)	5,825	-	-	**5,825**
Customer and other accounts receivable - Group and associated undertakings (Notes 14 & 30)	4,099	-	-	**4,099**
Financial assets – Group undertakings (Notes 14 & 30)	695	-	-	**695**
Current financial assets (Note 14.5)	-	-	927	**927**
Other financial assets (Note 14)	1,462	-	-	**1,462**
	14,423	**330**	**927**	**15,680**
Non-current financial liabilities				
Bonds and other marketable securities (Note 20.1)	16,549	-	-	**16,549**
Bank loans (Note 20.2)	15,291	-	-	**15,291**
Other financial liabilities (Note 20.3)	15,788	-	-	**15,788**
Current financial liabilities				
Bonds and other marketable securities (Note 20.1)	405	-	-	**405**
Bank loans (Notes 20.2 and 20.3)	27,108	-	-	**27,108**
Other financial liabilities	914	-	-	**914**
Current accounts payable to group and associated undertakings (Notes 20 & 30)	2,139	-	-	**2,139**
Due to Group undertakings (Notes 20 & 30)	2,734	-	-	**2,734**
Suppliers	225	-	-	**225**
Sundry creditors	13,700	-	-	**13,700**
Personnel (compensation payable)	4,330	-	-	**4,330**
Customer advances	1,656	-	-	**1,656**
	100,839	**-**	**-**	**100,839**

10.2 / Analysis by maturity

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

FINANCIAL ASSETS / LIABILITIES BY MATURITY 2020 (thousand euro)	2021	2022	2023	2024	2025	Subsequent years	Total non-current	TOTAL
ASSETS AVAILABLE FOR SALE	**-**	**-**	**-**	**-**	**-**	**336**	**336**	**336**
Equity instruments (Note 12)	-	-	-	-	-	330	330	330
Loans to third parties	-	-	-	-	-	6	6	6
LOANS AND ACCOUNTS RECEIVABLE	**26,053**	**138**	**-**	**-**	**-**	**7,197**	**7,335**	**33,388**
Financial assets – Group undertakings (Notes 14.2 & 30)	-	-	-	-	-	7,197	7,197	7,197
Financial assets – Group undertakings (Notes 14.2 & 30)	1,644	-	-	-	-	-	-	1,644
Sundry debtors	190	-	-	-	-	-	-	190
Personnel	110	-	-	-	-	-	-	110
Accruals	891	-	-	-	-	-	-	891
Customer receivables for sales and services (Note 14.3)	18,699	-	-	-	-	-	-	18,699
Customer receivables - Group and associated undertakings (Notes 14.4 & 30)	4,519	-	-	-	-	-	-	4,519
Other financial assets (Note 14.1)	-	138	-	-	-	-	138	138
INVESTMENTS HELD TO MATURITY	**97,163**	**20,000**	**-**	**-**	**-**	**-**	**20,000**	**117,163**
Other financial assets (Note 15)	-	20,000	-	-	-	-	20,000	20,000
Short-term deposits (Note 15)	97,163	-	-	-	-	-	-	97,163
TOTAL	**123,216**	**20,138**	**-**	**-**	**-**	**7,533**	**27,671**	**150,887**
FINANCIAL LIABILITIES								
Bonds and other marketable securities (Note 20.1)	**405**	**-**	**-**	**-**	**-**	**16,600**	**16,600**	**17,005**
Bank loans and credit lines (Note 20.2)	10,102	3,105	225	231	-	-	3,561	13,663
Debt to official authorities (Note 20.3)	3,241	3,374	2,971	2,245	1,473	3,207	13,270	16,511
Bank debt and debt to official authorities	**13,344**	**6,479**	**3,196**	**2,476**	**1,473**	**3,207**	**16,831**	**30,174**
Current accounts payable to group and associated undertakings (Notes 20 & 30)	2,532	-	-	-	-	-	-	2,532
Supplier accounts payable - Group and associated undertakings (Notes 20 & 30)	3,176	-	-	-	-	-	-	3,176
Suppliers	232	-	-	-	-	-	-	232
Sundry creditors	18,526	-	-	-	-	-	-	18,526
Personnel (compensation payable)	4,582	-	-	-	-	-	-	4,582
Customer advances	1,102	-	-	-	-	-	-	1,102
Other financial liabilities	984	-	-	-	-	-	-	984
TOTAL	**44,882**	**6,479**	**3,196**	**2,476**	**1,473**	**19,807**	**33,431**	**78,313**

FINANCIAL ASSETS / LIABILITIES BY MATURITY 2019 (thousand euro)	2020	2021	2022	2023	2024	Subsequent years	Total non-current	TOTAL
ASSETS AVAILABLE FOR SALE	**-**	**-**	**-**	**-**	**-**	**336**	**336**	**336**
Equity instruments (Note 12)	-	-	-	-	-	330	330	330
Loans to third parties	-	-	-	-	-	6	6	6
LOANS AND ACCOUNTS RECEIVABLE	**12,081**	**138**	**-**	**-**	**-**	**2,198**	**2,336**	**14,417**
Financial assets – Group undertakings (Notes 14.2 & 29)	-	-	-	-	-	2,198	2,198	2,198
Other financial assets (Note 14.1)	-	138	-	-	-	-	138	138
Financial assets – Group undertakings (Notes 14.2 & 29)	695	-	-	-	-	-	-	695
Sundry debtors	174	-	-	-	-	-	-	174
Personnel	158	-	-	-	-	-	-	158
Accruals	1,130	-	-	-	-	-	-	1,130
Customer receivables for sales and services (Note 14.3)	5,825	-	-	-	-	-	-	5,825
Customer receivables - Group and associated undertakings (Notes 14.4 & 29)	4,099	-	-	-	-	-	-	4,099
INVESTMENTS HELD TO MATURITY	**927**	**-**	**-**	**-**	**-**	**-**	**-**	**927**
Loans and accounts receivable (Note 15)	927	-	-	-	-	-	-	927
TOTAL	**13,009**	**138**	**-**	**-**	**-**	**2,533**	**2,672**	**15,680**
FINANCIAL LIABILITIES								
Bonds and other marketable securities (Note 19.1)	**405**	**-**	**-**	**-**	**-**	**16,549**	**16,549**	**16,954**
Bank loans and credit lines (Note 19.2)	23,329	8,293	5,033	1,224	740	-	15,290	38,619
Debt to official authorities (Note 19.3)	3,779	3,084	3,388	2,942	2,156	4,217	15,788	19,566
Bank debt and debt to official authorities	**27,108**	**11,377**	**8,421**	**4,167**	**2,896**	**4,217**	**31,078**	**58,186**
Current accounts payable to group and associated undertakings (Notes 19 & 29)	2,139	-	-	-	-	-	-	2,139
Supplier accounts payable - Group and associated undertakings (Notes 19 & 29)	2,734	-	-	-	-	-	-	2,734
Suppliers	225	-	-	-	-	-	-	225
Sundry creditors	13,700	-	-	-	-	-	-	13,700
Personnel (compensation payable)	4,330	-	-	-	-	-	-	4,330
Customer advances	1,656	-	-	-	-	-	-	1,656
Other financial liabilities	914	-	-	-	-	-	-	914
TOTAL	**53,212**	**11,377**	**8,421**	**4,167**	**2,896**	**20,766**	**47,627**	**100,838**

The “Non-current financial assets - Group undertakings” account as of 31 December 2020 and 2019 contained the loans indicated in Note 14.2. Those loans were classified as non-current since they have no fixed maturity and the directors do not intend to repay them in the short term.

10.3 / Credit quality of financial assets

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

ACCOUNTS RECEIVABLE (Thousand euro)	31-12-20	31-12-19
Customers without an external credit rating		
New customers (under 6 months)	2,610	662
Pre-existing customers (over 6 months)	16,089	5,163
TOTAL CUSTOMER RECEIVABLES FOR SALES AND SERVICES	**18,699**	**5,825**
Moody's rating		
A2	35,747	1,894
A3	110,057	6,624
Aa3	-	1
Ba1	9,893	1
Ba2	1,001	2
Ba3	1,497	5
Baa1	36	-
Baa2	21,058	6,191
Baa2u	3,017	20
Unrated	2,119	46
TOTAL CASH AND CASH EQUIVALENTS PLUS CURRENT FINANCIAL ASSETS	**184,425**	**14,784**
Baa1	20,000	-
TOTAL NON-CURRENT FINANCIAL ASSETS	**20,000**	**-**

11 / HOLDINGS IN GROUP COMPANIES

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

The registered office and line of business of each of Pharma Mar's direct and indirect investees as of 31 December 2020 are summarized below:

COMPANY	Registered offices	Line of business
Genómica, S.A.U. Madrid (Spain)	Via de los Poblados, 1, Edif. B, Parq. Emp. Alvento, Madrid, Spain	Research, development and commercialization of biotechnology applications, diagnosis and services related to these activities.
Genómica, A.B. (Sweden)	Ideon Science Park, Scheelevägen 17, Lund, Sweden	Research, development and commercialization of biotechnology applications, diagnosis and services related to these activities.
Genómica Trading Co. Ltd. (China)	No.401-421 (Wuhan Free Trade Area) 4/F, Office Building A, No.777, Guanggu 3 Road, Wuhan East Lake High-tech, Development Zone	Wholesale trade, import and export of Class III and Class I medical devices, R&D and sales of Class III IVD reagents; commission agency (excluding auctions) and supplier of related support services.
Sylentis, S.A.U. Madrid (Spain)	Pza. del Descubridor Diego de Ordás 3, Madrid	Research, development, production and sale of products with therapeutic activity based on reducing or silencing gene expression. The Company does not have any products on the market.
Pharma Mar, USA INC NY (USA)	195 Montague St, Suite 1023, NY 11201	Marketing of pharmaceutical products.
PharmaMar, AG Basel (Switzerland)	Aeschenvorstadt, 71 Basle 4501 - Switzerland	Marketing of pharmaceutical products.
Pharma Mar, Sarl Paris (France)	6 Rue de l'Est, 92100 Boulogne Billancourt, Paris, France	Marketing of pharmaceutical products.
Pharma Mar, GmbH Berlin (Germany)	Uhlandstraße 14 10623 Berlin - Germany	Marketing of pharmaceutical products.
Pharma Mar, Srl Milan (Italy)	Via Lombardia 2/A C/O Innov. Campus 20068, Peschiera Borromeo, Milan - Italy	Marketing of pharmaceutical products.
Pharma Mar, Ltd London (United Kingdom)	110 Cannon Street, London EC4N 6EU	Marketing of pharmaceutical products.
Pharma Mar, Srl Brussels (Belgium)	Avenue du Port 86C, boite 204, 1000 Brussels, Belgium	Marketing of pharmaceutical products.
Pharma Mar Ges.m.b.H Vienna (Austria)	Mooslackengasse 17, z1190 Vienna, Austria	Marketing of pharmaceutical products.

11.2 / Pharma Mar stakes in Group undertakings

The detail of the holdings in group companies as of 31 December 2020 and 2019 is as follows:

NAME AND DOMICILE	Statutory audit	2020 Percentage of ownership		2019 Percentage of ownership	
		Direct %	Indirect %	Direct %	Indirect %
Genómica, S.A.U. - Madrid (Spain)	KPMG	100.00%	-	100.00%	-
Genómica, A.B. - Sweden (*)	KPMG	-	100.00%	-	100.00%
Genómica Trading Co. Ltd. (China) (*)	-	-	100.00%	-	-
Sylentis, S.A.U. - Madrid (Spain)	KPMG	100.00%	-	100.00%	-
Pharma Mar USA INC - NY (USA)	Walter & Shufain	100.00%	-	100.00%	-
PharmaMar AG - Basel (Switzerland)	PwC	100.00%	-	100.00%	-
Pharma Mar Sarl - Paris (France)	PwC	100.00%	-	100.00%	-
Pharma Mar GmbH - Berlin (Germany)	-	100.00%	-	100.00%	-
Pharma Mar Srl - Milan (Italy)	PwC	100.00%	-	100.00%	-
Pharma Mar, Ltd - London (United Kingdom) (**)	-	100.00%	-	100.00%	-
Pharma Mar, Srl - Brussels (Belgium)	PwC	100.00%	-	100.00%	-
Pharma Mar Ges.m.b.H- Vienna (Austria)	-	100.00%	-	100.00%	-
Noscira, S.A. en liquidación - Madrid (Spain) (***)	-	-	-	73.32%	-

(*) Genómica A.B. and Genómica Ltd. are wholly-owned subsidiaries of Genómica, S.A.U.
(**) In liquidation
(***) Liquidated in July 2020

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

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

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

The changes in the holdings in group companies in 2020 and 2019 are as follows:

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

COMPANY	Cost	Provision	Balance as of 31-12-18	Recognitions due to capital increase	Derecognitions Capital reduction	Derecognitions Provision	Balance as of 31-12-19
Holdings in Group undertakings							
Genómica, S.A.U.	10,462	(8,400)	2,062	7,052	-	(7,052)	2,062
Sylentis, S.A.U.	26,068	-	26,068	23,000	-	-	49,068
Pharma Mar, USA INC	5,010	(5,010)	-	-	-	-	-
PharmaMar, AG	107	(52)	55	-	-	-	55
Pharma Mar, Sarl	1,641	(37)	1,604	-	-	-	1,604
Pharma Mar, GmbH	500	(29)	471	-	-	-	471
Pharma Mar, Srl	500	-	500	-	-	-	500
Pharma Mar, Ltd	70	-	70	-	-	(70)	-
Pharma Mar, Srl (Belgium)	150	-	150	-	-	(43)	107
Pharma Mar Ges.m.b.H	100	-	100	-	-	-	100
Noscira, S.A.	44,254	(44,254)	-	-	-	-	-
Zelnova Zeltia, S.A.	4,385	-	4,385	-	(4,385)	-	-
	93,247	**(57,782)**	**35,465**	**30,052**	**(4,385)**	**(7,165)**	**53,967**

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

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

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. Following approval by Pharma Mar's General Meeting, the transaction was performed on 28 June 2020. The total consideration received from the Buyer was €33,417 thousand, paid in cash upon completion. The accounting implications of this transaction are described in note 25.

In 2019, Genómica performed a capital reduction and increase in order to restore its net worth. The capital increase was performed by offsetting loans granted by the Company to Genómica totaling €7,052 thousand. The loan had been fully impaired; consequently, when the capital increase was performed, the provision for impairment of the loan was reclassified as impairment of the holding in the Group undertaking.

In November 2019, Sylentis, S.A.U. performed a capital increase by offsetting the loan from the Company to Sylentis for a total amount of €23,000 thousand, of which €920 thousand went to share capital and €22,080 thousand to the share premium account.

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

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

2020 COMPANY	Capital	Reserves	Other items	Operating profit	2020 income	Total capital and reserves	Carrying amount at parent company
Genómica, S.A.U.	607	(13)	3,044	2,868	2,016	5,653	2,062
Genómica, A.B. (**)	6	-	103	288	183	292	-
Genómica Trading Co. Ltd. (**)	195	-	(98)	(69)	(72)	24	-
Sylentis, S.A.U.	2,443	127	17,784	(11,801)	(12,129)	8,225	49,068
Pharma Mar, USA INC	5,010	(4,989)	-	39	9	30	-
Pharma Mar, Sarl	1,641	(426)	-	83	93	1,308	1,604
Pharma Mar, GmbH	25	659	-	330	228	911	471
PharmaMar, AG	107	-	-	4	4	111	55
Pharma Mar, Srl	500	1,508	-	333	271	2,279	500
Pharma Mar, Ltd	70	(53)	-	-	-	17	-
Pharma Mar, Srl (Belgium)	150	(43)	-	46	34	141	107
Pharma Mar Ges.m.b.H	35	148	-	(6)	(7)	176	100
TOTAL	**10,788**	**(3,082)**	**20,833**	**(7,885)**	**(9,370)**	**19,167**	**53,967**

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

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

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

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

None of the investees were affected by the COVID-19 pandemic. No signs of impairment have been observed as a result of this situation.

12 / AVAILABLE-FOR-SALE FINANCIAL ASSETS

Holdings in companies

HOLDING IN THE CAPITAL OF	Line of business	Percentage of ownership 2020 Direct %	Percentage of ownership 2019 Direct %
Instituto BIOMAR	Pharmaceutical research	3.49%	3.49%
Pangaea Biotech SA	Consulting services	0.12%	0.13%
Johnson & Johnson	Manufacture of pharmaceuticals, consumer products, and medical devices and diagnostics	0.00001%	0.00001%

The value of those holdings is as follows:

(thousand euro)	31-12-20	31-12-19
Instituto BIOMAR	252	252
Pangaea Biotech SA	50	50
Johnson & Johnson	28	28
	330	**330**

No impairment losses were recognized in 2020 and 2019 on available-for-sale financial assets.

Unlisted securities: the available-for-sale financial assets consist entirely of holdings in biotechnology companies. The balance of this item as of 31 December 2020 and 2019 was €302 thousand.

Listed securities: Available-for-sale financial assets include securities traded on official markets that are denominated in US dollars. The available-for-sale 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. The balance of this item as of 31 December 2020 and 2019 was €28 thousand.

13 / INVENTORIES

The Group classifies inventories as follows:

(thousand euro)	31-12-20	31-12-19
Raw materials and other supplies	125	89
Semi-finished products and products in process	10,329	7,782
Finished products	663	420
	11,117	**8,291**

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

No material impairment losses were recognized for inventories in 2020 and 2019. No inventories have been committed as collateral for obligations or debt.

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

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

14 / LOANS AND RECEIVABLES

Loans and accounts receivable are classified as follows:

(thousand euro)	31-12-20	31-12-19
LONG-TERM LOANS AND ACCOUNTS RECEIVABLE	**7,341**	**2,342**
Long-term deposits and guarantees provided (Note 14.1)	138	138
Loans to third parties	6	6
Financial assets - Group undertakings (Notes 14.2 & 30)	7,197	2,198
SHORT-TERM LOANS AND ACCOUNTS RECEIVABLE	**26,061**	**12,089**
Customer receivables (Note 14.3)	18,699	5,825
Customer receivables - Group and associated undertakings (Notes 14.4 & 30)	4,519	4,099
Current investment in group and associated undertakings (Notes 14.2 & 30)	1,644	695
Sundry debtors	190	174
Personnel	110	158
Accruals	891	1,130
Long-term deposits and guarantees provided	8	8
TOTAL	**33,402**	**14,431**

14.1 / Deposits and sureties

Long-term deposits and guarantees as of 31 December 2020 and 2019 relate to deposits for leases.

14.2 / Loans to Group undertakings

The “Non-current financial assets - Group undertakings” account as of 31 December 2020 contained the following loans to Group undertakings:

(thousand euro)	31-12-20	31-12-19
Sylentis, S.A.U.	7,197	2,198
Genómica, S.A.	375	3,275
Noscira, S.A.	-	7,612
Impairment	(375)	(10,887)
	7,197	**2,198**

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

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

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

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

(thousand euro)	31-12-20	31-12-19
Current financial assets		
Corporate income tax receivable (Note 23)	670	-
VAT receivable (Note 23)	9	28
Current accounts with Group undertakings	190	667
Loans to Group undertakings	775	-
	1,644	**695**

The balances with Group undertakings under current financial assets and liabilities in 2020 consist mainly of those arising between the parent company and its investees as a result of tax consolidation, both corporate income tax and value added tax (Note 23), as well as a short-term loan to Genómica, S.A.U. in the amount of €775 thousand about which there are no doubts as to recoverability in the short term.

14.3 / Customer receivables

The detail of customer balances by age is as follows:

(thousand euro)	31-12-20	31-12-19
Current balances	**16,278**	**5,426**
Balances past-due but not provisioned	**2,421**	**399**
Up to 3 months	1,771	326
3-6 months	655	107
Over 6 months	(5)	(34)
TOTAL CUSTOMER RECEIVABLES	**18,699**	**5,825**

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

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.

Balances with official authorities

As of 31 December 2020, accounts receivable from public authorities totaled €3,599 thousand (€1,436 thousand in 2019).

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

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

(thousand euro)	Credit rating	2019
Andalusia	BBB+	116
Madrid	Baa1	120
Balearic Islands	BBB+	208
Valencia	Ba1u	41
Castilla y León	Baa1	20
Castilla la Mancha	Ba1	24
Aragon	BBB+	12
Catalonia	Ba3	13
Cantabria	BBB	15
Galicia	Baa1	18
Canary Islands	BBB+	3
Extremadura	Baa2	4
Basque Country	AA-	36
Murcia	Ba1	18
Navarra	AA-	5
Asturias	Baa1	2
TOTAL		**655**

In 2020, the Company collected €2,270 thousand of debt owed by various public administrations by arranging non-recourse factoring contracts with financial institutions that specialize in transactions of this type (€6,836 thousand in 2019).

Debt owed by official authorities that was more than three months past-due amounted to €245 thousand as of 31 December 2020 (€73 thousand in 2019), and no impairments had been recognized on those amounts.

Debt owed by public authorities as of 2020 and 2019 year-end in other territories where the Company operates was as follows:

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

(thousand euro)	Credit rating	31-12-19
France	Aaau	304
Austria	Aa1	186
Belgium	Aa3	272
Luxembourg	Aaa	19
TOTAL		**781**

14.4 / Receivable from group and associated undertakings

The balances and transactions with group undertakings in 2020 and 2019 are detailed in Note 30.

15 / INVESTMENTS HELD TO MATURITY

Other non-current financial assets 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 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 €919 thousand.

16 / CASH AND CASH EQUIVALENTS

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

(thousand euro)	31-12-20	31-12-19
Cash on hand and at banks	87,262	13,857
TOTAL	**87,262**	**13,857**

17 / SHARE CAPITAL

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 and held by the Company as treasury stock until the shares are delivered; the remainder up to the maximum number would be canceled.

In July 2020, the Board of Directors of 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, 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, 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, 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 €18,329 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.

17.1 / Share capital

As of 31 December 2020, the Company's capital stock was represented by 18,354,907 fully subscribed and paid ordinary shares (222,649,287 ordinary shares in 2019) with a par value of €0.60 each, which are listed on the four Spanish stock exchanges.

Changes in share capital in 2020 and 2019 are shown in the following table:

(Euro)	
Share capital of Pharma Mar, S.A. 31-12-19	**11,132,464**
Capital reduction	(119,520)
Share capital of Pharma Mar, S.A. 31-12-20	**11,012,944**

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

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

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

17.2 / Share premium account

The share premium account may be used for the same purposes as the Company's voluntary reserves, including conversion into capital stock, there being no restrictions as to its use or distribution. As of 31 December 2020, the share premium account amounted to €71,278 thousand (€71,278 in 2019).

17.3 / Own shares

The breakdown of, and changes in, own shares in 2020 and 2019 are as follows:

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

	No. of shares	Amount (euro)
Balance as of 31-12-2018	1,415,934	(2,243,260)
Own shares purchased	3,987,363	(7,467,370)
Revenues	(4,547,678)	7,903,427
Share ownership plan	(163,631)	306,808
Balance as of 31-12-2019	**691,988**	**(1,500,395)**

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 €18,329 thousand was a reduction in reserves.

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

18 / RESERVES AND PRIOR YEARS' INCOME

The detail of the Company's reserves as of 31 December 2020 and 2019 is as follows:

(thousand euro)	31-12-20	31-12-19
LEGAL AND BYLAW RESERVES	**2,203**	**2,226**
Legal reserve	2,203	2,226
OTHER RESERVES	**285,673**	**298,764**
Voluntary reserves	70,814	83,860
Merger reserve	215,160	215,160
Reserve for canceled capital	119	-
Other reserves	31	31
Difference due to redenomination of share capital in euro	2	2
Own shares and equity instruments	(454)	(289)
TOTAL	**287,875**	**300,990**

The balance of the "Prior years' loss" item is €225,999 thousand in 2020 (€234,838 thousand in 2019).

The changes in reserves in 2020 were as follows:

(thousand euro)	31-12-19	Cancellation of shares	Share ownership plan	31-12-2020
LEGAL RESERVE				
Legal reserve	2,226	(23)	-	2,203
VOLUNTARY RESERVES				
Voluntary reserves	83,860	(13,046)	-	70,814
Merger reserve	215,160	-	-	215,160
Reserve for canceled capital	-	119	-	119
Other reserves	31	-	-	31
Difference due to redenomination of share capital in euro	2	-	-	2
Own shares and equity instruments	(289)	-	(165)	(454)
TOTAL	**300,990**	**(12,950)**	**(165)**	**287,875**

18.1 / Legal reserve

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

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

In 2020, the legal reserve was adjusted by €23 thousand with respect to 2019 due to the capital reduction carried out in October. The balance of this item was €2,203 thousand as of 31 December 2020 (€2,226 thousand in 2019).

18.2 / Other reserves

Voluntary reserves: In 2020, voluntary reserves declined by €13,046 thousand, mainly as a result of the cancellation of 199,200 shares in November, which led to a decrease in voluntary reserves of

€18,330 thousand. This decrease was partially offset by the gain on transactions with own shares, which amounted to €5,430 thousand.

In 2019, the balance of voluntary reserves was increased by €596 thousand as a result of transactions with own shares, with the result that the balance as of 31 December 2019 was €299,020 thousand.

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

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

Other reserves: these consist of a reserve amounting to €31 thousand as of 31 December 2020 and 2019 for Differences in conversion to PGC 2007 because of the treatment of exchange gains that have accrued but not been realized.

Reserve for differences in converting capital to euro: this reserve amounts to €1 thousand and is restricted.

Own shares and equity instruments: Amounted to €454 thousand, an increase of €165 thousand with respect to 2019 (€289 thousand) as a result of accrual of expenses during the lock-up period of the employee stock ownership plan.

18.3 / Limits on the distribution of dividends

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

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

19 / SUBSIDIES, DONATIONS AND LEGACIES RECEIVED

As of 31 December 2020, the “Subsidies, donations and other legacies received” item of the Company’s equity includes €1,435 thousand of subsidies for loans from official authorities at zero or below-market interest rates (Notes 5.2 & 6.9). In 2019, this heading included €1,845 thousand under this heading and €142 thousand of non-refundable capital subsidies.

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

The changes in these subsidies are as follows:

(thousand euro)	31-12-20	31-12-19
BEGINNING BALANCE	**1,987**	**2,373**
Increase	317	309
Recognized in profit or loss	(869)	(695)
ENDING BALANCE	**1,435**	**1,987**

In 2020, the Company derecognized certain compounds due to technical developments and, consequently, recognized the associated subsidies in profit or loss (Note 6.1).

20 / DEBTS AND ACCOUNTS PAYABLE

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

(thousand euro)	31-12-20	31-12-19
Bonds and other marketable securities (Note 20.1)	16,600	16,549
Bank loans (Note 20.2)	3,561	15,291
Debt to official authorities (Note 20.3)	13,270	15,788
Deferred revenues	91,124	-
NON-CURRENT DEBTS AND ACCOUNTS PAYABLE	**124,555**	**47,628**
Bonds and other marketable securities (Note 20.1)	405	405
Bank loans (Note 20.2)	10,102	23,329
Debt to official authorities (Note 20.3)	3,241	3,779
Other financial liabilities	984	914
Suppliers	232	225
Supplier accounts payable - Group undertakings (Note 30)	3,176	2,734
Accounts payable to related parties (Notes 20.4 & 30)	2,532	2,139
Sundry creditors	18,526	13,700
Personnel	4,581	4,330
Customer advances	1,102	1,656
Deferred revenues	43,584	1,257
CURRENT DEBTS AND ACCOUNTS PAYABLE	**88,465**	**54,468**
TOTAL DEBTS AND ACCOUNTS PAYABLE	**213,020**	**102,096**

The balance of current deferred revenues (€43,584 thousand) relates primarily to the portion of the upfront payment plus the FDA approval milestone payment for lurbinectedin (USD300,000 thousand, or €269.5 million) under the licensing agreement entered into with Jazz Pharmaceuticals that was not recognized as revenue in 2020 under standard on revenue recognition and is expected to be recognized in the next twelve months. The balance of non-current deferred revenues (€91,124 thousand) relates to the portion of the payments that are expected to be recognized as revenues in a period of more than twelve months.

Deferred revenues related to Jazz Pharmaceutical's licensing agreement includes €133,708 thousand current and non current.

In 2019, the balance of this item (€1,257 thousand) related to 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.

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

20.1 / Bonds and other marketable securities

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

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

a) The nominal amount of the issue is €17 million;

b) Maturity: 12 years from disbursement;

c) The issue was targeted at a single qualified Spanish investor via a private placement.

d) The bonds, which are uncertificated, were issued at par, each with a nominal value of €100 thousand;

e) The bonds bear a fixed coupon of 4.75% per annum payable in arrears every year from the date of disbursement;

f) The Company is liable for the obligations arising from the bonds with all its assets and no specific guarantee is granted;

g) The terms and conditions of the bonds are governed by Spanish law;

h) The Company applied to list the bonds on the Alternative Fixed-Income Market (MARF) on 7 July 2015.

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

The unpaid accrued interest amounted to €455 thousand as of 31 December 2020 (€453 thousand in 2019).

20.2 / Bank debt

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

	31-12-20		31-12-19	
(thousand euro)	Non-current	Current	Non-current	Current
Bank loans	3,561	5,487	15,291	10,497
Credit lines	-	4,588	-	10,547
Interest payable	-	27	-	44
Other interest-bearing debt	-	-	-	2,241
TOTAL DEBTS AND ACCOUNTS PAYABLE	**3,561**	**10,102**	**15,291**	**23,329**

The Company did not arrange any bank debt in 2020.

In 2019, non-current bank loans included a €3,433 thousand mortgage loan described in Note 7.4. The current part of this loan amounted to €926 thousand. That loan was canceled in 2020.

In 2019, the Company obtained short-term financing from a financial institution for a total amount of €1,250 thousand referenced to the twelve-month Euribor plus a spread of 2.5%, and €1,000 thousand maturing in 2021 at an interest rate referenced to three-month Euribor plus a spread of 1.75%. It also obtained funding amounting to €475 thousand maturing in the year at an interest rate of 1.55%.

The limit of the credit lines is €14,000 thousand (€12,250 thousand in 2019), of which the Company had drawn (including credit cards) €4,588 thousand as of 31 December 2020 (€10,547 thousand in 2019). The credit lines bore average interest of 1.9738% in 2020 (1.9861% in 2019).

The maturity calendar of the bank debt in 2020 and 2019 is detailed in Note 10.2.

20.3 / Debt to official authorities

The amounts under this item, recognized at amortized cost as non-current debt, amounted to €13,261 thousand as of 31 December 2020 (€15,778 thousand in 2019).

A total of €3,241 thousand were recognized as current under this heading in 2020 (€3,779 thousand in 2019).

These transactions do not accrue interest, except for €8,777 thousand that bear interest at between 0.06% and 1% (in 2019: €8,762 thousand bearing interest between 0.06% and 1%).

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

In 2020, two subsidized loans were received for a nominal amount of €757 thousand, with an initial fair value of €638 thousand, repayable in 10 years with a three-year grace period.

In 2019, five subsidized loans were received for a nominal amount of €1,559 thousand, with an initial fair value of €1,228 thousand, repayable in 10 years with a three-year grace period.

The maturities of the amounts due to official authorities which are recognized at fair value as of 31 December 2020 and 2019 are detailed in Note 10.2.

20.4 / Due to Group undertakings

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

(thousand euro)	31-12-20	31-12-19
Current financial liabilities		
Corporate income tax payable (Note 23)	2,208	2,074
VAT payable (Note 23)	324	65
	2,532	**2,139**

The balances with Group undertakings under current financial assets and liabilities in 2020 consist mainly of those arising between the Company and its subsidiaries as a result of tax consolidation—both corporate income tax and value added tax (Note 23).

20.5 / Information on deferral of payments to suppliers

Information on payments for commercial transactions performed in 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:

	2020	2019
Average time taken to pay suppliers (days)	58	60
Proportion of transactions paid (days)	58	61
Proportion of transactions outstanding (days)	53	50
Total payments made (thousand euro)	25,964	22,881
Total payments outstanding (thousand euro)	4,725	3,611

21 / DEFERRED TAXES

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

(thousand euro)	31-12-20	31-12-19
DEFERRED TAX ASSETS	**29,685**	**23,943**
Timing differences (Note 23)	1,895	3,095
Tax credits (Note 23)	16,230	9,665
Tax withholdings receivable	11,560	11,183
DEFERRED TAX LIABILITIES	**845**	**511**
Timing differences	845	511
DEFERRED TAXES (NET)	**28,840**	**23,431**

The "Tax withholdings receivable" account as of 31 December 2020 and 2019 included taxes withheld from royalties and payments received from the Johnson & Johnson Group by virtue of the agreements signed in 2001 and 2011, and from Taiho Pharmaceutical Co. Ltd. and Chugai Pharmaceutical Co., among others.

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

DEFERRED TAX ASSETS (thousand euro)	Tax credits	Timing differences	Withholdings	TOTAL
Balance as of 31 December 2018	**6,283**	**3,304**	**10,855**	**20,441**
Charge (credit) to profit or loss	3,383	(209)	-	3,174
Other movements	-	-	328	328
Balance as of 31 December 2019	**9,665**	**3,095**	**11,183**	**23,943**
Charge (credit) to profit or loss	6,565	(1,200)	-	5,365
Other movements	-	-	377	377
Balance as of 31 December 2020	**16,230**	**1,895**	**11,560**	**29,685**

DEFERRED TAX LIABILITIES (thousand euro)	Subsidies, donations and legacies received	Capitalized financial expenses	TOTAL
Balance as of 31 December 2018	**396**	**362**	**758**
Charge (credit) to profit or loss	64	(182)	(118)
Charge to equity	(129)	-	(129)
Balance as of 31 December 2019	**331**	**180**	**511**
Charge (credit) to profit or loss	331	187	518
Charge to equity	(184)	(1)	(184)
Balance as of 31 December 2020	**478**	**366**	**845**

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

(thousand euro)	31-12-20	31-12-19
Subsidies, donations and legacies received	(184)	(129)
TOTAL	**(184)**	**(129)**

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

22 / REVENUES AND EXPENSES

22.1 / Net revenues

The net amount of revenues is broken down as follows:

(thousand euro)	31-12-20	31-12-19
Product sales	90,371	62,806
Royalty revenues	15,661	3,102
Licensing agreement revenues	140,233	3,950
Provision of corporate services	1,455	491
TOTAL	**247,720**	**70,349**

22.1.1 / Product sales

The "Product sales" item basically refers to commercial sales of Yondelis® for treating soft tissue sarcoma and relapsed ovarian cancer, made by Pharma Mar in the European Union (€59,566 thousand in 2020 and €62,246 thousand in 2019), and of Yondelis®, Aplidin® and Zepzelca™ (lurbinectedin) intermediates (€9,270 thousand in 2020 and €560 thousand in 2019).

In 2020, there were also sales of Zepzelca™ in certain European countries, mainly under the TAU (Temporary Authorization for Use) program in France, amounting to €21,535 thousand.

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.

22.1.2 / Royalty revenues

This item as of 31 December 2020 and 2019 refers to the amount of royalties on sales of Yondelis® by Janssen Products Lp. ("Janssen"), which amounted to €2,243 thousand (€2,487 thousand in 2019), and royalties from Taiho Pharmaceutical, Ltd. amounting to €699 thousand (€615 thousand in 2019). In 2020, Janssen sold Yondelis® only in the United States by virtue of the licensing contract amended by the framework transfer agreement signed by Janssen and Pharma Mar in August 2019, 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). In 2019, Janssen commercialized Yondelis® under license for the entire world except the European Union and Japan. Taiho Pharmaceutical holds the commercialization license for Japan.

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

In 2020, Pharma Mar received royalties on sales of Zepzelca™ by Jazz Pharmaceuticals in the US from the moment the product was approved by the FDA in June 2020. These royalties amounted to €12,719 thousand in 2020.

22.1.3 / Licensing revenues

The Company has licensing and co-development agreements with a number of pharmaceutical companies. Revenues under this heading amounted to €140,233 thousand in 2020 (€3,950 thousand 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 €135,655 thousand in revenues had been recognized as of 31 December 2020 under that licensing agreement. Another €4,578 million were recognized as revenues under other licensing agreements.

The breakdown of revenues in 2020 and 2019 is as follows:

(thousand euro)	31-12-20	31-12-19
Jazz Pharmaceuticals (Zepzelca™)	135,655	-
Luye Pharma (Zepzelca™)	1,257	3,200
Impilo (Zepzelca™)	1,000	-
Other agreements (Zepzelca™)	450	600
Other agreements (Yondelis®)	1,871	150
TOTAL	**140,233**	**3,950**

COVID-19 did not affect any of the Group's material agreements, which remain in force under the same conditions.

Yondelis®

Janssen Products LP

In 2001, the Company 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 Company 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 Company retains the exclusive right to manufacture the active ingredient, which will be supplied to OBP on a cost-plus basis;

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

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

The amounts attributed to the marketing phase are royalties, which are recognized on an accrual basis. In 2020, royalties were recognized in the amount of €2,243 thousand for sales of Yondelis® (€2,487 thousand in 2019). In August 2019, the Company and Janssen Products, LP ("Janssen") signed a new licensing agreement that replaces the 2001 licensing agreement, under which Janssen reserves the right to sell and distribute, on an exclusive basis, Yondelis® and any other product that contains the active ingredient (trabectedin) in the United States. The milestone payments and royalties on net sales of the product by Janssen in the United States are the same as in the 2001 licensing agreement. The Group retains exclusive rights to produce the active ingredient, trabectedin, which it will supply to Janssen for clinical and commercial purposes.

At the same time, Pharma Mar 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).

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 Company as a result of the agreement include the following:

- Assignment to Taiho of future rights to market Yondelis® in Japan. For this assignment, the Company will collect royalties based on Taiho's sales once authorization is obtained to market the drug in Japan.
- The Company retains the exclusive right to manufacture the active ingredient, which will be supplied to Taiho.
- Taiho assumes the responsibility, at its own expense, for researching, developing and

obtaining regulatory approval for Yondelis® in Japan.

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

As a result, royalties for the sale of Yondelis® in Japan were recognized in the amount of €699 thousand in 2020 (€615 thousand in 2019).

Aplidin®

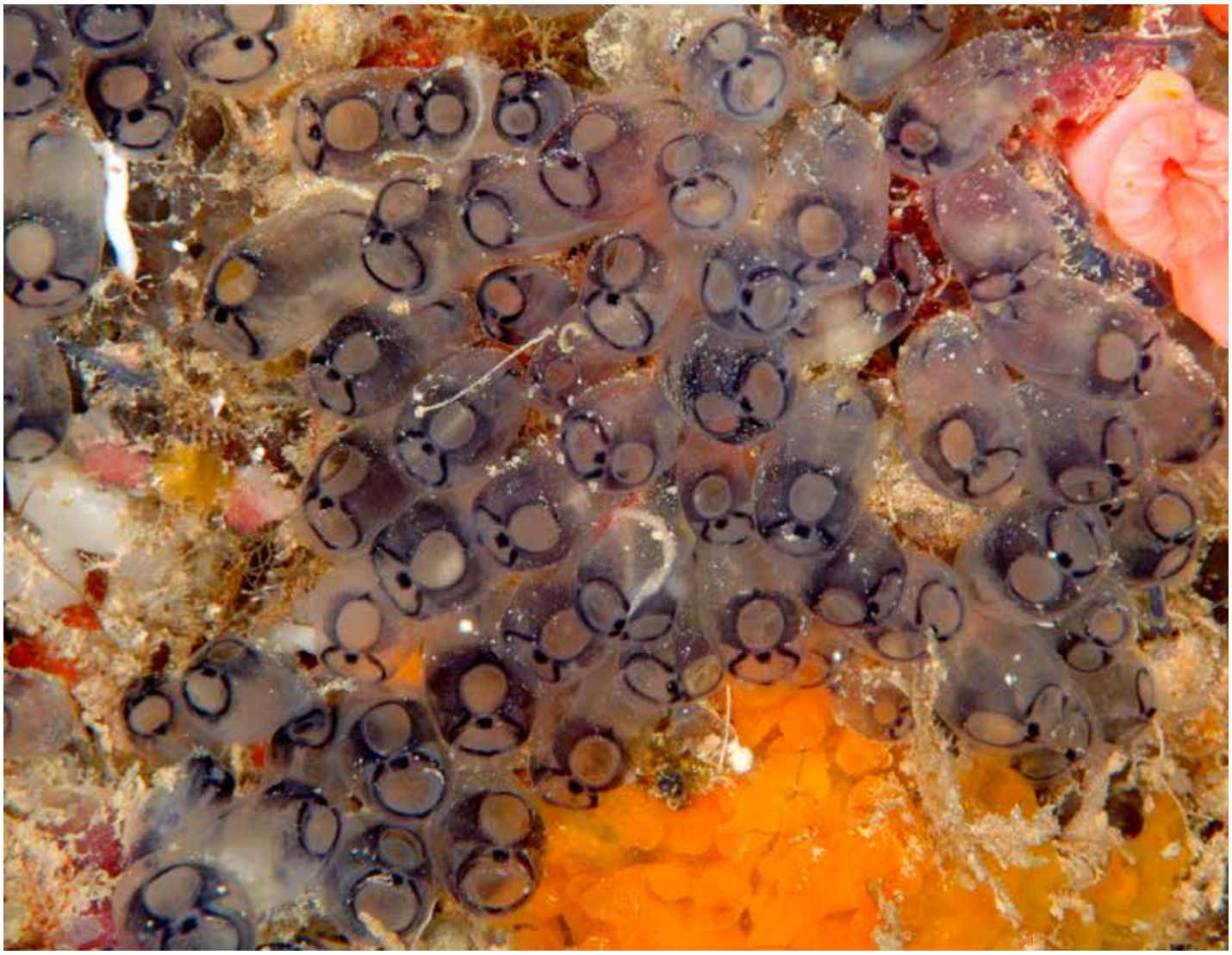
From 2014 to 2018, the Company signed several licensing agreements for Aplidin® with partners covering a number of territories or countries; the following are still in force at the date of this report:

Specialised Therapeutics Asia Pte, Ltd

In 2015, Specialised Therapeutics Australia Pty, Ltd. and Pharma Mar signed an agreement covering commercialization of Aplidin® in Australia and New Zealand 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® (Plitidepsin) 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 anticancer 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 payments. 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.

Zepzelca™ (lurbinectedin)

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

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

- R&D activities: The Group undertook to complete and conduct certain trials of the licensed molecule that will be required by the FDA. These trials may be carried out by a third party and, hence, are classified as a different service and, therefore, as a compliance obligation.
- Manufacturing: The Group retains the exclusive right to manufacture the medicine, which will be supplied to Jazz Pharmaceuticals.
- Pharmacovigilance activities: The Group assumes this function on behalf of Jazz Pharmaceuticals.
- Granting of a license to the compound lurbinectedin, which entails assignment of the rights to market it in the licensed territory.

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™ (lurbinectedin) received conditional approval from the FDA for commercialization in the US 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 (€3,195 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 (STA)

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

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

22.2 / Breakdown of revenues

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

(thousand euro)	31-12-20	31-12-19
Spain	13,085	14,516
European Union	222,485	46,968
Americas	2,244	2,556
Japan	1,911	615
Other OECD countries	3,501	1,279
Other countries	4,494	4,415
TOTAL	**247,720**	**70,349**

22.3 / Foreign currency transactions

The detail of foreign currency transactions is as follows:

(thousand euro)	31-12-20	31-12-19
Licensing revenues	152,574	6,302
Sales	1,418	1,132
Purchases and services received	6,701	6,124
TOTAL	**160,693**	**13,558**

22.4 / Merchandise, raw materials and other consumables consumed

(thousand euro)	31-12-20	31-12-19
Purchased in Spain	2,254	1,459
Purchased in other EU countries	557	181
Imports	156	82
Change in inventories	(317)	(677)
TOTAL	**2,650**	**1,045**

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 the bottom line.

22.5 / Personnel expenses

(thousand euro)	31-12-20	31-12-19
Wages, salaries and similar	28,616	23,918
Indemnities	1,042	622
Employee welfare expenses		
Employee welfare expenses	4,204	4,085
Other welfare expenses	902	994
TOTAL	**34,764**	**29,619**

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

NUMBER IN CATEGORY (MEN)	2020	2019
Executive directors	2	2
Senior managers	5	4
Management	6	7
Middle management	17	18
Clerical and similar staff	4	4
Technical staff	75	79
Other	17	14
TOTAL	**126**	**128**

NUMBER IN CATEGORY (WOMEN)	2020	2019
Executive directors	-	-
Senior managers	4	3
Management	5	5
Middle management	15	14
Clerical and similar staff	37	37
Technical staff	116	109
Other	10	11
TOTAL	**187**	**179**

TOTAL	**313**	**307**

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

NUMBER IN CATEGORY (MEN)	31-12-20	31-12-19
Executive directors	2	2
Senior managers	5	4
Management	6	7
Middle management	17	17
Clerical and similar staff	5	4
Technical staff	76	79
Other	22	14
TOTAL	**133**	**127**

NUMBER IN CATEGORY (WOMEN)	31-12-20	31-12-19
Executive directors	-	-
Senior managers	4	3
Management	4	5
Middle management	15	15
Clerical and similar staff	39	36
Technical staff	127	115
Other	10	11
TOTAL	**199**	**185**

TOTAL	**332**	**312**

There were an average of 4 employees in the year with disability of 33% or greater — 2 administrative staff and 2 technicians — the same as at 2019 year-end.

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 (Note 7).

22.6 / Outside services

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

(thousand euro)	31-12-20	31-12-19
Research & Development expenses	18,198	17,312
Leases and fees	1,784	1,899
Repairs and upkeep	2,199	1,696
Independent professional services	9,574	8,438
Transport	908	715
Insurance premiums	868	482
Advertising and public relations	8,672	8,369
Utilities	828	835
Other services	4,420	6,101
Other taxes	678	502
Losses, impairment and changes in trade provisions	17	-
TOTAL	**48,146**	**46,349**

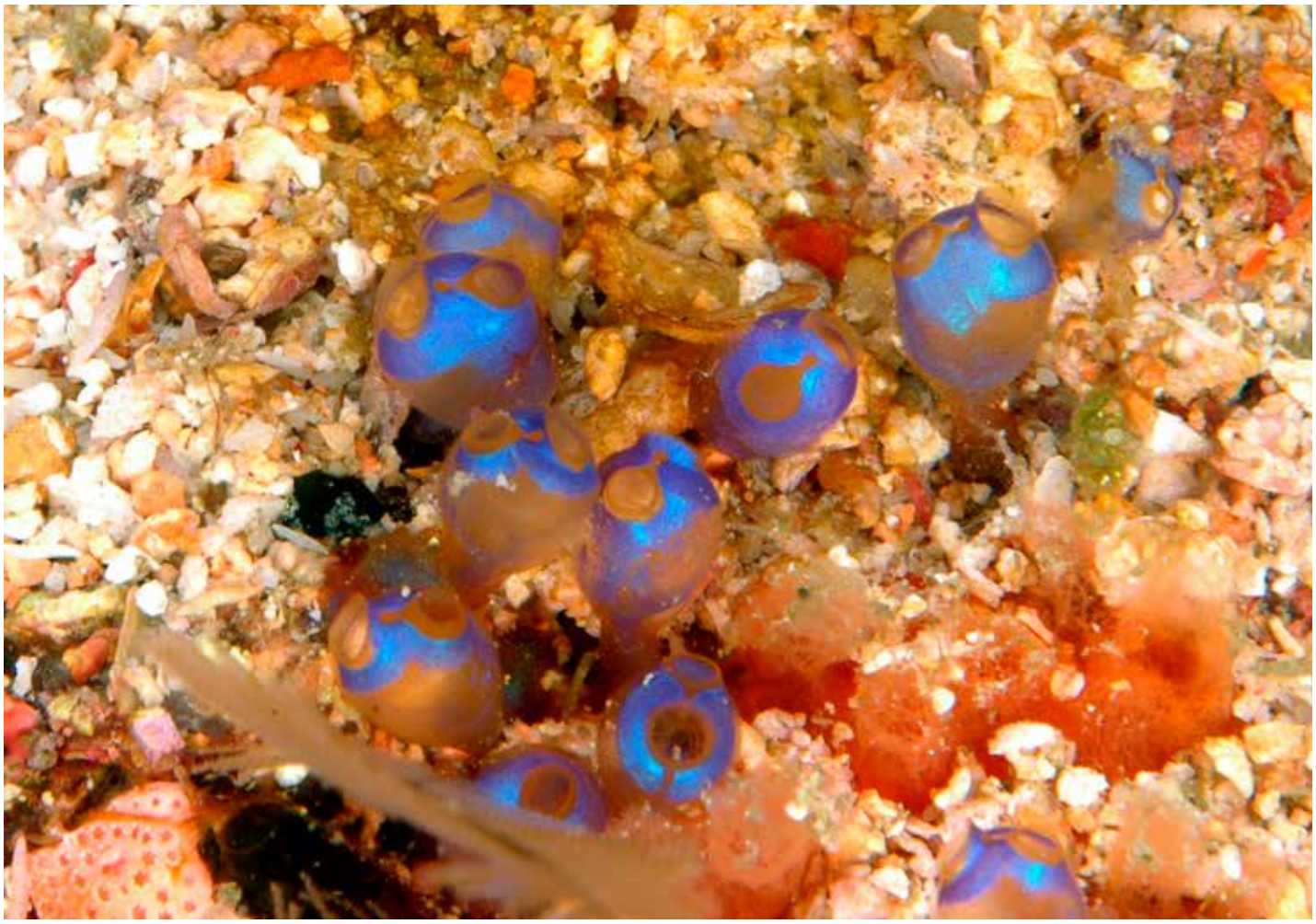
22.7 / Impairment losses and income from disposal of assets. etc.

As indicated in Note 6.1 in connection with the gain on the disposal of fixed assets, in January 2020, the US antitrust authorities authorized the exclusive licensing agreement signed between Pharma Mar and Jazz Pharmaceuticals in December 2019 for marketing anti-tumor compound lurbinectedin in the US to treat relapsed small cell lung cancer. The contract came into force at that time, triggering all related effects. As a result, Pharma Mar derecognized the portion of the amounts capitalized for lurbinectedin corresponding to the market that Pharma Mar had assigned to Jazz on a permanent basis under the licensing agreement. The amount derecognized in this connection was €60,544 thousand.

Regarding derecognitions, and as described in Note 6.1, the results of the ATLANTIS Phase III multi-center random trial were obtained 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; therefore, the Company derecognized the entire amount capitalized for this clinical trial: €58,029 thousand.

During 2020, a plot of land in Colmenar that is owned by the Company was impaired by €368 thousand as Pharma Mar had an external appraisal that indicates that the asset's value is lower than its net carrying amount.

The impairment recognized for this plot had been partly reversed in 2019 (€81 thousand).



23 / INCOME TAX AND TAX SITUATION

The balances with public authorities as of 31 December 2020 and 2019 are as follows:

(thousand euro)	2020		2019	
	Payable	Receivable	Payable	Receivable
Income tax prepayments	9,723	-	36	-
Monetization of R&D tax credits	-	-	4,834	-
Advance tax revenues under audit	763	-	732	-
TOTAL CURRENT TAX REVENUES	**10,486**	**-**	**5,602**	**-**
Personal income tax	-	487	-	427
Social security	-	434	-	369
VAT	1,340	-	783	-
OTHER RECEIVABLES FROM PUBLIC AUTHORITIES	**1,340**	**921**	**783**	**796**

In 2020, the Company filed corporate income tax returns on a consolidated basis. The following companies are included in the group's consolidated tax return: Genómica, S.A.U., Pharma Mar, S.A. and Sylentis, S.A.U.

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

The reconciliation of net revenues and expenses in 2020 to the income tax base is as follows:

2020 (thousand euro)	**INCOME STATEMENTS**	
BALANCE OF REVENUES AND EXPENSES IN THE YEAR	**28,952**	**-**
	Increase	**Decrease**
Corporate income tax	-	(5,366)
Permanent differences	4,265	(57,238)
Timing differences:		
Arising in the year	239	(25)
Arising in prior years		(17,419)
TAX BASE	**-**	**(46,592)**
Tax losses carried forward	-	-
TAXABLE INCOME	**-**	**(46,592)**

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

(thousand euro)	31-12-20	31-12-19
Deferred tax and Tax losses carryforward	5,383	3,292
Other	(17)	(2)
Monetization	-	4,834
TOTAL TAX (REVENUE)/EXPENSE	**5,366**	**8,123**

In 2019, the company recognized €4,834 thousand in revenue due to monetizing research and development tax credits.

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

The increase in permanent differences in 2020 relates mainly to the impairment of the holding in Genómica in the amount of €3,346 thousand (Note 24).

The reduction in permanent differences in 2020 relates mainly to:

- The application of Article 23 of the Consolidated Text of the Corporate Income Tax Act in connection with revenue from the transfer of certain intangible assets created by the company, amounting to €22,358 thousand.
- Liquidation of the stake in Noscira amounted to €31,467 thousand.

In 2020, the timing differences were due mainly to reversal of amortization taken in previous years that was not tax deductible, in the amount of €1,781 thousand, and reversal of impairment of certain loans to Noscira in the amount of €15,332 thousand.

As of 31 December 2020, the tax credits earned by the Company that are available for use in future years, after deducting the tax losses used by other group undertakings, are as follows:

(thousand euro)

YEAR	Tax credit as of 31-12-19	Used in 2020	Earned in 2020	Unused as of 31-12-20
2007	12,969	-	-	12,969
2008	7,317	-	-	7,317
2010	2,245	-	-	2,245
2011	3,602	-	-	3,602
2012	24,835	-	-	24,835
2015	39,798	-	-	39,798
2016	6,275	-	-	6,275
2017	39,723	-	-	39,723
2018	112,777	-	-	112,777
2019	11,000	-	-	11,000
2020	-	-	44,452	44,452
TOTAL	**260,541**	**-**	**44,452**	**304,993**

As of 31 December 2020, the unused tax credits earned by the Company, mainly for R&D, were as follows:

(thousand euro)

YEAR EARNED	Amount of credit as of 31-12-20	Used in previous years	Used in 2020	Earned in 2020	Unused as of 31-12-20	Expiring in
2003	13,023	-	-	-	13,023	2021
2004	9,400	-	-	-	9,400	2022
2005	10,565	-	-	-	10,565	2023
2006	10,251	-	-	-	10,251	2024
2007	9,477	-	-	-	9,477	2025
2008	10,059	-	-	-	10,059	2026
2009	8,625	-	-	-	8,625	2027
2010	8,211	-	-	-	8,211	2028
2011	7,980	-	-	-	7,980	2029
2012	6,915	-	-	-	6,915	2030
2013	9,076	-	-	-	9,076	2031
2014	11,403	(3,866)	-	-	7,537	2032
2015	12,963	(3,649)	-	-	9,314	2033
2016	19,213	(6,250)	-	-	12,963	2034
2017	16,559	(6,042)	-	-	10,517	2035
2018	14,197	-	(5,839)	-	8,358	2036
2019	10,800	-	-	-	10,800	2037
2020	-	-	-	12,249	12,249	2038
TOTAL	**188,717**	**(19,807)**	**(5,839)**	**12,249**	**175,320**	

The “Used” column relates entirely to the amounts used to secure monetization of the research and development tax credits.

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

(thousand euro)	Corporate income tax
Genómica	670
TOTAL RECEIVABLE	**670**
Genómica	515
Sylentis	1,694
TOTAL PAYABLE	**2,208**

(thousand euro)	VAT
Genómica	9
TOTAL RECEIVABLE	**9**
Sylentis	179
TOTAL PAYABLE	**179**

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

In the year ended 31 December 2003, the Company applied the system envisaged in article 21 of Act 43/1995, dated 27 December, on Corporate Income Tax, to the amount of €27,054 thousand. That benefit was obtained

due to the sale of certain items of property, plant and equipment for a sale price of €36,069 thousand. The total amount was reinvested as follows: €16,384 thousand in the year ended 31 December 2002 (from 16 June 2002), €18,892 thousand in the year ended 31 December 2003, and €794 thousand in the year ended 31 December 2004. These acquisitions did not obtain any other tax benefit.

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

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

(Euros)	Brands	Structures	Laboratory equipment	Other	Total
Since June 2002	-	14,225	500	1,659	16,384
2003	8,700	6,353	1,317	2,522	18,892
2004	-	521	-	2,288	2,809
2005	-	122	-	1,646	1,768
TOTAL	**8,700**	**21,221**	**1,817**	**8,115**	**39,853**

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

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

As of 31 December 2020, that VAT tax group was comprised of Pharma Mar, S.A., as lead company, together with Genómica, S.A.U. and Sylentis, S.A.U., since the Company considered that all of them, both controlling company and controlled companies, met the requirements of articles 163 quinines and 163 sexiest of the Value Added Tax Act and their Boards of Directors or equivalent governing bodies had approved the proposal to create a group under the Special VAT Group regime provided by Act 38/2006, using the “simple aggregation system”.

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

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

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

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

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

The tax audit concluded in September 2016. The company accepted an assessment that resulted in a reduction in the tax base, and it disputed assessments for corporate income tax, personal income tax withholdings and prepayments, value added tax and non-residents' personal income tax. There is currently one appeal pending before the National Court 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 assessments is zero in all cases, since the companies in the Spanish tax group have tax losses and international double taxation tax credits which were applied in the tax authorities' proposal, in accordance with the regulations in force in each year. Consequently, in the worst case scenario, in which all of the tax group's appeals were to fail, the tax payable would be zero and no late payment interest would accrue.

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

Under the partial audit of corporate income tax confined to checking the reduction in revenues from certain intangible assets reported by 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.

24 / FINANCIAL INCOME

The detail of financial income is as follows:

(thousand euro)	2020	2019
FINANCIAL REVENUES	**569**	**872**
Marketable securities and other equity instruments	**569**	**872**
Group and associated undertakings (Note 30.2)	233	861
Third parties	336	11
FINANCIAL EXPENSES	**(2,593)**	**(3,172)**
On debts to third parties	(2,593)	(3,172)
EXCHANGE DIFFERENCES	**(7,490)**	**(39)**
IMPAIRMENT AND INCOME FROM DISPOSAL OF FINANCIAL INSTRUMENTS	**135**	**(4,560)**
Impairment of group undertakings	135	(4,560)
FINANCIAL INCOME	**(9,379)**	**(6,899)**

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

In 2020, most of the exchange differences were due to marking to market the portion of the amounts received from Jazz Pharmaceutical that were held in US dollars as of 31 December 2020.

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

In 2019 the “Impairment of group undertakings” item reflects mainly impairment of the loan to a group undertaking, Genómica, S.A., in the amount of €4,447 thousand, due to doubts about its recoverability.

25 / DISCONTINUED OPERATIONS

The “Prior year’s income from discounted operations, net of taxes” item amounted to €31,821 thousand as of 31 December 2019, comprising the following items:

- In June, Pharma Mar sold 100% of subsidiary Zelnova Zeltia, S.A. to Allentia Invest, S.L. and Safoles, S.A. for a total of €33,417 thousand. The value of Pharma Mar’s holding in Zelnova Zeltia, S.A. before the sale was €4,385 thousand. This transaction provided the Company with a profit of €28,239 thousand after deducting inherent expenses (€793 thousand).
- Revenues from holdings in equity instruments amounting to €3,608 thousand, mainly dividends received.
- Interest expenses on a loan and revenues from the provision of services amounted to €26 thousand net.

26 / 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 assign 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.

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.

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.

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.

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 before the reverse split) were canceled in 2020: 1,410 shares (117 shares before the reverse split) purchased by employees and 3,259 shares (270 shares before the reverse split) contributed by the Company.

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).

27 / CONTINGENCIES

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

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

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

28 / COMMITMENTS

28.1 / Purchase and sale commitments

The Company does not have any purchase or sale commitments.

28.2 / Operating lease commitments

The minimum future payments for non-cancelable operating leases as of 31 December 2020 and 2019 are detailed in Note 9.

28.3 / Share-based incentive plans

- Under the sixteenth plan (June 2017) for delivery of shares free of charge, 118,852 shares (9,910 shares after the stock merge) delivered and subject to lock-up as of 31 December 2020 will be released in April 2021.
- Under the seventeenth plan (June 2018) for delivery of shares free of charge, there were 110,632 shares (9,207 shares after the stock merge) under lock-up as of 31 December 2020 that will be released in June 2022.
- Under the eighteenth plan (June 2019) for delivery of shares free of charge, there were 158,239 shares under lock-up as of 31 December 2020 that will be released in two tranches: 32,661 shares (2,683 shares after the stock merge) in November 2021 and 91,078 shares (7,571 shares after the stock merge) in May 2023.

28.4 / Other commitments

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

The Company has also obtained several credit and guarantee lines from financial institutions in the amount of €1,365 thousand under which the Company is listed as a borrower alongside Genómica and Pharma Mar USA. Pharma Mar is jointly and severally liable for the full amounts drawn against those credit and guarantee lines, including amounts drawn by Genómica and Pharma Mar USA.

Pharma Mar is the guarantor for Sylentis and Genómica vis-à-vis official bodies, such as the Centro para el Desarrollo Tecnológico e Industrial, for loans granted by the latter in the amount of €1,983 thousand.

29 / DIRECTOR AND SENIOR MANAGEMENT REMUNERATION

29.1 / Director remuneration

The following table shows the remuneration paid in 2020 and 2019 to directors of Pharma Mar:

(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 undertakings	30	53
Remuneration for Lead Independent 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.

29.2 / 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.

29.3 / Companies related to the directors and executives and their close relatives

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).

On 26 May 2019, the Board of Directors approved the sale of 100% of Zelnova Zeltia to 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 persons related to him. The Board of Directors resolved to submit this transaction to the Shareholders’ Meeting for authorization. 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. Completion of the transaction and, consequently, the Company's commitment to sell and transfer the shares of Zelnova to the Buyer was conditional upon that authorization by the Shareholders' Meeting. 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.

29.4 / Directors' duty of loyalty

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

30 / OTHER TRANSACTIONS WITH RELATED PARTIES

30.1 / Balances with group undertakings

The detail of accounts payable to and receivable from group undertakings as of 31 December 2020 and 2019 is as follows:

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

2019 (thousand euro)	Non-current assets	Current assets	Current liabilities
Loans and other financial assets/liabilities	**2,198**	**695**	**2,139**
Genómica, S.A.U.	-	29	515
Sylentis, S.A.U.	2,198	11	1,624
Noscira, S.A. en liquidación	-	655	-
Trade accounts receivable/payable	**-**	**4,099**	**2,734**
Pharma Mar, USA	-	-	469
PharmaMar, AG	-	561	102
Pharma Mar, Srl	-	1,629	-
Pharma Mar, GmbH	-	1,203	424
Pharma Mar, Sarl	-	650	1,385
Pharma Mar, Srl (Belgium)	-	44	177
Pharma Mar, Ges.m.b.H.	-	12	177
TOTAL	**2,198**	**4,794**	**4,873**

Under non-current assets, loans and other financial assets refer to loans granted by the Company to its subsidiaries. In 2020, there was a loan to Genómica amounting to €375 thousand that had been impaired in full (€3,276 thousand in 2019). In 2019, this item included a loan to Noscira (a company that was liquidated in 2020) amounting to €10,887 thousand, which had been impaired in full.

The detail of current assets with Group undertakings in 2020 is as follows:

2020 (thousand euro)	Current accounts	Due for purchases	Total
Genómica, S.A.U.	1,454	-	1,454
Sylentis, S.A.U.	190	-	190
PharmaMar, AG	-	339	339
Pharma Mar, Srl	-	5	5
Pharma Mar, GmbH	-	2,387	2,387
Pharma Mar, Sarl	-	1,021	1,021
Pharma Mar, Srl (Belgium)	-	741	741
Pharma Mar, Ges.m.b.H.	-	26	26
TOTAL	**1,644**	**4,519**	**6,163**

The amount of the “Due for purchases” item (€4,519 thousand) relates mainly to the outstanding amounts for the sale of product to subsidiaries that operate under the distribution model. The total balance payable to Group undertakings in 2020 is:

2020 (thousand euro)	Taxes	Services delivered	Total
Genómica, S.A.U.	659	53	713
Sylentis, S.A.U.	1,873	-	1,873
Pharma Mar USA	-	242	242
PharmaMar, AG	-	65	65
Pharma Mar, Srl	-	1,367	1,367
PharmaMar, GmbH	-	176	176
Pharma Mar, Sarl	-	1,043	1,043
Pharma Mar, Srl (Belgium)	-	31	31
Pharma Mar, Ges.m.b.H.	-	200	200
TOTAL	**2,532**	**3,177**	**5,710**

Under current liabilities, taxes due are debts owed by the parent company to its subsidiaries as a result of tax consolidation of both corporate income tax and value added tax. In both cases, the amounts outstanding with the tax administration are recognized at Pharma Mar, the head of the group, which also recognizes the account payable to its subsidiaries. Specifically, (€2,210 thousand) relate to corporate income tax and €324 thousand to VAT pending recovery in connection with 2020.

30.2 / Transactions with Group undertakings

The amounts of the Company's transactions with group undertakings as of 31 December 2020 and 2019 are as follows:

TRANSACTIONS WITH GROUP UNDERTAKINGS EXPENSES (thousand euro)	2020	2019
Services received		
Genómica, S.A.U.	53	93
Pharma Mar, GmbH	725	634
Pharma Mar, USA	1,490	1,211
PharmaMar, AG	214	160
Pharma Mar, Sarl	1,150	1,825
Pharma Mar, Srl	1,367	-
Pharma Mar, Ltd	-	(5)
Pharma Mar, Srl (Belgium)	175	642
Pharma Mar, Ges.m.b.H.	765	936
Financing		
Zelnova Zeltia, S.A. (*) (Note 24)	-	28
TOTAL EXPENSES	**5,939**	**5,524**

TRANSACTIONS WITH GROUP UNDERTAKINGS REVENUES (thousand euro)	2020	2019
Revenues		
PharmaMar, AG	1,418	1,132
Phama Mar, Srl	13,723	15,494
Pharma Mar, GmbH	13,716	12,517
Pharma Mar, Sarl	2,427	2,454
Pharma Mar, Srl (Belgium)	1,759	-
Services provided		
Genómica, S.A.U.	18	19
Sylentis, S.A.U.	13	10
Pharma Mar, Srl	73	203
Pharma Mar, GmbH	1,280	
PhamaMar, AG	3	3
Pharma Mar, Srl (Belgium)	80	33
Pharma Mar, Sarl	106	180
Pharma Mar, GesmbH	33	38
Zelnova Zeltia, S.A.	-	3
Financing		
Genómica, S.A.U.	82	192
Sylentis, S.A.U.	151	640
Noscira (liquidated)	9	30
Zelnova Zeltia, S.A. (*) (Note 24)	-	8
Other		
Genómica, S.A.U.	22	35
TOTAL REVENUES	**36,193**	**33,425**

(*) Transactions performed by the Company up to 28 June 2019 (Note 25).

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

31 / SURETIES AND GUARANTEES

The sureties and guarantees provided by banks for subsidies and advances received by the Company from public authorities as of 31 December 2020 amounted to €4,709 thousand (€5,553 thousand in 2019). €573 thousand relate to guarantees that had to be presented for Yondelis® distribution tenders.

32 / ENVIRONMENT

There were no material investments in environmental matters in 2020 and 2019.

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

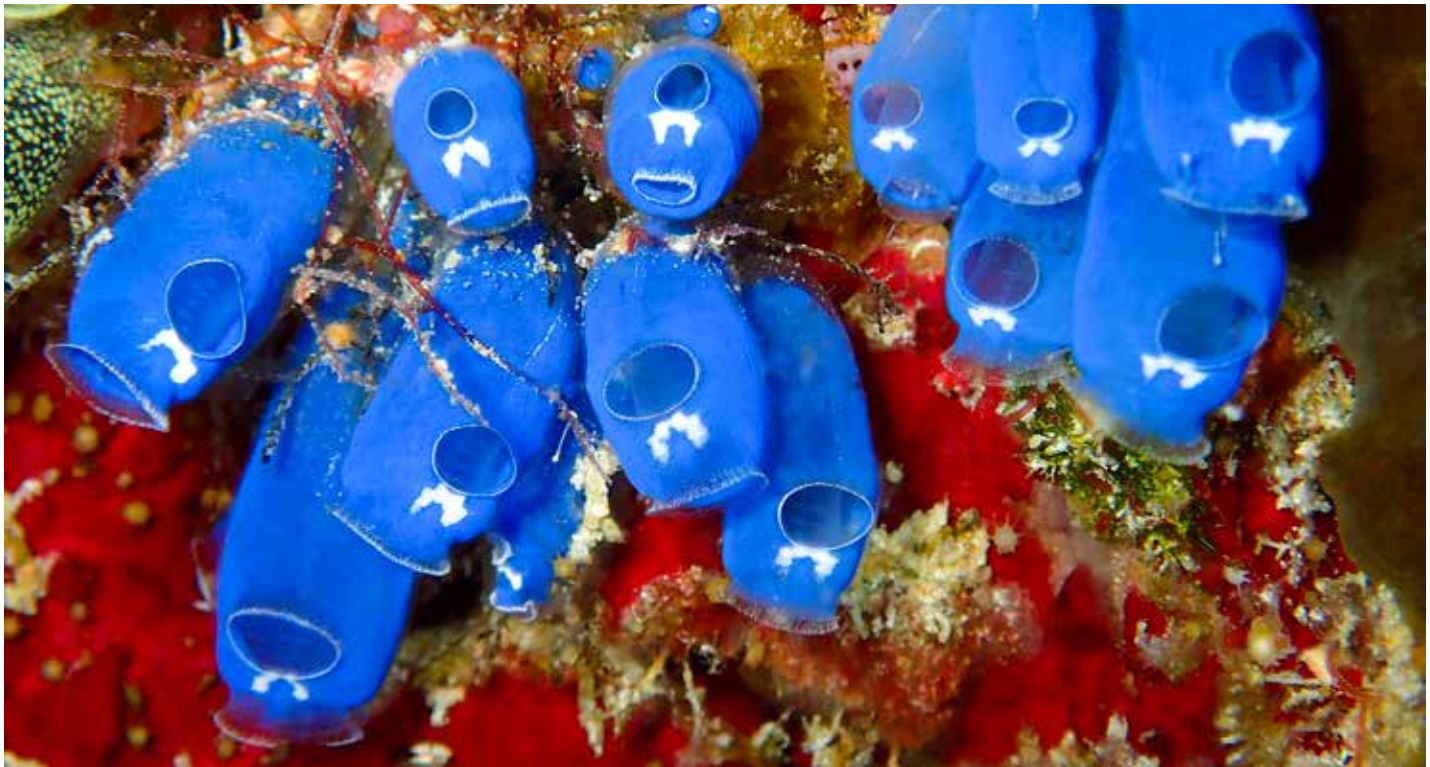
- Atmospheric emissions: To control and clean emissions, the Company has scrubbers for gas from fume cupboards, absolute particle filters in the production area, and particle filters in the R&D department.
- Industrial discharges: the Company installed a network that separates industrial water, two tanks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

Environmental protection and improvement expenses amounted to €58 thousand in 2020 (€46 thousand in 2019) and relate mainly to waste disposal by third parties.

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

33 / AUDITORS' FEES

The fees accrued by PricewaterhouseCoopers Auditores, S.L. and other firms in its network amounted to €333 thousand in 2020 (€290 thousand in 2019) for the statutory audit (of Pharma Mar, S.A. and dependent companies), €105 thousand in 2020 for audit services other than the statutory audit (€238 thousand in 2019), and €27 thousand in 2020 for other verification services (€436 thousand in 2019).



34 / 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.

Directors' **REPORT**

DIRECTORS' **REPORT**

1 / COMPANY SITUATION

1.1 / Organizational structure

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

In 2020, Pharma Mar entered a new line of business in the area of virology, researching the antiviral activity against COVID-19 of plitidepsin, one of the drugs in its pipeline.

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

1.2 / Operations: Business model, strategy

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

The oncology business model focuses on discovering new marine-based antitumor molecules and developing them in preclinical and clinical trials with a view to producing new drugs with therapeutic advantages for oncology patients. Pharma Mar's strategy also includes the search for strategic alliances with partners, preferably in the same industry, that will invest and collaborate in advancing the compounds through the various research phases and in subsequent marketing.

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

Pharma Mar invests heavily in R&D and innovation in Oncology and it has a firm commitment to R&D to bring new drugs to market.

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 worldwide and enables it to have more candidates in earlier phases of clinical development with a view to obtaining approval in the future.
- 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.

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

The key components of Pharma Mar'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 Zepzelca™ 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 / Impact of COVID-19

As a result of the COVID-19 pandemic, during 2020, the Company 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 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.

Although Pharma Mar was 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 Company 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 Company'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 Company's material agreements remain in force in the same terms.

2 / BUSINESS PERFORMANCE AND RESULTS

2.1 / Total revenues

Net sales amounted to €90.4 million, almost entirely from sales of Yondelis®, and in 2020 also included sales of intermediates of Yondelis®, Aplidin® and Zepzelca™ to our partners in the amount of €9,270 thousand, as well as sales of Zepzelca™ in some European countries, mainly under Temporary Use Authorizations (TUA) in France, in the amount of €21,535 thousand. Net sales amounted to €62.8 million in 2019.

Royalty revenues were mainly from sales of Zepzelca™ by Jazz Pharmaceuticals in the United States after it was approved by the FDA in June 2020. These royalties amounted to €12.7 million in 2020. Pharma Mar collected royalties from Janssen Products and Taiho Pharmaceuticals Co. for sales of Yondelis®. In 2020, Janssen sold Yondelis® only in the United States by virtue of the licensing contract amended by the framework transfer agreement signed by Janssen and Pharma Mar in August 2019, 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). In 2019, Janssen commercialized Yondelis® under license for the entire world except the European Union and Japan. Taiho Pharmaceutical holds the commercialization license for Japan. Those revenues amounted to €2.9 million in 2020 (€3.1 million in 2019).

Revenues from licensing and other co-development agreements amounted to €140 million in 2020 (€4 million in 2019). The breakdown of these revenues in 2020 is as follows:

- Signature of a licensing agreement with Jazz Pharmaceuticals to commercialize Zepzelca™ (lurbinectedin) in the US for treating relapsed small cell lung cancer. When this agreement came into force in January 2020, Pharma Mar collected an upfront payment of USD 200 million (€181 million). Subsequently, in June, as a result of the FDA's conditional approval to market this compound in the US under the accelerated approval procedure, Pharma Mar received a payment of USD100 million (€88.5 million). Those revenues under the licensing agreement were recognized as a function of the degree of progress and/or fulfillment of the acquired commitments. As of 31 December 2020, €135.6 million in revenues had been recognized.

- Signature of an out-licensing agreement with Luye Pharma Group for the development and marketing of Zepzelca™ (lurbinectedin) for treating small cell lung cancer in the territories of China, Hong Kong and Macao. Under this agreement, Pharma Mar collected an upfront payment of €4.5 million in 2019, of which €1.3 million were recognized as revenues in 2020 (€3.2 million in 2019).

- A milestone payment amounting to €0.45 million (€0.3 million in 2019) was collected under the licensing agreement for Zepzelca™ (lurbinectedin) in South Korea.

- In August 2019, Pharma Mar signed a new out-licensing agreement for Yondelis® with Janssen that allows Pharma Mar to distribute Yondelis® in over 40 countries (outside the US, which is retained by Janssen) and, as of 31 December 2020, it recognized €2.2 million in royalty revenues (€2.5 million in 2019).

2.2 / International revenues

Out of total 2020 revenues, 95%, i.e. €235 million, came from sales and transactions in other countries (79%, €56 million in 2019).

2.3 / Gross income

The gross margin was 91% of total revenues in 2020 (92% in 2019) (*).

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

2.4 / R&D expenditure

Pharma Mar capitalized €4.5 million in development expenses in 2020 relating to clinical trials with Zepzelca™.

The €11 million amortization relates entirely to compounds Yondelis® and Zepzelca™.

The next table shows the changes in amounts capitalized for compounds in 2020:

(thousand euro)	Yondelis®	Zepzelca™	Total development
Ending balance 31-12-19	**10,229**	**117,257**	**127,486**
Recognitions	-	4,506	4,506
Derecognition due to impairment	-	(58,029)	(58,029)
Derecognition due to disposal	-	(60,544)	(60,544)
Depreciation and amortization	(10,229)	(383)	(10,612)
Ending balance 31-12-20	**-**	**2,807**	**2,807**

A total of €46 million was spent on R&D in 2020, including €5 million of costs incurred in clinical trials to develop plitidepsin (Aplidin) for the treatment of COVID-19. Additionally, progress was made with the 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.

2.5 / Operating expenses

The breakdown of operating expenses is shown in the next table. Personnel expenses increased by 17.40% year-on-year as a result of new hires in 2020.

Impairment of fixed assets was related mainly to the ATLANTIS Phase III multicenter randomized trial. That trial evaluated Zepzelca™, in combination with doxorubicin, against the investigator's choice of topotecan or cyclophosphamide/doxorubicin/vincristine (CAV), in adult patients with small cell lung cancer 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; therefore, the Company derecognized the entire amount capitalized for this clinical trial: €58,029 thousand. This item includes impairment of a plot of land owned by the Company in Colmenar Viejo, based on an external appraisal (€368 thousand). The impairment recognized for this plot was partly reversed in 2019 (€81 thousand).

(thousand euro)	31-12-20	31-12-19	Change
Staff expenses	34,764	29,619	**17.4%**
External services	47,451	45,847	**3.5%**
Purchases	8,569	4,801	**78.5%**
Taxes	678	502	**35.1%**
Depreciation and amortization	12,583	22,045	**-42.9%**
Bad debts	17	-	
Fixed asset impairment	58,397	(81)	
Fixed asset derecognition	60,539	-	
	222,998	**102,733**	

2.6 / Profit or loss for the year

The Company reported an after-tax profit of €28.9 million in 2020, mainly as a result of higher revenues recognized from licensing agreements, specifically the agreement with Jazz Pharmaceuticals.

2.7 / Other events that impacted the 2020 financial statements

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 small cell lung cancer who had experienced progression after platinum-based therapy. As a result, following assessment, the FDA granted Zepzelca™ accelerated approval in June based on the Overall Response Rate (ORR) and Duration of Response (DoR). This approval enabled Jazz Pharmaceuticals to begin commercializing Zepzelca™ in the United States early in July 2020. Pharma Mar recognized €12.7 million in royalties for sales in the following six-month period.

Conditional approval of Zepzelca™ 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 Zepzelca™ in combination with doxorubicin with the control arm. Importantly, the results favored the Zepzelca™ 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.

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.

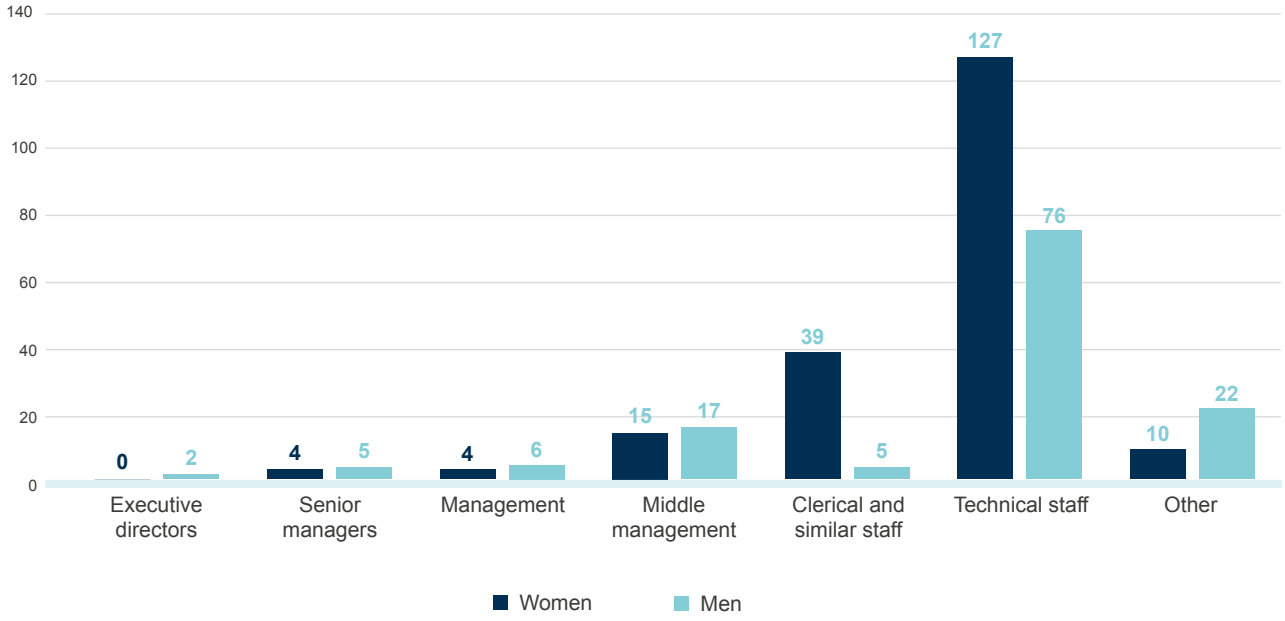
2.8 / Personnel

Pharma Mar had 332 employees at year-end (312 in 2019).

Women account for 60% of the workforce (59.3% in 2019).

The graph below illustrates segmentation by gender and category:

Segmentation by gender and category



2.9 / Environmental issues

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

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

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

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

2.10 / Average period taken to pay suppliers

Information on payments for commercial transactions performed in 2020 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:

	2020	2019
Average time taken to pay suppliers (days)	58	60
Proportion of transactions paid (days)	58	61
Proportion of transactions outstanding (days)	53	50
Total payments made (thousand euro)	**25,964**	**22,881**
Total payments outstanding (thousand euro)	**4,725**	**3,611**

The average supplier payment lag in the year between 1 January and 31 December 2020 was 58 days (60 days in 2019).

3 / LIQUIDITY AND CAPITAL

The balance of “cash + cash equivalents” amounted to €87,262 thousand as of 31 December 2020 (€13,857 thousand euro in 2019).

The balance of the “current financial assets” item, amounting to €97.1 million, refers mainly to time deposits in USD (USD 118 million) at a number of financial institutions that are referenced to Libor and mature between April and October 2021, earning interest between 0.29% and 0.42%. In 2019, the balance was €0.9 million.

Short-term financial debt amounted to €14.7 million (€28.4 million in 2019) and long-term financial debt amounted to €33.4 million (€47.6 million in 2019). In 2019, these headings included a mortgage loan amounting to €3.4 million under “non-current” and €0.9 million under “current”, which was canceled in 2020.

The Company did not arrange any bank debt in 2020. In 2019, the Company arranged short-term funding in the amount of €1.7 million.

As of 31 December 2020, the Company had €4.6 million available in credit lines. It arranged new credit lines for €3 million in the early months of 2021.

In January 2020, the Company received the non-refundable upfront payment in the amount of USD 200 million (€181 million) under the exclusive licensing agreement signed with Jazz Pharmaceuticals on 19 December 2019 for the commercialization of Zepzelca™ in the United States. The entry into force of the agreement was conditional upon authorization by the US anti-trust authorities. That authorization was issued on 21 January 2020, at which time the agreement took effect.

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).

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

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

4 / MAIN RISKS AND UNCERTAINTIES

4.1 / Situation risks

Competition.

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

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

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

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

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

Pharma Mar 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 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, Pharma Mar 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 regularly 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 Pharma Mar makes significant R&D investments each year, the group seeks a range of funding sources, in both the credit and capital markets, to finance its growth, implement its strategy and generate income in the future.

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

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

Shareholders

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

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

4.2 / Operating risks

Health and safety

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

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

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

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

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

Pharma Mar has obtained OHSAS 18001 certification of its workplace health and safety systems. 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 or property as a result of pollution.

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

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

Pharma Mar 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

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

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

4.3 / Information risk

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

Market disclosures

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

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

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

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

The Market Abuse Regulation enables 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 four members appointed by the Board of Directors, is tasked with ensuring proper application of the Internal Rules of Conduct in matters related to the securities market.

Information systems

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

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

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

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

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

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

4.4 / Financial risk

4.4. 1. Market risk

Price risk

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

Investments in available-for-sale equity instruments are securities of foreign biopharmaceutical companies. Nevertheless, the Company's volume of investment in this type of asset is not material in the context of its operations. For this reason, those financial assets are almost entirely government bonds and deposits at banks with good credit quality, with the result that their value does not fluctuate significantly.

Interest rate risk on cash flows and fair values

The Group's interest rate risk arises from remunerated financial assets that can be converted into cash. The remunerated financial assets consist 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. 2. / Credit risk

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

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

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

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

4.4. 3. / Liquidity risk

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

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

4.5 / Tax risk

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

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

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

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

In specific issues such as transfer pricing, it has an external consultant to ensure it has the proper documentation. In one specific case of transfer pricing, an agreement on measurement 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 / OUTLOOK FOR 2021

The year 2021 is the first one in the new era for Pharma Mar following approval of Zepzelca™ 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 Zepzelca™ 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 Zepzelca™ 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 Zepzelca™ 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 Zepzelca™ by the end of 2021.

Progress will also be made in 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 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.

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 to distribute it via our sales network in Europe, thereby increasing revenue.

We expect 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 Pharma Mar's strategy, and it spent €46 million in this area in 2020, including €5 million developing Aplidin as an antiviral against COVID-19.

The main progress and results in R&D in 2020 are as follows:

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: 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.

Zepzelca™ (lurbinectedin)

Small cell lung cancer

In January, 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. Zepzelca™ 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, Zepzelca™ 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 Zepzelca™, compared with 3.2 mg/m2 of Zepzelca™ 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 Zepzelca™ in combination with doxorubicin with the control arm. Importantly, the results favored the Zepzelca™ 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 trials with Zepzelca™ (lurbinectedin)

The following trials with Zepzelca™ 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 Zepzelca™ 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 / Zepzelca™ 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 being analyzed. The results were presented as a poster at the ESMO Virtual Congress 2020 in September.

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.

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.

Virology

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

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 the 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.

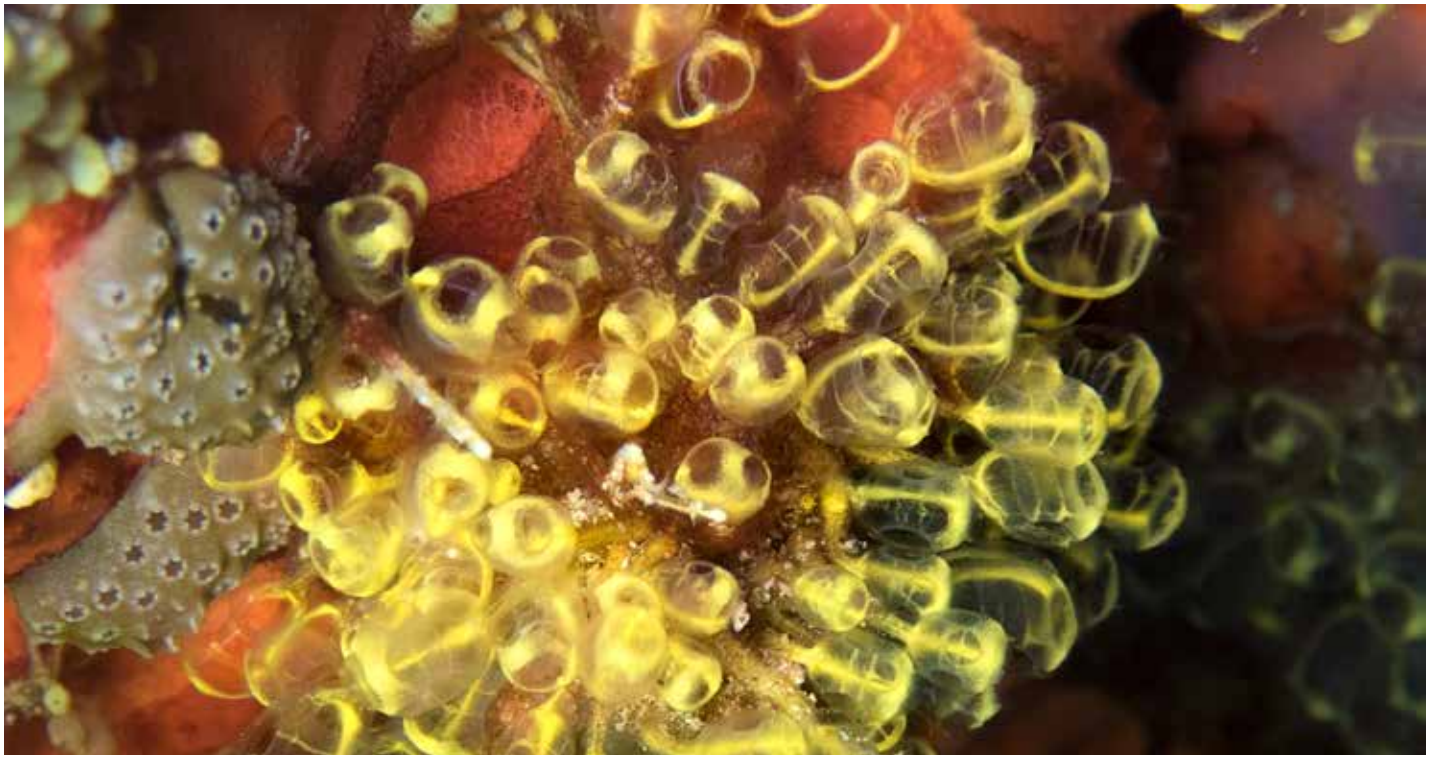
8 / ACQUISITION AND DISPOSAL OF OWN SHARES

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 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, 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, 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, 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 (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:

(thousand euro)	No. of shares
Balance as of 31-12-2019	691,988
Own shares purchased	4,403,398
Sales	(2,358,379)
Cancellation of shares	(3)
Share ownership plan	(128,408)
Balance as of 22-07-20	**2,608,596**
Stock merge 22-07-20	**217,383**
Own shares purchased	411,990
Sales	(187,981)
Cancellation of shares	(199,200)
Balance as of 31-12-20	**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 an especially 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.

Pharma Mar Stock Market indicators in 2020

(thousand euro)	
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
Daily 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

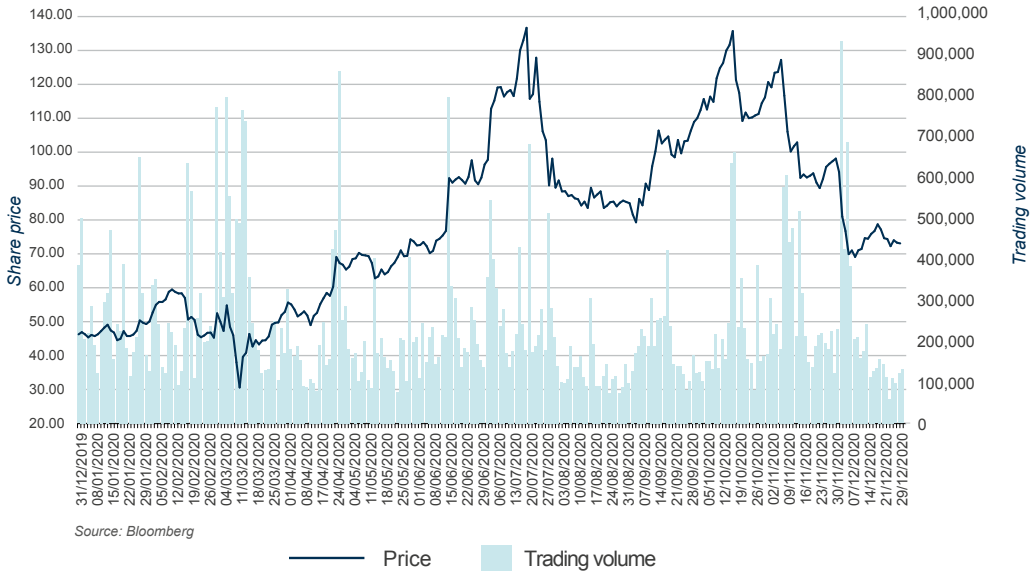
The year 2020 was a historic one for Pharma Mar and this was reflected in the share's performance. Against the backdrop of the COVID-19 pandemic worldwide, the company achieved its best results ever, not only in financial terms but also in research. As a result of the company's efforts to provide solutions 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 Zepzelca™ 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 Zepzelca™ in the US in June, 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 Zepzelca™ 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 Zepzelca™ 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 Zepzelca™ 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.



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