This English version has been translated by Pharma Mar, under its sole responsibility, and is not considered official or regulated financial information.

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

Consolidated Financial Statements and Consolidated Directors' Report as of 31 December 2020

Pharma Mar, S.A. and its subsidiaries

Auditor´s report
Consolidated annual accounts at December 31, 2020
Consolidated management report

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

Independent auditor´s report on the consolidated annual accounts

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

Report on the consolidated annual accounts

Opinion

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

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

Basis for opinion

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

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

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
Recognition and recoverability of deferred tax assets	
At 31 December 2020, the Group records in the balance sheet a net deferred tax assets of €33,416 thousand, as described in note 24 of the accompanying notes to the consolidated annual accounts, recognized on the basis of the tax budgeting exercise conducted for the companies forming the Spanish tax group, as described in notes 2.20 and 4 of the notes to the consolidated annual accounts. The main source of information when preparing the projections is the budget presented to the Parent company's directors, which includes estimated figures to 2025. Group management also extends projections to 2030 using best estimates. Note 4 of the accompanying notes to the consolidated accounts states that future taxable gains take into consideration the probability of success estimated for each research and development project in progress, based on the current phase of development of the different molecules. The assessment of both initial recognition and the subsequent capacity to recover the deferred tax assets recognized is a complex exercise requiring a high level of judgement and estimation by management, subject to considerable risk of material misstatement, so we regard this as a key audit matter.	We gained an understanding and assessed management's estimation process and the reasonableness of budgets prepared in the past compared with actual data. We focused our procedures on the evaluation of the reasonableness of budgets and the analysis of the model and the calculation method employed by the Group to estimate future taxable income. As regards the budgets, we analyzed reasonableness and, specifically, among other aspects, the estimation of the selling price of each product and, for products under development, the product price projected by management on the basis of comparable compounds approved in the same territory, as well as the incidence of the illness in the market, using external sources. We also checked that the probabilities of success assigned to each project, based on the current phase of development, are in line with general practice in the industry. As regards the information disclosed in the notes to the consolidated accounts, we checked that it includes the details required by IAS 12 Income taxes on disclosure. As a result of the procedures described, we consider that the Group's estimates made to recognize and disclose deferred tax assets in the accompanying consolidated annual accounts are reasonable.

Key audit matter	How our audit addressed the key audit matter

License agreement entered into with Jazz Pharmaceuticals Ireland Limited

In the ordinary course of business, the Group signs licence, development, marketing and, if applicable, manufacturing agreements with certain pharmaceutical companies. These agreements usually stipulate considerations upon signing the agreement and subsequent considerations based on milestone fulfilment.

As indicated in note 2.23 of the accompanying notes to the consolidated accounts, the Group takes into account the following matters when analysing licence, development and marketing agreements:

- Identification of the performance obligations.
- Determination of the transaction price, which is understood to be the value of the agreement entered into by the parties.
- Allocation of the transaction price to the performance obligations.
- Estimation of when the obligations are deemed to be fulfilled and therefore the consideration received accrues and is subsequently recognised.

For the purposes of the 2020 consolidated annual accounts, these considerations are particularly relevant in relation to the recognition of the agreement between the Group and Jazz Pharmaceuticals Ireland Limited, for which revenue of €135,655 thousand was recognized, together with deferred income of €133,708 thousand at the year end, as detailed in notes 27 and 21, respectively.

The analysis of the agreement in order to determine the revenue to be recognized and the timing is complex and entails the need for significant judgements and estimates that have material impacts on the consolidated annual accounts, so this is a key audit matter.

In order to assess the recognition of revenue by the Group in relation to this agreement, we have held meetings with the heads of the departments involved in the negotiations in order to understand the interpretation of the agreement signed, the economic substance of the transaction and the parties' expectations in relation to the performance obligations.

For revenue recognized in the 2020 consolidated annual accounts, we verified the performance obligations identified and the associated price in each case, by analyzing the original agreement.

We also checked whether the revenue recognized in 2020 corresponds to obligations fulfilled during the period and whether there could be other obligations fulfilled but not recognized.

We assessed whether the information disclosed in the notes to the consolidated accounts is sufficient to understand the transaction and the assumptions made by the Group when interpreting the agreement.

Following these procedures, we consider the judgements and estimates made by the Group when analyzing the agreement with Jazz Pharmaceuticals Ireland Limited to be appropriate.

Other information: Consolidated management report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

European single electronic format

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

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

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

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

Report to the Parent company´s audit committee

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

Appointment period

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

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

Services provided

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

PricewaterhouseCoopers Auditores, S.L. (S0242)

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

26 February 2021

CONSOLIDATED BALANCE SHEET AS OF 2020 YEAR-END

CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31/12/2020	31/12/2019
ASSETS			
Non-current assets			
Property, plant and equipment	6	21,947	22,452
Investment property	7	845	845
Intangible assets	8	3,860	6,074
Right-of-use assets	9	3,552	3,345
Financial assets at amortized cost	10	20,988	1,029
Deferred tax assets	24	33,416	40,984
		84,608	**74,729**
Current assets			
Inventories	15	11,933	8,902
Trade receivables	13	24,054	11,530
Financial assets at amortized cost	10	99,306	3,257
Other assets	14	14,148	8,649
Cash and cash equivalents	16	96,210	17,638
		245,651	**49,976**
TOTAL ASSETS		**330,259**	**124,705**

CONSOLIDATED BALANCE SHEET (thousand euro)	Note	31/12/2020	31/12/2019
EQUITY			
Share capital	17	11,013	11,132
Share premium account	17	71,278	71,278
Own shares	17	(21,453)	(1,499)
Revaluation reserves and other reserves		14	15
Retained earnings and other reserves		41,870	(69,552)
Total capital and reserves attributable to equity-holders of the controlling company		**102,722**	**11,374**
Non-controlling interests	19	**-**	**(3,918)**
TOTAL EQUITY		**102,722**	**7,456**
LIABILITIES			
Non-current liabilities			
Interest-bearing debt	23	37,732	53,063
Lease liabilities	9	2,150	1,719
Deferred revenues	21	92,560	1,851
Other liabilities		176	177
		132,618	**56,810**
Current liabilities			
Supplier and other accounts payable	20	23,220	19,332
Interest-bearing debt	23	15,313	29,655
Lease liabilities	9	1,470	1,678
Provisions for other liabilities and expenses	26	6,411	5,734
Deferred revenues	21	43,603	1,465
Other liabilities	22	4,902	2,575
		94,919	**60,439**
TOTAL LIABILITIES		**227,537**	**117,249**
TOTAL EQUITY AND LIABILITIES		**330,259**	**124,705**

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

CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED INCOME STATEMENT			
Thousand euro	**Note**	**31/12/2020**	**31/12/2019**
Revenues from contracts with customers:			
Product sales	4 & 27	113,739	78,529
Licensing and development agreements	4 & 27	140,289	3,950
Royalties	4 & 27	15,661	3,102
Services provided		272	238
		269,961	**85,819**
Cost of goods sold	5	(13,718)	(5,228)
Gross income		**256,243**	**80,591**
Marketing expenses	30	(22,257)	(23,936)
Administrative expenses	29	(13,515)	(13,881)
R&D expenses	28	(53,792)	(50,642)
Net impairment of financial assets	3 & 13	(267)	(11)
Other operating expenses	29	(11,576)	(10,573)
Other gains/(losses), net	31	1,108	966
Operating profit		**155,944**	**(17,486)**
Financial expenses		(15,376)	(4,371)
Financial revenues		5,038	203
Net financial income	34	**(10,338)**	**(4,168)**
Income before taxes		**145,606**	**(21,654)**
Income tax		(8,344)	12,474
Income from continuing operations		**137,262**	**(9,180)**
Discontinued operations			
Income from discontinued operations	25	**-**	**(2,217)**
Attributable to equity-holders of the controlling company		-	(2,217)
Income for the year		**137,262**	**(11,397)**
Attributable to:			
Equity-holders of the controlling company		137,262	(11,379)
Non-controlling interests		-	(18)

Euro per share	**Note**	**31/12/2020**	**31/12/2019**
Basic profit/(loss) per share			
- Attributable to equity holders of the controlling company		7.50	(0.05)
- From continuing operations	35	7.50	(0.04)
- From discontinued operations		-	(0.01)
Diluted profit/(loss) per share			
- Attributable to equity holders of the controlling company		7.49	(0.05)
- From continuing operations	35	7.49	(0.04)
- From discontinued operations		-	(0.01)

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

A. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	31/12/2020	31/12/2019
CONSOLIDATED PROFIT OR LOSS FOR THE YEAR	**137,262**	**(11,397)**
ITEMS THAT MAY BE RECLASSIFIED TO PROFIT OR LOSS		
Value change in financial assets at fair value through other comprehensive income	(1)	3
Foreign exchange difference	6	28
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAXES	**5**	**31**
COMPREHENSIVE INCOME FOR THE YEAR	**137,267**	**(11,366)**
ATTRIBUTABLE TO:		
Equity-holders of the controlling company	137,267	(11,348)
Non-controlling interests	-	(18)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**137,267**	**(11,366)**

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

B. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

CONSOLIDATED CASH FLOW STATEMENT (thousand euro)	Note	31/12/2020	31/12/2019
Income before taxes:		**145,606**	**(23,322)**
Adjustments for:		**17,833**	**14,981**
Amortization	6.8 & 9	7,211	8,034
Impairment of accounts receivable		16	28
Fixed asset impairment	6.8	368	(81)
Financial revenues	34	(336)	(35)
Financial expenses	34	3,124	3,753
Income from sale of fixed assets		31	4
Share-based payments		274	265
Deferred revenues - subsidies		(405)	(285)
(Gain)/Loss on sale of subsidiary	25	-	3,269
Exchange differences		7,550	-
Other adjustments to income		-	29
Changes in working capital		**127,941**	**(13,582)**
Inventories	15	(3,031)	(2,418)
Customer and other receivables	13	(12,630)	(16,521)
Other assets and liabilities		5,694	(2,147)
Supplier and other accounts payable	20	4,654	5,499
Deferred and accrued items	21	133,254	2,005
Other operating cash flows:		**(12,438)**	**(2,286)**
Interest paid	34	(3,124)	(2,321)
Interest received	34	336	35
Income tax received/(paid)	14	(9,650)	-
TOTAL NET OPERATING CASH FLOW		**278,942**	**(24,209)**
Investment payments:		**(119,009)**	**(3,981)**
Property, plant and equipment, intangible assets and investment property	6.7	(3,002)	(3,962)
Other financial assets		(116,007)	(19)
Divestment receipts:		**-**	**36,049**
Group and associated undertakings and business units	25	-	33,386
Property, plant and equipment, intangible assets and investment property	6.7	-	26
Other assets		-	2,637
TOTAL NET INVESTING CASH FLOW		**(119,009)**	**32,068**
Receipts and (payments) in connection with equity instruments:		**(33,462)**	**1,083**
Issuance of equity instruments	17	-	(14)
Cancellation	17	(120)	-
Acquisition	17	(63,708)	(7,467)
Disposal	17	30,366	8,564
Receipts and (payments) in connection with financial liabilities:		**(31,539)**	**(14,049)**
Loans received	23	834	4,792
Loans repaid	23	(32,373)	(18,841)
Payment of dividends and remuneration on other equity instruments		**(8,819)**	**-**
TOTAL NET FINANCING CASH FLOW		**(73,820)**	**(12,966)**
EFFECT OF EXCHANGE RATE FLUCTUATIONS		**(7,541)**	**-**
TOTAL NET CASH FLOW FOR THE YEAR		**78,572**	**(5,107)**
Beginning balance of cash and cash equivalents	16	17,638	22,745
ENDING BALANCE OF CASH AND CASH EQUIVALENTS		**96,210**	**17,638**

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

Notes to the consolidated financial statements of Pharma Mar, S.A. and subsidiaries as of 31 December 2020
(Thousand euro)

1. General information

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

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

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

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

Yondelis® (trabectedin)

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

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

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

Aplidin® (plitidepsin)

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

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

Zepzelca™ (lurbinectedin)

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

As a result of that approval, Jazz Pharmaceuticals Ireland Limited (hereinafter "Jazz Pharmaceuticals"), with which PharmaMar 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, PharmaMar 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. PharmaMar may receive additional payments of up to USD150 million if the FDA grants full approval of Lurbinectedin within the specified time frames. Additionally, PharmaMar may collect up to USD 550 million for achieving sales targets, as well as royalties on net sales of lurbinectedin.

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

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

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

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

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

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

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

Consolidation scope

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

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

On 26 May 2019, the company's Board of Directors approved the signature of an agreement for the sale of 100% of Zelnova Zeltia S.A. to the companies Allentia Invest, S.L. and Safoles, S.A. (together, the "Buyer"),

which are owned directly and indirectly by, among others, Mr. Pedro Fernández Puentes, a director of Pharma Mar, and parties related to him. The Board of Directors resolved to submit this transaction to the Shareholders' Meeting for authorization. Once the shareholders had authorized the transaction, the sale was completed on 28 June 2019. The total consideration received from the Buyer was €33,417 thousand, paid in cash upon completion.

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

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

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

		Stake		
Name	**Registered offices**	**Direct**	**Indirect**	**Total**
Pharma Mar USA INC	195 Montague St, Suite 1023, NY 11201	100.00%	-	100.00%
PharmaMar AG	Aeschenvorstadt, 71 - Basle - Switzerland	100.00%	-	100.00%
PharmaMar Sarl	6 Rue de l'Est, 92100 Boulogne Billancourt, Paris, France	100.00%	-	100.00%
Pharma Mar GmbH	Uhlandstraße 14 - 10623 Berlin - Germany	100.00%	-	100.00%
Pharma Mar Srl	Via Lombardia 2/A C/O Innov. Campus 20068, Peschiera Borromeo, Milan - Italy	100.00%	-	100.00%
Pharma Mar, Ltd (**)	110 Cannon Street, London EC4N 6EU	100.00%	-	100.00%
Pharma Mar, Srl (Belgium)	Avenue du Port 86C, Boite 204, 1000 Brussels, Belgium	100.00%	-	100.00%
Pharma Mar Ges.m.b.H	Mooslackengasse 17, 1190 Vienna, Austria	100.00%	-	100.00%
Genómica, S.A.U.	Via de los Poblados, 1, Edif. B, Parq. Emp. Alvento, Madrid, Spain	100.00%	-	100.00%
Genómica, A.B. (*)	Ideon Science Park, Scheelevägen 17, Lund, Sweden	-	100.00%	100.00%
Genómica (Wuhan) Trading Co. Ltd. (*)	No.401-421 (Wuhan Free Trade Area) 4/F, Office Building A, No.777, Guanggu 3 Road, Wuhan East Lake High-tech Development Zone	-	100.00%	100.00%
Sylentis, S.A.U.	Pza. del Descubridor Diego de Ordás 3, Madrid	100.00%	-	100.00%

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

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

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

Description of subsidiaries

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

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

2. ACCOUNTING POLICIES

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

2.1 Basis of presentation

These consolidated financial statements for 2020 and those for 2019 presented for comparison were prepared in accordance with the International Financial Reporting Standards and IFRIC interpretations

adopted for use in the European Union in accordance with Regulation (EC) No 1606/2002 of the European Parliament and of the Council of 19 July 2002, by virtue of which all companies governed by the law of a Member State of the European Union and whose shares are listed on a regulated market of a Member State must prepare their consolidated accounts, for annual periods beginning on or after 1 January 2005, in accordance with the IFRS adopted by the European Union.

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

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

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

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

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

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

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

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

- **IFRS 16 (Amendment) "COVID-19 related rent reductions":** The IASB issued an amendment to IFRS 16 "Leases" that provides an optional practical expedient for lessees in assessing whether a rent concession related to COVID-19 is a lease modification. Lessees may elect to account for such lease concessions in the same way as they would if they were not lease modifications. In many cases, this will result in the concession being accounted for as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. The amendment does not provide the same facility for lessors, who must conform to the current requirements of IFRS 16 and consider whether or not there has been an amendment to the pertinent lease.

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

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

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

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

2.4 Consolidation principles

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

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

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

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

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

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

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

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

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

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

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

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

2.4.1 Transactions with non-controlling interests

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

2.5 Segment reporting

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

2.6 Foreign currency transactions

2.6.1 Functional and presentation currency

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

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

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

2.6.2 Transactions and balances

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

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

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

2.6.3 Group undertakings

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

- Assets and liabilities on each balance sheet are translated at the closing exchange rate on the balance sheet date;

- revenues and expenses in each income statement and statement of other comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case revenues and expenses are translated at the transaction dates), and

- all resulting exchange differences are recognized in other comprehensive income.

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

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

2.7 Property, plant and equipment

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

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

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

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

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

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

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

2.8 Investment property

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

2.9 Intangible assets

2.9.1 *Research & Development expenses*

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

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

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

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

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

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

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

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

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

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

2.9.2 Trademarks and licenses

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

2.9.2.1 Computer programs

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

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

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

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

2.10 Impairment losses on non-financial assets

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

2.11 Leases

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.11.1 Impact on segment disclosures

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

2.11.2 Extension and termination options

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

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

2.12 Investments and other financial assets

2.12.1 Classification

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

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

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

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

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

2.12.1.1 Recognition and derecognition

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

2.12.1.2 Measurement

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

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

a. Debt instruments

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

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

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

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

b. Equity instruments

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

2.12.2 Impairment

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

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

2.12.3 Derivatives and hedging

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

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

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

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

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

2.13 Inventories

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

Cost is determined as follows:

- Trade inventories, raw materials and other supplies: weighted average cost.

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

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

2.14 Trade receivables

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

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

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

2.15 Cash and cash equivalents

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

2.16 Share capital and distribution of dividends

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

When any Group undertaking acquires shares of the controlling company, the consideration paid, including any directly attributable incremental costs (net of income taxes), is accounted for under “Own

shares", deducting equity attributable to the controlling company's equity holders until cancellation, re-issuance or disposal.

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

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

2.17 Government grants

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

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

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

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

2.18 Trade and other accounts payable

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

2.19 Interest-bearing debt

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

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

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

2.20 Current and deferred taxes

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

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

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

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

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

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

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

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

2.21 Employee benefits

2.21.1 Share-based payments

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

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

2.21.2 Termination indemnities

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

2.22 Provisions

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

- the Group has a present obligation, legal or implicit, as a result of past events;
- a cash outflow is likely to be needed to settle the obligation; and

- the amount can be estimated reliably. Restructuring provisions include lease cancellation penalties and employee termination indemnities. No provisions are recognized for future operating losses.

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

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

2.23 Revenue from contracts with customers

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

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

2.23.1 Sales of products

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

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

2.23.2 Sale of medical supplies for clinical diagnosis

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

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

2.23.3 Licensing, co-development and other similar agreements

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

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

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

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

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

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

In the marketing phase, they include:

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

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

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

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

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

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

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

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

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

2.23.4 Variable consideration

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

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

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

2.23.5 Financial component of customer advances

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

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

2.23.6 Services

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

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

2.24 DISCONTINUED OPERATIONS

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

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

3. FINANCIAL RISK MANAGEMENT

3.1 Financial risk

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

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

3.2 Market risk

3.2.1 Exchange rate risk

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

The Oncology segment engages in material transactions in foreign currencies.

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

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

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

3.2.2 Interest rate risk on cash flows and fair values

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

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

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

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

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

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

3.2.3 *Price risk*

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

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

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

3.3 Credit risk

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

3.3.1 Risk management

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

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

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

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

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

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

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

3.3.2 Impairment losses on financial assets

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

- Trade accounts receivable for the sale of products.

- Financial assets at amortized cost.

3.3.2.1 Trade receivables

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

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

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

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

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

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

3.3.2.2 Current financial assets at amortized cost

All of the undertaking's investments in debt at amortized cost are considered to have a low credit risk and, therefore, impairment recognized during the year was confined to losses expected in 12 months. Management considers that "low risk" for listed bonds is an investment grade credit rating from at least

one major credit rating agency. Other instruments are considered to be of low credit risk when they have a low default risk and the issuer has considerable capacity to honor its contractual cash flow obligations in the short term.

3.4 Liquidity risk

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

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

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

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

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

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

- The Group ended 2020 with cash and cash equivalents plus current financial assets amounting to €195,516 thousand.

- The Group had non-current financial assets amounting to €20,988 thousand as of 31 December 2020.

- The Group had unused credit lines in the amount €10,679 thousand as of 31 December 2020.

- Working capital is positive in the amount of €150,732 thousand.

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

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

The directors estimate that R&D expenditure in 2021 will be similar to 2020 and that the other operating expenses will not increase significantly.
Consequently, at the time of authorizing these consolidated financial statements, the directors consider that the Group has ample liquidity to cover its research and development projects and honor its future payment obligations.

The table below shows an analysis of the Group's financial liabilities grouped by maturity based on the period remaining between the balance sheet date and the contractual maturity date, including the corresponding interest. The amounts in the table are the contractual cash flows, which have not been

discounted. Since those amounts have not been discounted, and they include future interest, they are not comparable with the amount of borrowings, derivatives and supplier and other accounts payable recognized in the balance sheet.

Financial liabilities, by maturity, as of 31/12/2020 (thousand euro)	2021	2022-2023	2024-2026	2027 and thereafter	Total
Bank debt and other interest-bearing debt	6,502	5,114	2,854	17,880	**32,350**
Debt to official authorities	5,221	9,643	8,102	2,798	**25,764**
Finance lease liabilities	2,273	2,150	736	51	**5,210**
Suppliers	21,039	-	-	-	**21,039**
Other accounts payable	2,181	-	-	-	**2,181**
Total liabilities	**37,216**	**16,907**	**11,692**	**20,729**	**86,544**

Financial liabilities, by maturity, as of 31/12/2019 (thousand euro)	2020	2021-2022	2023-2025	2026 and thereafter	Total
Bank debt and other interest-bearing debt	11,844	15,358	4,441	18,619	**50,262**
Debt to official authorities	5,616	10,337	10,135	4,377	**30,465**
Finance lease liabilities	1,759	1,274	429	127	**3,589**
Suppliers	16,471	-	-	-	**16,471**
Other accounts payable	2,862	-	-	-	**2,862**
Total liabilities	**38,552**	**26,969**	**15,005**	**23,123**	**103,649**

3.4.1 Capital management

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

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

Total capital and leverage (thousand euro)	31/12/2020	31/12/2019
Long-term interest-bearing debt	(37,732)	(53,063)
Short-term interest-bearing debt	(15,313)	(29,655)
Cash and cash equivalents	96,210	17,638
Non-current and current financial assets	120,294	4,286
Equity	(102,722)	(7,456)
Total capital	**60,737**	**(68,250)**
Leverage	**0.00%**	**89.08%**

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

3.4.2 Fair value estimates

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

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

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

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

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

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

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

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

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

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

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

4. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

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

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

Deferred tax assets (Note 2.20)

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

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

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

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

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

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

    b) estimated sale price, and

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

- The tax plan also uses the following significant assumptions:

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

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

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

Variations with respect to management's assumptions in estimating future taxable income, especially the assumptions used in the Oncology segment, may materially affect the amounts recognized as deferred tax assets. The main factors that may affect this estimate are: the probability of occurrence assigned to the

revenues expected from compounds currently in development depending on their current phase of research, the estimated price of the medicine, and the prevalence of the various potential indications in the population:

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

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

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

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

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

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

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

Capitalized development expenses (Note 2.9.1)

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

5. SEGMENT REPORTING

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

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

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

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

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

- Corporate costs are not allocated to individual operating segments and are presented as "unallocated". They basically consist of expenses associated with the central corporate services

that should not distort the operating business segments, including personnel expenses, rent, consulting fees, expenses related to being listed on the stock market, etc.

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

- Transactions between the operating segments were not material in 2020 and 2019.

The qualitative elements used in aggregating segments include the following:

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

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

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

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

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

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

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

.

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

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

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

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

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

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

(*) Consumer chemicals
(**) Discontinued operations

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

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

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

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

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

Non-current assets (thousand euro)	**31/12/2020**	**31/12/2019**
Spain	26,466	29,177
Rest of the European Union	186	194
	26,652	**29,371**

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

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

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

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

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

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

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

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

6. PROPERTY, PLANT AND EQUIPMENT

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

Property, plant and equipment (thousand euro)	31/12/2019	Recognitions	Derecognitions	Reclassifications and transfers	Exchange rate effect	31/12/2020
Land and structures	21,990	-	-	-	-	21,990
Technical installations and machinery	21,736	1,275	(1,511)	-	5	21,505
Other installations, tools and furniture	20,535	14	(133)	-	-	20,416
Advances & construction in progress	195	651	(79)	(13)	-	754
Other property, plant & equipment	2,713	480	(297)	13	-	2,909
Provisions	(1,207)	(368)	-	-	-	(1,575)
Cost	**65,962**	**2,052**	**(2,020)**	**-**	**5**	**65,999**
Structures	(8,378)	(518)	-	-	-	(8,896)
Technical installations and machinery	(16,661)	(1,064)	1,478	-	(4)	(16,251)
Other installations, tools and furniture	(16,257)	(649)	132	-	-	(16,774)
Other property, plant & equipment	(2,214)	(214)	297	-	-	(2,131)
Accumulated amortization	**(43,510)**	**(2,445)**	**1,907**	**-**	**(4)**	**(44,052)**
PROPERTY, PLANT AND EQUIPMENT	**22,452**	**(393)**	**(113)**	**-**	**1**	**21,947**

Property, plant and equipment (thousand euro)	31/12/2018	Recognitions	Derecognitions	Reclassifications and transfers	Exchange rate effect	31/12/2019
Land and structures	24,540	35	(2,585)	-	-	21,990
Technical installations and machinery	31,834	375	(10,918)	453	(8)	21,736
Other installations, tools and furniture	21,242	45	(1,403)	651	-	20,535
Advances & construction in progress	1,166	416	(280)	(1,107)	-	195
Other property, plant & equipment	2,931	153	(374)	3	-	2,713
Provisions	(1,288)	-	81	-	-	(1,207)
Cost	**80,425**	**1,024**	**(15,479)**	**-**	**(8)**	**65,962**
Structures	(9,636)	(725)	1,983	-	-	(8,378)
Technical installations and machinery	(24,500)	(1,022)	8,854	-	7	(16,661)
Other installations, tools and furniture	(17,264)	(600)	1,607	-	-	(16,257)
Other property, plant & equipment	(2,388)	(218)	392	-	-	(2,214)
Accumulated depreciation	**(53,788)**	**(2,565)**	**12,836**	**-**	**7**	**(43,510)**
PROPERTY, PLANT AND EQUIPMENT	**26,637**	**(1,541)**	**(2,643)**	**-**	**(1)**	**22,452**

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

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

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

Depreciation of Property, plant and equipment (thousand euro)	31/12/2020	31/12/2019
Cost of goods sold	151	152
Marketing expenses	455	458
Administrative expenses	1,078	1,018
Research & development expenses	761	712
Depreciation and amortization	**2,445**	**2,340**

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

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

costs. The initial amount of the transaction, signed in 2014, was €9,000 thousand, maturing in 2024. As of 31 December 2019, the unamortized balance of the loan amounted to €4,360 thousand.

7. Investment property

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

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

Receipts for non-cancelable operating leases on investment property (thousand euro)	**31/12/2020**	**31/12/2019**
Up to 1 year	60	60
1-5 years	300	300
5-10 years	-	60
	360	**420**

8. INTANGIBLE ASSETS

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

Intangible assets (thousand euro)	**31/12/2019**	**Recognitions**	**31/12/2020**
Development expenses	26,207	166	26,373
Concessions, patents & trade marks	979	-	979
Computer software	4,558	498	5,056
Advances on intangible assets	68	-	68
Cost	**31,812**	**664**	**32,476**
Development expenses	(21,056)	(2,510)	(23,566)
Concessions, patents & trade marks	(833)	-	(833)
Computer software	(3,849)	(368)	(4,217)
Accumulated amortization	**(25,738)**	**(2,878)**	**(28,616)**
INTANGIBLE ASSETS	**6,074**	**(2,214)**	**3,860**

Intangible assets (thousand euro)	31/12/2018	Recognitions	Derecognitions	Reclassifications and transfers	31/12/2019
Development expenses	23,186	3,054	(33)	-	26,207
Concessions, patents & trade marks	10,765	-	(9,786)	-	979
Computer software	6,055	212	(1,709)	-	4,558
Advances on intangible assets	68	-	-	-	68
Cost	**40,074**	**3,266**	**(11,528)**	**-**	**31,812**
Development expenses	(17,704)	(3,352)	-	-	(21,056)
Concessions, patents & trade marks	(833)	(114)	114	-	(833)
Computer software	(4,879)	(378)	1,406	2	(3,849)
Accumulated amortization	**(23,416)**	**(3,844)**	**1,520**	**2**	**(25,738)**
INTANGIBLE ASSETS	**16,658**	**(578)**	**(10,008)**	**2**	**6,074**

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

Development expenses

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

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

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

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

Computer software

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

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

Amortization of intangible assets (thousand euro)	31/12/2020	31/12/2019
Administrative expenses	15	13
Research & development expenses	2,863	3,702
Depreciation and amortization	**2,878**	**3,715**

9. RIGHT-OF-USE ASSETS

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

Right-of-use assets, by asset type (thousand euro)	31/12/2019	Additions and provisions / (reversals)	Derecognitions	Exchange rate effect	31/12/2020
Offices, Premises, Warehouses	2,517	1,435	(72)	-	3,880
Vehicles	2,103	757	(126)	-	2,734
Laboratory equipment	453	144	(327)	-	270
Computer hardware	12	-	-	-	12
Total cost	**5,085**	**2,336**	**(525)**	**-**	**6,896**
Offices, Premises, Warehouses	(798)	(1,054)	31	5	(1,816)
Vehicles	(670)	(758)	80	(1)	(1,349)
Laboratory equipment	(270)	(73)	170	-	(173)
Computer hardware	(3)	(3)	-	-	(6)
Accumulated depreciation	**(1,741)**	**(1,888)**	**281**	**4**	**(3,344)**
Total net cost	**3,344**	**448**	**(244)**	**4**	**3,552**

Right-of-use assets, by asset type (thousand euro)	First-time application of IFRS 16 (01/01/2019)	Additions and provisions / (reversals)	Derecognitions	Exchange rate effect	31/12/2019
Offices, Premises, Warehouses	3,121	1,243	(1,848)	2	2,518
Vehicles	1,461	968	(325)	(1)	2,103
Laboratory equipment	453	-	-	-	453
Computer hardware	12	-	-	-	12
Total cost	**5,047**	**2,211**	**(2,173)**	**1**	**5,086**
Offices, Premises, Warehouses	-	(985)	187	-	(798)
Vehicles	-	(721)	51	-	(670)
Laboratory equipment	-	(270)	-	-	(270)
Computer hardware	-	(3)	-	-	(3)
Accumulated depreciation	**-**	**(1,979)**	**238**	**-**	**(1,741)**
Total net cost	**5,047**	**232**	**(1,935)**	**1**	**3,345**

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

Impact discontinued operations - Zelnova S.A. (thousand euro)	First-time application of IFRS 16 (01/01/2019)	Additions and provisions / (reversals)	Derecognitions	Exchange rate effect	31/12/2019
Offices, Premises, Warehouses	471	1,163	(1,634)	-	-
Vehicles	191	31	(222)	-	-
Total cost	**662**	**1,194**	**(1,856)**	**-**	**-**
Offices, Premises, Warehouses	-	(71)	71	-	-
Vehicles	-	(20)	20	-	-
Accumulated depreciation	**-**	**(91)**	**91**	**-**	**-**
Total net cost	**662**	**1,103**	**(1,765)**	**-**	**-**

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

Payments for short-term leases of machinery and equipment and all leases of low-value assets are expensed on a straight-line basis. Leases for 12 months or less are classified as short-term leases. Leases of low-value assets include computer hardware and small items of office furniture. The Group estimated that the amount of these commitments from 2020 is €359 thousand (€1,720 thousand in 2019)

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

Impact of IFRS 16 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**31/12/2020**
Financial position:				
Non-current asset:				
Right-of-use asset	2,338	586	628	3,552
Deferred tax assets - IFRS 16	15	2	2	19
Reserves	(34)	(2)	(3)	(39)
Non-current liability:				
Lease liabilities	1,427	214	509	2,150
Current liabilities:				
Lease liabilities	965	379	126	1,470
Impact on profit or loss:				
Lease expenses	1,468	369	145	1,982
Amortization of usage right	(1,391)	(358)	(139)	(1,888)
Financial expenses (Note 34)	(92)	(15)	(10)	(117)
Income tax	4	1	1	6
Net impact on profit or loss:	**(11)**	**(3)**	**(3)**	**(17)**

Impact of IFRS 16 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**31/12/2019**
Financial position:				
Non-current asset:				
Usage right	2,917	182	246	3,345
Deferred tax assets - IFRS 16	12	1	1	14
Non-current liability:				
Lease liabilities	1,570	36	113	1,719
Current liabilities:				
Lease liabilities	1,392	149	137	1,678
Impact on profit or loss:				
Lease expenses	1,590	334	139	2,063
Amortization of usage right	(1,521)	(326)	(133)	(1,980)
Financial expenses (Note 34)	(115)	(11)	(10)	(136)
Income tax	12	1	1	14
Net impact on profit or loss:	**(34)**	**(2)**	**(3)**	**(39)**

10. FINANCIAL INSTRUMENTS BY CATEGORY

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

Financial instruments by category 31/12/2020 (thousand euro)	Loans and receivables	Assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Investments held to maturity	Total
Assets on balance sheet	**120,708**	**302**	**27**	**119,521**	**240,558**
Non-current financial assets					
Equity instruments	-	302	-	-	302
Non-current financial assets at amortized cost	-	-	-	20,215	20,215
Financial assets at fair value through other comprehensive income (Note 12)	-	-	27	-	27
Accounts receivable	444	-	-	-	444
Current financial assets					
Trade receivables (Note 13)	23,658	-	-	-	23,658
Accounts receivable (Note 13)	396	-	-	-	396
Current financial assets at amortized cost	-	-	-	99,306	99,306
Cash and cash equivalents (Note 16)	96,210	-	-	-	96,210
Liabilities on balance sheet	**79,885**	**-**	**-**	**-**	**79,885**
Non-current borrowings (Note 23)	37,732	-	-	-	37,732
Non-current lease liabilities (Note 9)	2,150	-	-	-	2,150
Current borrowings (Note 23)	15,313	-	-	-	15,313
Current lease liabilities (Note 9)	1,470	-	-	-	1,470
Supplier and other accounts payable (Note 20)	23,220	-	-	-	23,220

Financial instruments by category 31/12/2019 (thousand euro)	Loans and receivables	Assets at fair value through profit or loss	Financial assets at fair value through other comprehensive income	Investments held to maturity	Total
Assets on balance sheet	**29,652**	**302**	**28**	**3,472**	**33,454**
Non-current financial assets					
Equity instruments	-	302	-	-	302
Non-current financial assets at amortized cost	-	-	-	215	215
Financial assets at fair value through other comprehensive income (Note 12)	-	-	28	-	28
Accounts receivable	484	-	-	-	484
Current financial assets					
Trade receivables (Note 13)	11,164	-	-	-	11,164
Accounts receivable (Note 13)	366	-	-	-	366
Supplier advances (Note 13)	-	-	-	-	-
Current financial assets at amortized cost	-	-	-	3,257	3,257
Cash and cash equivalents (Note 16)	17,638	-	-	-	17,638
Liabilities on balance sheet	**105,447**	**-**	**-**	**-**	**105,447**
Non-current borrowings (Note 23)	53,063	-	-	-	53,063
Non-current lease liabilities (Note 9)	1,719	-	-	-	1,719
Current borrowings (Note 23)	29,655	-	-	-	29,655
Current lease liabilities (Note 9)	1,678	-	-	-	1,678
Supplier and other accounts payable (Note 20)	19,332	-	-	-	19,332

11. CREDIT QUALITY OF FINANCIAL ASSETS

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

Credit quality of financial assets (thousand euro)	31/12/2020	31/12/2019
Accounts receivable:		
Customers without an external credit rating		
Group 1	2,757	695
Group 2	21,297	10,835
Total accounts receivable	**24,054**	**11,530**

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

Cash at banks and bank deposits (thousand euro)	31/12/2020	31/12/2019
A1	33	-
A2	36,296	2,565
A3	116,090	7,606
Aa3	555	102
Ba2	1,001	2
Ba3	1,497	7
Baa1	20,146	-
Baa2	25,141	10,611
Unrated	2,731	1,031
	216,504	**21,924**

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

12. OTHER FINANCIAL ASSETS

12.1 Financial assets at fair value through other comprehensive income

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

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

12.2 Investments held to maturity

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

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

13. TRADE RECEIVABLES

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

Trade receivables (thousand euro)	31/12/2020	31/12/2019
Customer receivables for sales and services	24,046	11,471
Impairment	(388)	(307)
Net	23,658	11,164
Other receivables	396	366
Total	**24,054**	**11,530**

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

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

Accounts receivable past due and not provisioned (thousand euro)	**31/12/2020**	**31/12/2019**
3-6 months	70	129
Over 6 months	38	6
Total	**108**	**135**

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

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

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

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

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

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

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

Change in provisions (thousand euro)	**31/12/2020**	**31/12/2019**
Beginning balance	**(307)**	**(1,028)**
Provision	(81)	(9)
Reversal	-	30
Other	-	700
Ending balance	**(388)**	**(307)**

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

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

Age of provision (thousand euro)	31/12/2020	31/12/2019
Over 6 months	388	307
Total	**388**	**307**

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

Net carrying amount of customer and other accounts receivable (thousand euro)	31/12/2020	31/12/2019
EUR	23,144	10,494
USD	573	500
Other currencies	337	536
Total	**24,054**	**11,530**

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

Customer receivables from public authorities (thousand euro)	31/12/2020	31/12/2019
Spain	1,565	1,497
Austria	139	186
Belgium	271	272
France	2,860	539
Germany	560	874
Italy	1,861	2,822
Luxembourg	39	19
Total customer receivables from public authorities	**7,295**	**6,209**

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

Credit rating (thousand euro)	Credit rating	31/12/2020	31/12/2019
Germany	Aaa	560	874
Andalusia	Baa2	116	115
Aragon	BBB	32	63
Asturias	Baa1	19	23
Austria	Aaa	139	186
Balearic Islands	BBB+	26	208
Belgium	Aaa	271	272
Canary Islands	BBB+	8	12
Cantabria	BBB	50	224
Castilla la Mancha	Ba1	45	66
Castilla y León	Baa1	400	122
Catalonia	Ba3	49	84
Extremadura	Baa2	7	14
France	Aaa	2,860	539
Galicia	Baa1	181	23
Italy	Baa3	1,861	2,822
Luxembourg	Aaa	39	19
Madrid	Baa1	187	275
Murcia	Ba1	52	18
Navarra	A+	42	14
Basque Country	A3	30	41
Valencia	Ba1	321	195
Total		**7,295**	**6,209**

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

Claims of principal and default interest from public authorities

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

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

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

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

14. OTHER CURRENT ASSETS

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

Other current assets (thousand euro)	31/12/2020	31/12/2019
Prepaid expenses	997	1,335
Balances with public authorities	13,151	7,314
Total	**14,148**	**8,649**

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

Balances with public authorities (thousand euro)	31/12/2020	31/12/2019
VAT	2,656	1,712
Other	10,495	5,602
Total	**13,151**	**7,314**

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

15. INVENTORIES

Inventories (thousand euro)	31/12/2020	31/12/2019
Trade inventories	226	179
Raw materials and other supplies	493	241
Semi-finished products and products in process	10,490	7,918
Finished products	724	564
Total	**11,933**	**8,902**

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

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

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

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

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

16. CASH AND CASH EQUIVALENTS

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

Cash and cash equivalents (thousand euro)	31/12/2020	31/12/2019
Cash on hand and at banks	96,210	17,638
Total	**96,210**	**17,638**

There were no bank overdrafts at the closing date.

17. CAPITAL AND SHARE PREMIUM

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

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

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

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

Thousand euro/Thousand shares	Number of outstanding shares	Share capital	Share premium account	Own shares
Balance as of 1 January 2019	**221,957**	**11,132**	**71,278**	**(2,243)**
Own shares sold	-	-	-	7,904
Own shares purchased	-	-	-	(7,467)
Share ownership plans	-	-	-	307
Balance as of 1 January 2020	**221,957**	**11,132**	**71,278**	**(1,499)**
Own shares sold	2,359	-	-	8,488
Own shares purchased	(4,403)	-	-	(22,391)
Share ownership plans	128	-	-	528
Cancellation	-	-	-	-
Balance as of 22/07/2020	**220,041**	**11,132**	**71,278**	**(14,874)**
Effect of 1-for-12 stock merge	**18,337**	**11,132**	**71,278**	**(14,874)**
Own shares sold	188	-	-	16,355
Own shares purchased	(213)	-	-	(41,382)
Own shares purchased for cancellation	(199)	(119)	-	18,448
Balance as of 31 December 2020	**18,113**	**11,013**	**71,278**	**(21,453)**

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

Own shares

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

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

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

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

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

18. AVAILABILITY AND RESTRICTIONS ON RESERVES AND RETAINED EARNINGS

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

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

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

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

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

Basis of distribution (thousand euro)	31/12/2020	31/12/2019
Basis of distribution		
Income for the year	28,952	17,659
	28,952	**17,659**
Distribution		
Dividend	11,013	8,819
Prior years' income	17,939	8,840
	28,952	**17,659**

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

19. NON-CONTROLLING INTERESTS

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

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

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

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

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

20. SUPPLIER AND OTHER ACCOUNTS PAYABLE

The composition of this caption is as follows:

Supplier and other accounts payable (thousand euro)	31/12/2020	31/12/2019
Payable for purchases and services received	21,039	16,471
Debts to related parties	922	946
Advances received for orders	1,102	1,655
Other accounts payable	157	260
Total	**23,220**	**19,332**

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

of Genómica who are also directors of Pharma Mar (€28 thousand as of 31 December 2020, and €28 thousand in 2019), and €94 thousand for directors of Noscira in 2019.

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

Payment information	**31/12/2020 (Days)**	**31/12/2019 (Days)**
Average period taken to pay suppliers	55	64
Proportion of transactions paid	56	67
Proportion of transactions outstanding	50	71
Total payments made	38,335	31,246
Total payments outstanding	5,362	4,511

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

The foregoing disclosure refers only to companies domiciled in Spain.

21. CURRENT AND NON-CURRENT DEFERRED REVENUES

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

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

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

Non-current deferred revenues

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

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

Non-current deferred revenues (thousand euro)	**31/12/2020**	**31/12/2019**
Subsidies	1,436	1,851
Deferred revenues	91,124	-
Total	**92,560**	**1,851**

Current deferred revenues

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

Current deferred revenues (thousand euro)	31/12/2020	31/12/2019
Deferred revenues	43,603	1,465
Total	**43,603**	**1,465**

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

22. OTHER NON-CURRENT AND CURRENT LIABILITIES

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

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

23. FINANCIAL DEBT

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

Breakdown of non-current debt:

Breakdown of non-current interest-bearing debt (thousand euro)	31/12/2020	31/12/2019
Bank debt	3,561	15,291
Bonds and other marketable securities	16,600	16,549
Interest-bearing debt to official authorities	17,571	21,223
Total	**37,732**	**53,063**

Breakdown of current debt:

Breakdown of current interest-bearing debt (thousand euro)	31/12/2020	31/12/2019
Bank debt	10,287	24,367
Bonds and other marketable securities	405	405
Interest-bearing debt to official authorities	4,621	4,883
Total	**15,313**	**29,655**

23.1 Bank debt

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

	No. of products	Maturities	31/12/2020	No. of products	Maturities	31/12/2019
Non-current debt						
PharmaMar	6	2021-2024	3,561	11	2021-2024	15,291
Total non-current debt	**6**		**3,561**	**11**		**15,291**
Current debt						
Bank loans						
PharmaMar	8	2021-2024	5,487	12	2019-2024	10,497
	8		**5,487**	**12**		**10,497**
Credit lines						
PharmaMar	7	2021-2022	4,771	8	2020	10,886
Genómica	2	2021	-	2	2019	697
	9		**4,771**	**10**		**11,583**
Bills and certificates						
PharmaMar	1	2021	-	1	2020	2,241
	1		**0**	**1**		**2,241**
Interest and other accounts payable						
PharmaMar	-		29	-		46
	-		**29**	**-**		**46**
Total current debt	**18**		**10,287**	**23**		**24,367**

Non-current debt

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

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

Repayment schedule for non-current interest-bearing debt (thousand euro)	31/12/2020	31/12/2019
2021	-	8,293
2022	3,105	5,033
2023	225	1,224
2024	231	741
2025 and thereafter	-	-
Total	**3,561**	**15,291**

Current debt

Current bank debt is broken down as follows:

Breakdown of current bank debt (thousand euro)	31/12/2020	31/12/2019
Bank loans	5,487	10,497
Credit lines	4,771	11,583
Discounted bills and certificates	-	2,241
Interest and other accounts payable	29	46
Total	**10,287**	**24,367**

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

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

The effective interest rates as of 31 December are:

Effective interest rates	31/12/2020	31/12/2019
Bank overdrafts	29.00%	29.00%
Bank loans	2.34%	2.34%
Credit lines	2.59%	2.11%
Discounted notes	1.20%	1.20%

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

All the bank loans are arranged in euro.

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

Changes in liabilities due to financing activities (thousand euro)	31/12/2019	Cash flows	Reclassification to short term	Other	31/12/2020
Long-term bank loans	15,291	(4,285)	(7,445)	-	3,561
Short-term bank loans	10,497	(12,454)	7,445	(1)	5,487
Long-term bonds and other marketable securities	16,549	-	-	51	16,600
Short-term bonds and other marketable securities	405	(809)	-	809	405
Credit lines	11,583	(6,812)	-	-	4,771
Discounted bills and certificates	2,241	(2,241)	-	-	-
Interest and other accounts payable	46	-	-	(17)	29
Long-term interest-bearing debt to official authorities	21,223	751	(4,603)	200	17,571
Short-term interest-bearing debt to official authorities	4,883	(5,526)	4,603	661	4,621
Long-term lease debt	1,719	-	(1,041)	1,472	2,150
Short-term lease debt	1,678	(1,865)	1,041	616	1,470
Total liabilities related to financing activities	**86,115**	**(33,241)**	**-**	**3,791**	**56,665**

Changes in liabilities due to financing activities (thousand euro)	31/12/2018	Cash flows	Reclassification to short term	Other	31/12/2019
Long-term bank loans	24,279	927	(9,915)	-	15,291
Short-term bank loans	10,245	(9,662)	9,915	(1)	10,497
Long-term bonds and other marketable securities	16,501	-	-	48	16,549
Short-term bonds and other marketable securities	405	(809)	-	809	405
Credit lines	12,912	(1,329)	-	-	11,583
Discounted bills and certificates	2,064	177	-	-	2,241
Interest and other accounts payable	611	(538)	-	(27)	46
Long-term interest-bearing debt to official authorities	24,142	2,036	(4,881)	(74)	21,223
Short-term interest-bearing debt to official authorities	2,248	(2,922)	4,881	676	4,883
Long-term lease debt	-	-	(1,453)	3,172	1,719
Short-term lease debt	-	(1,928)	1,453	2,153	1,678
Total liabilities related to financing activities	**93,407**	**(12,120)**	**-**	**1,431**	**86,115**

23.2 Bonds and other marketable securities

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

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

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

23.3 Interest-bearing debt to public authorities

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

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

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

Repayment schedule (thousand euro)	31/12/2020	31/12/2019
2021	-	4,359
2022	4,370	4,435
2023	3,939	3,953
2024	3,087	7,160
2025 and thereafter	6,175	1,316
Total	**17,571**	**21,223**

23.4 Fair value

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

	Fair value		Carrying amount	
Fair value and carrying amount of interest-bearing debt (thousand euro)	**31/12/2020**	**31/12/2019**	**31/12/2020**	**31/12/2019**
Non-current				
Bank loans	3,561	15,291	3,561	15,291
Due to official authorities	20,427	24,883	17,571	21,223
Bonds	17,000	17,000	16,600	16,549
Total	**40,988**	**57,174**	**37,732**	**53,063**
Current				
Bank loans	5,487	10,497	5,487	10,497
Credit lines	4,771	11,583	4,771	11,583
Bank overdrafts	-	-	-	-
Unmatured discounted bills and certificates	-	2,241	-	2,241
Interest payable	29	44	29	44
Due to official authorities	5,170	5,552	4,621	4,883
Bonds	405	405	405	405
Other debt	-	2	-	2
Total	**15,862**	**30,324**	**15,313**	**29,655**

24. DEFERRED TAXES AND INCOME TAX

24.1 Deferred taxes

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

Net deferred tax assets (thousand euro)	31/12/2020	31/12/2019
Deferred tax assets	34,284	41,561
Deferred tax liabilities	(868)	(577)
Total	**33,416**	**40,984**

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

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

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

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

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

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

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

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

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

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

Tax credits generated by (thousand euro)	Total amount	2021	2022	2023	2024	2025	2026	2027	2028 and thereafter
Unused R&D tax credits	196,178	13,364	9,775	10,889	10,760	9,977	11,332	9,697	120,384
Other unused tax credits	384	384	-	-	-	-	-	-	-
TOTAL	**196,562**	**13,748**	**9,775**	**10,889**	**10,760**	**9,977**	**11,332**	**9,697**	**120,384**

24.2 Income tax

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

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

Reconciliation of tax expense (thousand euro)	**31/12/2020**	**31/12/2019**
Income before taxes (thousand euro)	145,606	(21,654)
Tax rate (25%)	(36,402)	5,414
Tax effect of:		
- Exempt revenues and other minor items	5,589	432
- Timing differences with an impact on profit or loss	-	(2,213)
- Reversal of impairment	7,867	-
- Other adjustments	14,602	4,007
- Monetization of tax credits	-	4,834
Tax revenue (expense)	**(8,344)**	**12,474**

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

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

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

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

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

Tax (expense)/revenue (thousand euro)	**31/12/2020**	**31/12/2019**
Current tax	(399)	4,840
Deferred tax	(7,945)	7,634
Total	**(8,344)**	**12,474**

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

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

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

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

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

	Corporate income tax	VAT	Personal income tax - Spanish residents	Personal income tax - Non-residents	Income from capital
Zeltia, S.A.	2010-2013	2011-2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013
Genómica, S.A.U.	2010-2013	2011-2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013	2Q 2011 - 4Q 2013
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 assessment is zero in all cases, since the companies in the Spanish tax group have tax losses and international double taxation tax credits which were applied in the tax authorities' proposal, in accordance with the regulations in force in each year. Consequently, in the worst case scenario, in which all of the tax group's appeals were to fail, the tax payable would be zero and no late payment interest would accrue.

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

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

25. DISCONTINUED OPERATIONS

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

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

Income from discontinued operations - Zelnova Zeltia, S.A. (thousand euro)	**28/06/2019**
Revenues	33,977
Expenses	(32,377)
Income before taxes	**1,600**
Corporate income tax	(548)
Income after tax from discontinued operations	**1,052**
Income after tax from sale of subsidiary	(3,269)
Income from discontinued operations	**(2,217)**

Net cash revenue generated by Zelnova Zeltia, S.A. (thousand euro)	**28/06/2019**
Net operating cash flow	(6,037)
Net investing cash inflow/(outflow)	34,844
Net (outflow) of cash from financing activities	5,081
Net cash revenue generated by subsidiary	**33,888**

Details of the sale of Zelnova Zeltia, S.A. (thousand euro)	**28/06/2019**
Cash consideration received	33,417
Selling costs	(811)
Carrying amount of net assets sold	(35,875)
Gain on sale of subsidiary	**(3,269)**

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

Breakdown of carrying amount of net assets sold - Zelnova Zeltia, S.A. (thousand euro)	**28/06/2019**
Property, plant & equipment and intangible assets	12,704
Investment property	5,226
Right-of-use assets in connection with leases	1,765
Goodwill	2,548
Other non-current assets	19
Inventories	14,133
Customer receivables and other current assets	28,814
Total assets classified as available-for-sale	**65,209**
Non-current liabilities	3,597
Non-current lease debt (IFRS 16)	1,463
Current interest-bearing debt	5,081
Current lease debt (IFRS 16)	318
Trade creditors	18,875
Total liabilities classified as available-for-sale	**29,334**
Net assets	**35,875**

26. PROVISIONS FOR OTHER LIABILITIES AND EXPENSES

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

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

Provision for other liabilities and expenses (thousand euro)	**31/12/2020**	**31/12/2019**
Beginning balance	**5,734**	**6,266**
Provision for expenses	7,516	9,332
Payments	(6,839)	(9,403)
Transfers and other	-	(461)
Total	**6,411**	**5,734**

The "Transfers and other" item refers to remuneration derecognized due to the sale of Zelnova Zeltia, S.A. (Note 25).

27. NET REVENUES

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

Breakdown of revenues (thousand euro)	31/12/2020	31/12/2019
Product sales	135,314	97,099
Returns, rebates and volume discounts	(21,575)	(18,570)
	113,739	**78,529**
Licensing and co-development agreements	140,289	3,950
Royalties	15,661	3,102
Services provided	272	238
Total	**269,961**	**85,819**

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

Commercial activity was unaffected by the COVID-19 pandemic; in fact, direct sales of Yondelis®, including sales of raw materials to partners, were similar to 2019.

The Group has out-licensing and co-development agreements with a number of pharmaceutical companies. The breakdown of revenue, including royalties, in 2020 and 2019 is as follows:

Breakdown of royalties and licensing fees (thousand euro)	31/12/2020	31/12/2019
Jazz Pharmaceuticals Zepzelca™ (lurbinectedin)	12,719	-
Johnson & Johnson Group Yondelis® (trabectedin)	2,243	2,487
Taiho Pharmaceuticals Co. Yondelis® (trabectedin)	699	615
Total royalties	**15,661**	**3,102**
Jazz Pharmaceuticals Zepzelca™ (lurbinectedin)	135,655	-
Luye Pharma Zepzelca™ (lurbinectedin)	1,257	3,200
Impilo Zepzelca™ (lurbinectedin)	1,000	-
Other agreements Yondelis® (trabectedin)	1,871	150
Other agreements Zepzelca™ (lurbinectedin)	450	600
Other	56	-
Total licenses	**140,289**	**3,950**
Total	**155,950**	**7,052**

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

27.1 Yondelis®

Janssen Products LP (Yondelis®)

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

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

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

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

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

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

The amounts attributed to the development phase are recognized as revenue during the development phase based on the degree of progress with development and the project's total estimated costs. As of 31 December 2020, the Group did not have any amounts pending recognition since all the necessary obligations had been fulfilled and the related expenses had already been incurred by PharmaMar. Consequently, PharmaMar did not recognize any amount under this heading in 2020 and 2019.

The amounts attributed to the marketing phase are royalties, which are recognized on an accrual basis. In 2020, royalties were recognized in the amount of €2,244 thousand for sales of Yondelis® (€2,487 thousand in 2019).

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

At the same time, the Group and Janssen signed a framework transfer agreement under which Janssen transferred to PharmaMar all rights to the compound in the other territories licensed to Janssen, i.e. all the countries in the world except the United States, Europe and Japan (the latter licensed to Taiho Pharmaceuticals Co. Ltd). This transfer agreement will be phased in gradually, depending on the regulatory requirements in each country. Janssen will continue to sell the product until the commercialization authorizations have been transferred. PharmaMar plans to market Yondelis® in the transferred territories via local partners.

As a result, in 2020 PharmaMar 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 PharmaMar 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. PharmaMar collected a €150 thousand upfront payment and may collect additional revenues, including milestone payments.

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

Taiho Pharmaceutical Co (Yondelis®)

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

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

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

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

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

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

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

27.2 Aplidin®

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

Specialised Therapeutics Asia Pte, Ltd

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

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

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

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

TTY Biopharm

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

The Company did not collect any amount under this agreement in 2020 and 2019.

Boryung Pharmaceutical Co.

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

The Company did not collect any additional amount under this agreement in 2020 and 2019.

Eip Eczacibasi Ilac Pazarlama A.S.

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

The Company did not collect any amount under this agreement in 2020 and 2019.

27.3 Zepzelca™

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

Jazz Pharmaceuticals

As described in Note 1, on 19 December 2019, PharmaMar and Jazz Pharmaceuticals signed an exclusive licensing agreement for marketing anti-tumor compound Zepzelca™ in the US for treating relapsed small cell lung cancer. The agreement came into force in January 2020 upon receiving authorization by the US anti-trust authorities under the Hart-Scott-Rodino Antitrust Improvements Act of 1976.

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

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

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

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

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

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

The milestone payment was recognized as revenue as a function of the degree of progress with the clinical development activities required to attain full approval. 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, PharmaMar collected an upfront payment of USD 5,000 thousand (€4,452 thousand), of which €1,257 thousand were recognized as revenues in 2020 (€3,200 thousand in 2019) on the basis of progress with the ATLANTIS Phase III trials. The agreement provides for other payments for attaining regulatory or sales milestones, as well as

royalties. Luye undertakes to develop Lurbinectedin for treating small-cell lung cancer in China, while PharmaMar retains exclusive production rights.

Specialised Therapeutics Asia Pte, Ltd

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

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

Boryung Pharmaceutical

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

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

Other agreements

Immedica Pharma

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

27.4 Other molecules

Seattle Genetics Inc.

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

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

28. RESEARCH & DEVELOPMENT EXPENSES

The following table shows the amounts spent on R&D by business segment in 2020 and 2019:

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

Research and development expenses 2019 (thousand euro)	**Oncology**	**Diagnostics**	**RNAi**	**Total**
Total expenses	(48,694)	(2,060)	(2,909)	**(53,663)**
Capitalized expenses	3,021	-	-	**3,021**
Research & development expenses	**(45,673)**	**(2,060)**	**(2,909)**	**(50,642)**

29. GENERAL, ADMINISTRATION AND OTHER OPERATING EXPENSES

Consolidated general and administration expenses amounted to €13,515 thousand in 2020, 2.6% less than in 2019 (€13,881 thousand).

Other consolidated operating expenses, mainly relating to corporate functions, increased to €11,576 thousand in 2020, 9.5% more than in 2019 (€10,573 thousand).

30. MARKETING EXPENSES

Commercial and marketing expenses decreased by 7.0% with respect to 2019, to €22,257 thousand in 2020 (€23,936 thousand in 2019). Expenses under this heading in the Oncology segment declined to €20,142 thousand, compared with €21,972 thousand in 2019. This decline was due mainly to the decrease in medical sales activities and to the fact that no oncology conferences were held at physical venues because of the COVID-19 pandemic.

31. OTHER NET INCOME

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

Breakdown of other net income (thousand euro)	31/12/2020	31/12/2019
Capital subsidies	974	768
Other income	134	198
Total	**1,108**	**966**

32. BREAKDOWN OF EXPENSES BY TYPE

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

Breakdown of expenses by type (thousand euro)	31/12/2020	31/12/2019
Changes in finished product and product-in-process inventories	(1,016)	(2,144)
Raw materials and other supplies	11,975	6,017
Employee benefit expenses	47,367	42,207
Depreciation and amortization	7,211	8,035
Impairment/(Reversal)	368	(81)
Transport	1,015	913
Marketing expenses	5,538	4,636
Expenses of R&D performed by third parties	19,662	19,491
Other expenses	23,005	25,197
Total	**115,125**	**104,271**

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

Production capacity was unaffected by the COVID-19 pandemic, although there were occasional shortages of certain items such as ethanol and 2-propanol. Similarly, the shortage of flights caused some delays in deliveries, but there was no impact on profit or loss.

33. EMPLOYEE WELFARE EXPENSES

The breakdown of employee welfare expenses is as follows:

Employee benefit expenses (thousand euro)	31/12/2020	31/12/2019
Salaries and wages	38,270	33,202
Indemnities	1,303	1,213
Social security	6,195	6,244
Pension cost	49	35
Share ownership plans	239	203
Other welfare expenses	1,311	1,310
Total	**47,367**	**42,207**

The average number of employees by category is as follows:

Average number of employees by category	31/12/2020	31/12/2019
Executive directors	2	2
Senior management	9	7
Management	28	30
Middle management	49	45
Technical staff	271	271
Clerical and similar staff	57	57
Other	27	24
Total	**443**	**436**

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

(Men)	31/12/2020	31/12/2019
Executive directors	2	2
Senior management	5	4
Management	14	16
Middle management	23	21
Technical staff	102	109
Clerical and similar staff	6	6
Other	17	14
Total	**169**	**172**

(Women)	31/12/2020	31/12/2019
Senior management	4	3
Management	14	14
Middle management	26	24
Technical staff	169	162
Clerical and similar staff	51	51
Other	10	10
Total	**274**	**264**

The average number of employees by gender is as follows:

Average number of employees	31/12/2020	31/12/2019
Men	169	172
Women	274	264
Total	**443**	**436**

As of 31 December 2020, four of the eleven members of the Board of Directors were women (in 2019, three of the eleven members were women). Among PharmaMar's 21 executives (21 executives in 2019), including executive directors at the closing date, there were eight women (eight in 2019).

The Group companies have an average of six employees with disability greater than or equal to 33% (ten in 2019).

The Group did not need to avail itself of furlough or layoff measures as a result of the COVID-19 pandemic. The Group's average headcount increased by 7 in 2020 with respect to 2019.

Although the Company was classified as performing essential activities in accordance with Royal Decree 463/2020, of 14 March, once the state of alarm was declared the employees whose work did not require physical presence (about 60% of the workforce) began teleworking regardless of their vulnerability category as defined by the Ministry of Health. To facilitate telework, laptop computers were leased for the employees who needed them and telecommunications facilities were upgraded to enable virtual meetings A total of €540 thousand were expended on these items.

34. NET FINANCIAL INCOME

Net financial result (thousand euro)	31/12/2020	31/12/2019
On debts to third parties and similar expenses	(3,124)	(3,888)
Losses on financial assets	-	(258)
Exchange loss	(12,252)	(225)
Financial expenses	**(15,376)**	**(4,371)**
Other interest and similar revenues from other companies	336	35
Exchange gains	4,702	168
Financial revenues	**5,038**	**203**
Total net financial income	**(10,338)**	**(4,168)**

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

35. EARNINGS PER SHARE

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

Basic earnings per share in 2020 and 2019 were as follows:

Earnings per share (basic)	31/12/2020	31/12/2019
Income attributable to equity-holders of the controlling company (thousand euro)	137,262	(11,379)
Weighted average number of outstanding ordinary shares (*thousand shares)*	18,293	221,244
Basic earnings per share (euro)	**7.50**	**(0.05)**

Earnings per share from continuing operations (basic)	**31/12/2020**	**31/12/2019**
Income from continuing operations (thousand euro)	137,262	(9,180)
Weighted average number of outstanding ordinary shares (*thousand shares)*	18,293	221,244
Basic earnings per share (euro)	**7.50**	**(0.04)**

Earnings per share from discontinued operations (basic)	**31/12/2020**	**31/12/2019**
Income from discontinued operations (thousand euro)	-	(2,217)
Weighted average number of outstanding ordinary shares (*thousand shares)*	18,293	221,244
Basic earnings per share (euro)	**-**	**(0.01)**

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

The diluted earnings per share in 2020 and 2019 were as follows:

Earnings per share (diluted)	**31/12/2020**	**31/12/2019**
Income attributable to equity-holders of the controlling company (thousand euro)	137,262	(11,379)
Weighted av. no. of ordinary shares for diluted earnings per share *(thousand shares)*	18,325	221,603
Diluted earnings per share (euro)	**7.49**	**(0.05)**

Earnings per share from continuing operations (diluted)	**31/12/2020**	**31/12/2019**
Income from continuing operations (thousand euro)	137,262	(9,180)
Weighted av. no. of ordinary shares for diluted earnings per share *(thousand shares)*	18,325	221,603
Diluted earnings per share (euro)	**7.49**	**(0.04)**

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

Reconciliation of basic to diluted shares	**31/12/2020**	**31/12/2019**
Weighted average number of outstanding ordinary shares (thousand shares)	18,293	221,244
Adjustments for: Employee share ownership plan (thousand shares)	32	359
Weighted av. no. of ordinary shares for diluted earnings per share	**18,325**	**221,603**

36. RELATED-PARTY TRANSACTIONS

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

Significant shareholders are those who own over 3% of capital. Employees who report to the Chairman, who is the Company's chief executive, are classified as executives even if they have an ordinary employment contract (not a senior management contract in accordance with Spanish Royal Decree 1382/85).

36.1 Board of Directors

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

Remuneration (thousand euro)	31/12/2020	31/12/2019
Fixed remuneration for executive directors	1,164	1,154
Variable remuneration for executive directors	448	267
Fixed remuneration for belonging to the Board of Directors	736	678
Board and Board committee attendance fees	535	497
Fixed remuneration for belonging to Board committees	580	543
Remuneration for belonging to Boards of other Group companies	30	53
Remuneration for Lead Director	17	17
Other remuneration	2,140	356
Total	**5,650**	**3,565**

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

With respect to the executive director's variable remuneration, €448 thousand have accrued to date as a result of evaluation of objectives approved by the Board of Directors at its meeting of 28 January 2021, based on a proposal by the Appointments and Remuneration Committee.

The company has arranged a civil liability policy for the members of the Company's Board of Directors. The premium paid in 2020 amounted to €283 thousand.

36.2 Senior management remuneration and loans

Company senior management received an aggregate total of €3,340 thousand in 2020 (€2,130 thousand in 2019). The increase between years is due mainly to the extraordinary remuneration agreed by the Board of Directors for some of the members of senior management for their decisive participation in the agreement reached with Jazz Pharmaceuticals.

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

On 26 May 2019, the Board of Directors approved the sale of 100% of Zelnova Zeltia to Allentia Invest, S.L. y Safoles, S.A. (together, the "Buyer"), which are owned directly and indirectly by, among others, Mr. Pedro Fernández Puentes, a director of PharmaMar, and persons related to him. The Board of Directors resolved to submit the authorization to the Shareholders' Meeting. By doing so, it complied with the provisions of article 230 of the Capital Companies Act with regard to shareholders waiving the prohibition on the company transacting with its directors, and also with article 160.f) of the Capital Companies Act, regarding shareholder approval for the sale of assets considered to be essential to the Company. Once the shareholders had authorized the transaction, the sale was completed on 28 June 2019. The total consideration received from the Buyer was €33,417 thousand, paid in cash upon completion.

In 2020, a company related to one member of the Board of Directors provided services to two Group undertakings amounting to €13 thousand (€13 thousand in 2019).

37. SHARE-BASED PAYMENTS

As of 2020 year-end, PharmaMar 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 PharmaMar with a list of plan beneficiaries (i.e. employees who meet the conditions established in the relevant decision by the Shareholders' Meeting) which details the degree of attainment by the beneficiary of the objectives set for the preceding year. Given that participation in such plans has been voluntary until now, only employees and executives who have decided to participate in the plans and allocate part or all of their variable remuneration to those plans are included in such lists. Based on that information, the Board of Directors approves that such beneficiaries be granted, by their respective employers, the amounts in shares specified in such lists (in no event can such amounts exceed €12,000 per beneficiary per year), which assigns to each beneficiary a coefficient based on their level of attainment of the objectives for the previous year (and which is used as a basis for calculating the amount in shares). The number of shares to be delivered to each beneficiary is the result of dividing the amount of variable remuneration allocated to the Plan, multiplied by the corresponding coefficient, by the value attributed to the shares, which is the lower of: a) the weighted average price of the PharmaMar share in the electronic market on the Plan's execution date; or b) the arithmetic mean of the weighted average price of the PharmaMar share in the electronic market in the month prior to the execution date.

Executives and employees who elect not to participate in the Plans collect their variable remuneration entirely in cash, but without a multiplier being applied.

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

37.1 Year 2017 (Share Ownership Plan approved by the Ordinary Shareholders' Meeting on 23 June 2016) - Granted prior to the stock merge (Note 17)

On 23 June 2016, the Shareholders' Meeting of Pharma Mar, S.A. approved a new Share Ownership Plan that was executed in March 2017. The Company allocated 500,000 own shares to execute this plan.

In executing this plan, a total of 211,664 shares were allocated in 2017 to 173 beneficiaries at a value of €2.7680 per share.

In 2018, 56,908 shares were released from lock-up under this plan.

In relation to this Plan, a total of 47,325 shares (3,932 shares after the stock merge) have been canceled: 12,955 shares (1,071 shares after the stock merge) purchased by employees and 34,370 shares (2,861 shares after the stock merge) contributed by the Company.

This Plan concluded in March 2020 since the three-year lock-up period had expired, and the shares that were under lock-up were released. A total of 107,431 shares (8,941 shares after the stock merge) were released under this Plan.

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

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

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

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

In relation to this Plan, a total of 45,437 shares (3,778 shares after the stock merge) have been canceled: 12,844 shares (1,057 shares after the stock merge) purchased by employees and 32,593 shares (2,721 shares after the stock merge) contributed by the Company.

As of 31 December 2020, 118,852 shares (9,910 shares after the stock merge) contributed by the Company had not accrued.

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

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

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

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

In relation to this Plan, a total of 9,281 shares (773 shares after the stock merge) were canceled in 2020: 3,140 shares (261 shares after the stock merge) purchased by employees and 6,141 shares (512 shares after the stock merge) contributed by the Company.

As of 31 December 2020, 110,632 shares (9,207 shares after the stock merge) contributed by the Company had not accrued.

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

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

In relation to this Plan, a total of 4,669 shares (387 shares after the stock merge) were canceled in 2020: 1,410 shares (117 shares after the stock merge) purchased by employees and 3,259 shares (270 shares after the stock merge) contributed by the Company.

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

The Shareholders' Meeting of Pharma Mar, S.A. on 18 June 2020 approved a new Share Ownership Plan with a double objective, as in previous years: to reward employees and executives whose performance in 2020 was satisfactory, and to incentivize beneficiaries to stay in the Group. The maximum number of shares that can be allocated for the execution of this plan was set by the Shareholders' Meeting at 500,000, which will be taken from treasury stock held by the Company at the time the plan is implemented. The Shareholders' Meeting determined the Plan's beneficiaries as Group employees and executives (excluding directors of Pharma Mar, S.A.) who have a permanent contract, have completed any trial period by 31 December 2020 and collect variable remuneration in 2021 relating to attainment of objectives in 2020, provided that they attained over 50% of the targets established by their department head or hierarchical superior.

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

The following table shows the number of shares under each plan as of 31 December 2020, adjusted for the stock merge:

Plan / Grant date	Shares awarded under plan	Shares purchased by employees - canceled	Shares purchased by employees - accrued	Shares purchased by employees - not yet accrued	Shares contributed by employer - canceled	Shares contributed by employer - accrued	Shares contributed by employer - not yet accrued	Total number of shares not yet accrued	Fair value per share	Accrual period
	(1)+(2)+(3)+(4)+(5)+(6)	(1)	(2)	(3)	(4)	(5)	(6)	(3)+(6)		
Plan 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) XXX	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
	60,718	**2,506**	**13,536**	**2,683**	**6,364**	**8,941**	**26,688**	**29,371**		

A total of €242 thousand were recognized as reserves for the amortization of the plans in 2020 (€208 thousand in 2019). Additionally, the amount recognized in the period was €414 thousand (€228 thousand in 2019), and €7 thousand were derecognized (€7 thousand in 2019).

38. DUTY OF LOYALTY

Director conflicts of interest

Based on the disclosures presented by each of the Company's directors, they and, to the best of their knowledge and belief, their related parties did not incur in the situations of conflict of interest envisaged in article 229.1 of the Consolidated Text of the Capital Companies Act, except in the case of related-party transactions authorized by the Company's Board of Directors or its Committees, which are disclosed in Note 29 to the Separate Financial Statements, Note 36 to the Consolidated Financial Statements, and section D.3 of the Annual Corporate Governance Report for the year ended 31 December 2020, which forms part of these Financial Statements.

39. CONTINGENCIES

Contingent liabilities

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

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

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

Contingent assets

The Group did not have contingent assets as of 31 December 2020 and 2019.

40. COMMITMENTS

Operating lease commitments

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

Operating lease commitments (thousand euro)	31/12/2020	31/12/2019
Under 1 year	2,504	2,696
1 to 5 years	3,066	3,440
Total	**5,570**	**6,136**

41. AUDITORS' FEES

The fees earned during the year by PricewaterhouseCoopers Auditores, S.L. and other firms in its network amounted to €384 thousand in 2020 (€333 thousand in 2019) for statutory audit services, and €105 thousand (€238 thousand in 2019) for other audit services. The fees for non-audit services provided to Pharma Mar Group companies amounted to €27 thousand in 2020 (€436 thousand in 2019).

Companies in the PwC network did not accrue any fees for tax advisory services in 2020 and 2019.

The fees accrued during the year by other auditors of subsidiaries amounted to €28 thousand for audit services in 2020 (€32 thousand in 2019) and €7 thousand for other verification services in 2020 (€14 thousand in 2019).

42. ENVIRONMENT

The Company did not need to incur significant investments during the year to protect and improve the environment. Environmental protection expenses amounted to €82 thousand in 2020 (€51 thousand in 2019).

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

43. SUBSEQUENT EVENTS

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

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

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

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

CONSOLIDATED DIRECTORS' REPORT 2020

1. Company situation

1.1. Organizational structure

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

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

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

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

1.2. Operations: Business model, strategy

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

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

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

PharmaMar sees its strengths as being:

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

- The compounds already approved for certain antitumor indications have the potential to be approved for additional indications.

- A well-established commercial structure in Europe that is focused on oncology and is capable of expanding its portfolio with other products.

- Generation of revenues in the Oncology business through direct sales of products developed in-house.

- Existing out-licensing agreements of several compounds in advantageous conditions that are producing sizable revenue flows.

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

- A robust financial position from which to fund projects.

- In addition to Oncology, the Group has other smaller businesses; the first is the development and sale of diagnostic and DNA analysis kits, conducted through subsidiary Genómica. Sylentis is conducting clinical trials in ophthalmology with the new gene silencing technology, RNAi.

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

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

The key components of the Group's strategy are:

- Continue clinical development of lurbinectedin, in small cell lung cancer and in other indications to expand its use.

- Continue clinical development of molecules currently in the pipeline to advance them through the phases of clinical trials.

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

- In-license molecules to sell through the sales network. Molecules that are in the commercial or regulatory phase. Source of additional revenues.

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

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

- Move forward with preclinical and clinical development within the newly created Virology Unit.

1.3 Significant events in 2020.

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

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

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

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

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

In connection with the August 2019 framework transfer agreement between PharmaMar and Janssen under which Janssen transferred to PharmaMar all rights to Yondelis® in the other territories licensed to Janssen, i.e. all the countries in the world except the United States, Europe and Japan (the latter licensed to Taiho Pharmaceuticals Co. Ltd.), in 2020 PharmaMar 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 PharmaMar recovered in 2019.

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

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

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

1.4 Impact of COVID-19

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

- In March, the Diagnostics segment developed its own PCR kits for fast diagnostics of IgM and IgG antibodies to COVID-19 and signed a distribution agreement. As a result, this segment booked €13.0 million in revenues, a 137% increase year-on-year.
- The Oncology segment set up a Virology Unit and commenced the APLICOV-PC clinical trial with Aplidin® (plitidepsin) for treating COVID-19 patients, whose goal is to assess the efficacy and safety of plitidepsin in COVID-19 patients requiring hospitalization. Approximately €5 million were invested in developing this area. At the date of this report, preparations are being made to commence a Phase III clinical trial.
- As for the development of new compounds, clinical trials were affected by the pandemic in the form of lower enrollment because of the saturation of hospitals, which devoted themselves

almost entirely to COVID patients. This represents a delay in development calendars that is very difficult to quantify.

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

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

2. BUSINESS PERFORMANCE AND RESULTS

	31/12/2020	31/12/2019	Change	
Oncology sales	100,704	73,022	38%	27,682
Product sales	*91,435*	*71,880*	*27%*	19,555
Sales of Yondelis raw material and Zepzelca vials	*9,269*	*1,142*	*712%*	8,127
Diagnostics sales	13,035	5,507	137%	7,528
Sales	**113,739**	**78,529**	**45%**	**35,210**
Royalties	**15,661**	**3,102**	**405%**	**12,559**
Licenses	**140,289**	**3,950**		**136,339**
Other	**272**	**238**		
TOTAL REVENUES	**269,961**	**85,819**	**215%**	**184,142**

(Thousand euro)

2,1. Total revenues

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

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

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

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

Royalties, which amounted to €15.6 million in 2020, compared with €3.1 million in 2019, include royalties for sales of Yondelis received from our partners in the US and Japan (€2.9 million) plus royalties

received from our US partner, Jazz Pharmaceuticals, for sales of Zepzelca since FDA approval of this product in June 2020 (€12.7 million).

Licensing revenues amounted to €140.2 million in 2020, compared with €3.95 million in 2019. The Zepzelca™ (lurbinectedin) licensing agreement entered into in December 2019 with Jazz Pharmaceuticals came into effect in January 2020. PharmaMar 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, PharmaMar 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 PharmaMar under the agreement; consequently, a total of €135.6 million in revenues had been recognized as of 31 December 2020. Another €4.6 million were recognized as revenues under other licensing agreements.

2,2. EBITDA. Net profit.

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

	31/12/2020	31/12/2019
Net income	**137,262**	**(9,180)**
Taxes	8,344	(12,474)
Interest	10,338	4,168
Depreciation and amortization	7,660	7,973
EBITDA	**163,604**	**(9,513)**

(Thousand euro)

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

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

The EBITDA contribution by the business segments is as follows:

EBITDA by segment	31/12/2020	31/12/2019
Oncology segment	174,563	5,334
Diagnostics segment	4,206	(1,450)
RNAi segment	(3,866)	(3,057)
Unallocated	(11,299)	(10,340)
Total	**163,604**	**(9,513)**

(Thousand euro)

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

2,3. R&D expenditure

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

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

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

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

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

	31/12/2020	31/12/2019	Difference	
R&D expenses (net)	**53,792**	**50,642**	**3,150**	**6.2%**
Oncology	49,204	45,673	3,531	7.7%
Diagnostics	708	2,060	-1,352	-65.6%
RNAi	3,880	2,909	971	33.4%

(Thousand euro)

2,4. Marketing expenses

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

2,5. Income from discontinued operations

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

2,6. Personnel

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

Women accounted for 61.8% of the workforce in 2020.

The table below shows the segmentation by gender and category:

	Women	Men	Total
Executive directors	0	2	**2**
Senior managers	4	5	**9**
Technical staff	169	102	**271**
Other	10	17	**27**
Management	14	14	**28**
Middle management	26	23	**49**
Clerical staff, etc.	51	6	**57**
TOTAL	**274**	**169**	**443**

2,7. Environmental issues

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

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

2,8. Average period taken to pay suppliers

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

	31/12/2020 Days
Average period taken to pay suppliers	55
Proportion of transactions paid	56
Proportion of transactions outstanding	50

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

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

3.- Liquidity and Capital

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

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

	31/12/2020	31/12/2019	Change
Non-current debt	**37,732**	**53,063**	**-15,331**
Bank loans	3,561	15,291	-11,730
Bonds	16,600	16,549	51
Loans from official authorities	17,571	21,223	-3,652
Current debt	**15,313**	**29,655**	**-14,342**
Credit lines	4,771	11,583	-6,812
Factoring	0	2,241	-2,241
Loans	5,487	10,497	-5,010
Loans from official authorities	4,621	4,883	-262
Interest, etc.	434	451	-17
Total interest-bearing debt	**53,045**	**82,718**	**-29,673**
Cash and cash equivalents plus current and non-current financial assets	**216,504**	**21,924**	**194,580**
TOTAL CASH / NET (DEBT)	**163,459**	**(60,794)**	**224,253**

(Thousand euro)

Total debt declined by €29.7 million in 2020. This reduction was due basically to early repayment of two bank loans amounting to €9.0 million plus scheduled repayment of €7.7 million under other bank loans

and repayment of €4.0 million in loans from official bodies. The amount drawn against credit and factoring lines was reduced by €9 million.

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

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

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

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

4.- Primary Risks and Uncertainties

4,1. Situation risks

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

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

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

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

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

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

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

Regulation
The pharmaceutical industry is highly regulated. Regulations cover such aspects as research, clinical trials, drug registration, drug production, technical validation of production standards, and even aspects

of marketing. Regulatory requirements have become more stringent in recent times and this trend is expected to continue.

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

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

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

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

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

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

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

4,2. Operating risks

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

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

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

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

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

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

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

Pharma Mar, S.A., whose workforce accounts for 70.8% of the Group's employees, is certified to the OHSAS 18001 Occupational Health and Safety Management System standard. Additionally, the

workplace health and safety systems, involving a new approach based on the organization's internal and external context, were certified to the ISO 45001 standard in 2020.

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

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

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

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

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

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

4,3. Information risk

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

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

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

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

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

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

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

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

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

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

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

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

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

4,4. Financial risk

4,4. A). Market risk

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

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

Interest rate risk on cash flows and fair values
The Group's interest rate risk arises from remunerated financial assets that can be converted into cash. The remunerated financial assets consist basically of deposits remunerated at floating interest rates.

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

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

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

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

4,4. B). Credit risk

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

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

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

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

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

4,4. C). Liquidity risk

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

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

4.5 Tax risk

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

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

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

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

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

5.- Subsequent events.

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

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

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

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

6.- 2021 outlook

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

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

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

In the Virology unit, we expect to commence a Phase III trial with plitidepsin for treating COVID-19 in Europe and the United Kingdom. This trial may produce final data by the end of the year and, if they meet expectations, this could trigger a regulatory process to obtain approval to market plitidepsin in those territories as a treatment for COVID-19.
Subsidiary Sylentis will commence a non-registrational Phase III trial with tivanisiran to treat dry-eye syndrome associated with Sjögren's syndrome.

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

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

7.- R&D and Innovation

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

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

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

7.1.- ONCOLOGY: PHARMA MAR, S.A.

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

a) Yondelis®:

Soft tissue sarcoma

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

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

Ovarian cancer

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

Other indications

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

b) Zepzelca™ (lurbinectedin)

Small-cell lung cancer

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

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

The results of the ATLANTIS multicenter randomized Phase III trial were published in December. That trial evaluated Zepzelca™ (lurbinectedin) in combination with doxorubicin, against the investigator's choice of topotecan or cyclophosphamide/doxorubicin/vincristine (CAV), in adult patients with small cell lung cancer whose disease had progressed after platinum-based treatment. Patients in the experimental arm of the trial received 2.0 mg/m2 of lurbinectedin, compared with 3.2 mg/m2 of lurbinectedin administered in monotherapy, which is the dose approved by the FDA in the US.
The trial did not attain the pre-specified primary endpoint of Overall Survival (OS), comparing lurbinectedin in combination with doxorubicin with the control arm. Importantly, the results favored the lurbinectedin combination arm in terms of both the primary endpoint and key secondary and subgroup analyses. The ATLANTIS trial did not test lurbinectedin as monotherapy.

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

Combination trial with Zepzelca™ (lurbinectedin)

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

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

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

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

Phase I trial in Japan

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

C) PM184

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

D) PM14

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

7.2.- VIROLOGY: PharmaMar

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

a) Aplidin (plitidepsin)

This new unit worked on finding an effective treatment for SARS-CoV-2 and, to this end, PharmaMar commenced the APLICOV-PC clinical trial with Aplidin® (plitidepsin) in adult patients with COVID-19 who required hospitalization; the test attained its primary endpoint (safety) and its secondary endpoint (efficacy). Of the 46 patients who were enrolled, 45 were treated and 44 completed treatment, of whom only 6 required admission to the Intensive Care Unit (13.6%) and 82% were discharged on or before

day 15 of hospitalization; those results confirm the compound's safety in the COVID-19 patient population requiring hospitalization and support its biological activity, indicating a positive impact in reducing the acute viral load, accompanied by clinical improvement and resolution of pneumonia.

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

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

7.3.- DIAGNOSTICS: Genómica

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

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

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

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

7.4.- RNA Interference, OPHTHALMOLOGY: SYLENTIS, S.A.

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

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

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

8.- Acquisition and disposal of own shares

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

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

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

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

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

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

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

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

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

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

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

9.- Share information

General situation

The year 2020 will go down in history for the COVID-19 pandemic. Its devastating consequences, on both health and the economy, were totally unpredictable and affected every corner of the planet. The rapid spread of the virus made it necessary to adopt drastic lockdowns and, consequently, the suspension of all non-essential activities and the reduction of mobility and a large proportion of economic activity. The resulting adjustments to household incomes and to companies' revenue and profit have had a lasting impact. The world economy ground to a halt in the first quarter of 2020 and liquidity became a major concern. To try to alleviate this effect, the major central banks and governments implemented even more aggressive monetary stimulus programs than those applied in previous years. In March, the ECB announced a first package of measures that have been extended to prioritize massive asset purchases until March 2022. Also in March, the US Federal Reserve responded by cutting interest rates, followed by adjustments and several programs to purchase unlimited amounts of Treasury debt. Many governments amended legislation in order to adopt emergency fiscal measures to channel significant amounts of aid to families and businesses. In this context, the IMF forecasts a record 4.4% contraction of global GDP in 2020, the largest since records have been kept. The pandemic had a particularly detrimental impact in Europe, and particularly in Spain. The Eurozone economy is estimated to have shrunk by 8.3% in 2020 and the Spanish economy by even more (an estimated 12.8%), according to the IMF's year-end forecasts. All these factors were reflected in the Spanish IBEX-35 index, which depreciated by 15.45% in the year, having registered one of the poorest performances among Europe's major indexes.

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

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

PharmaMar Stock Market indicators in 2020

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

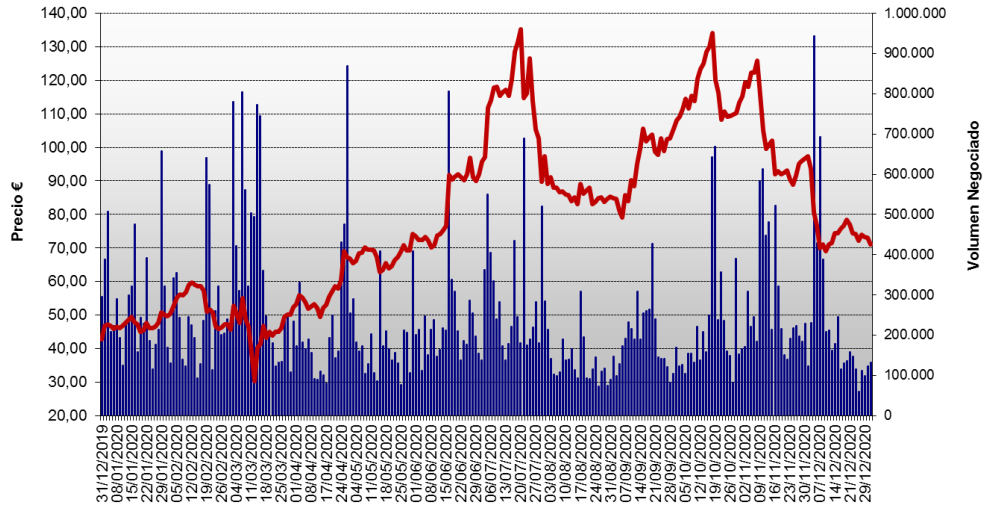
***Source**: Bloomberg*

PharmaMar's share performance

The year 2020 was a historic one for PharmaMar 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, PharmaMar announced exceptional results with Aplidin in in vitro trials to treat COVID-19. These results led to the successful completion of the Phase I/II trial with Aplidin for the treatment of COVID-19, which attained the primary (safety) and secondary (efficacy) endpoints, and to the subsequent design of the Phase III trial expected to be conducted in 2021.
Another milestone was accelerated approval by the FDA in June of lurbinectedin for treating small cell lung cancer. This enabled Jazz Pharmaceuticals to successfully launch lurbinectedin (Zepzelca™) in the US in July 2020, providing PharmaMar with the first royalties from those sales. Additionally, the Company collected USD 100 million upon approval of lurbinectedin in the US, in addition to the upfront payment of USD 200 million it had received in January under the contract with Jazz. And 2020 concluded with the announcement in December of the results of the ATLANTIS combination trial comparing lurbinectedin in combination with doxorubicin against the control arm, which did not attain the pre-set primary endpoint of overall survival. Importantly, the results favored the lurbinectedin combination arm in terms of both the primary endpoint and key secondary and subgroup analyses. This trial in no way compromises commercialization of the product as monotherapy in the US. As for business development, the value of products such as Yondelis and Lurbinectedin continues to grow, as more than ten out-licensing agreements were signed in 2020.

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

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



***Source**: Bloomberg*

10.- Consolidated Non-Financial Information Statement

The consolidated non-financial disclosures are presented separately.

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

ANNUAL ACCOUNTS AND MANAGEMENT REPORT
OF THE PHARMA MAR GROUP
FOR THE FINANCIAL YEAR ENDED
DECEMBER 31, 2020

In compliance with the provisions of articles 34 and 35 of the Commercial Code and articles 253 and 254 of the Capital Companies Act, the Annual Accounts and the Management Report (of which the separate report on the consolidated non-financial information referred to in section 7 of article 49 of the Commercial Code forms part) of the PHARMA MAR Group for the period from January 1, 2020 to December 31, 2020 are hereby drawn up and prepared.

In accordance with the provisions of article 37 of the Commercial Code and article 253 of the Capital Companies Act, the Board of Directors, signs this document consisting of 105 pages, on February 26, 2021.

The Board of Directors:

José Mª Fernández Sousa-Faro Chairman	Pedro Fernández Puentes Vice Chairman Participated by telematic connection in the Board of Directors' meeting and approved the contents of the Financial Statements and the Management Report of Pharma Mar, S.A..
Carlos Pazos Campos Director	Eduardo Serra Rexach Director (On behalf of EDUARDO SERRA Y ASOCIADOS, S. L. in the board)
Sandra Ortega Mera Director (On behalf of ROSP CORUNNA Participaciones Empresariales, S.L. in the Board)	Carlos Solchaga Catalán Director
José Félix Pérez-Orive Carceller Director	Ana Palacio Vallelersundi Director
Montserrat Andrade Detrell Director	Valentín de Torres-Solanot del Pino Director
Mª Blanca Hernández Rodríguez Director	

Diligence drawn up by the Secretary of the Board of Directors to record that, following the preparation by the members of the Board of Directors at the meeting held on 26 February 2021 of the consolidated Financial Statements and the consolidated Management Report (of which takes part the separate report on the consolidated non-financial information referred to in section 7 of Art. 49 of the Code of Commerce) of the PHARMA MAR Group (Consolidated Group of which Pharma Mar, S.A. is the parent company), for the year ended 31 December 2020, the Directors listed above (except for Mr. Pedro Fernández Puentes, who participated by telematic connection in the meeting of the Board of Directors and approved the contents of the consolidated Financial Statements and Management Report of the Pharma Mar Group), have signed this document by affixing their signatures to the Balance Sheet, the Income Statement and the Statement of Changes in Shareholders' Equity, the Statement of Changes in Equity, the Statement of Cash Flows, the first page of the Notes to the Financial Statements, the first page of the Management Report (of which the separate report on the consolidated non-financial information referred to in section 7 of Art. 49 of the Commercial Code), and on the last page of the document. To which I bear witness, in Madrid on February 26, 2021.

The Secretary of the Board of Directors:

Juan Gómez Pulido

This English version has been translated by Pharma Mar, under its sole responsibility, and is not considered official or regulated financial information.

PHARMA MAR GROUP

(Pharma Mar, S.A. and subsidiaries)

SEPARATE DISCLOSURES CONCERNING THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT (ART. 49.7 OF SPAIN'S COMMERCIAL CODE) FOR THE YEAR ENDED 31 DECEMBER 2020, FORMING PART OF THE DIRECTORS' REPORT OF THE PHARMA MAR GROUP FOR THAT YEAR

Pharma Mar, S.A. (and subsidiaries)

Independent Verification Report
State of non-financial information
31 December 2020

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 verification report

To the shareholders of Pharma Mar, S.A.

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying State of non-financial information (hereinafter NFIS) for the year ended 31 December 2020 of Pharma Mar, S.A. and subsidiaries (hereinafter Pharma Mar or the Group) which forms part of Pharma Mar´s consolidated management report.

The content of the NFIS includes additional information to that required by the current mercantile legislation related to non-financial information reporting which has not been covered by our verification work. In this respect, our work has been restricted solely to verifying the information identified in the table "Requirements of Law 11/2018 on Non-Financial Information and Diversity" included in the NFIS.

Responsibility of the Board of Directors

The preparation of the NFIS included in Pharma Mar 's consolidated management report and the content thereof are the responsibility of the Board of Directors of Pharma Mar, S.A. The NFIS has been drawn up in accordance with the provisions of current mercantile legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") in line with the details provided for each matter in the table "Requirements of Law 11/2018 on Non-Financial Information and Diversity" of the NFIS.

This responsibility also includes the design, implementation and maintenance of the internal control considered necessary to allow the NFIS to be free of any immaterial misstatement due to fraud or error.

The directors of Pharma Mar, S.A. are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

Our independence and quality control

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants ("IESBA") which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system, which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialising in non-financial information reviews and specifically in information on economic, social and environmental performance.

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

Our responsibility

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in terms of their nature and timing of execution, and are less extensive than those carried out in a reasonable assurance engagement. Accordingly, the assurance obtained is substantially lower.

Our work has consisted of posing questions to Management and several Pharma Mar units that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS, and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Pharma Mar personnel to ascertain the business model, policies and management approaches applied, the main risks related to these matters and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the contents included in the NFIS for 2020, based on the materiality analysis carried by the Group and described in section "Materiality Analysis", considering the content required under current mercantile legislation.
- Analysis of the procedures used to compile and validate the information presented in NFIS for 2020.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2020.
- Verification, through sample testing, of the information relating to the content of the NFIS for 2020 and its adequate compilation using data supplied by the Pharma Mar´s sources of information.
- Obtainment of a management representation letter from the Directors and Management.

Conclusions

Based on the procedures performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that Pharma Mar's NFIS, for the year ended 31 December 2020 has not been prepared, in all its significant aspects, in accordance with the provisions of current mercantile legislation and the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") in accordance with the details provided for each matter in table "Requirements of Law 11/2018 on Non-Financial Information and Diversity" of the aforementioned NFIS.

Use and distribution

This report has been drawn up in response to the requirement laid down in current Spanish mercantile legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

(Originally signed in Spanish)

Ramón Abella

26 February 2021

Contents

ABOUT THIS REPORT 5
Scope 5
Materiality analysis 6
Key issues 7
KEY INDICATORS 9
SIGNIFICANT EVENTS 11
1. About PharmaMar 13
Strengths of the PharmaMar Group 15
Our organization 16
Our strategy 16
Challenges for the pharmaceutical industry 17
Our policies and internal regulations 18
Short-, medium- and long-term risks 20
2. Employment quality 25
People management 25
Workforce in 2020 26
Breakdown of employees by gender, age, country and professional category 26
Distribution of employment contract types 27
Number of terminations, by gender, age and professional category 28
Employees with disabilities, by gender and professional category 28
Wage gap and average remuneration 29
Calculation of the PharmaMar Group pay gap 30
Average remuneration and changes, by gender, age and professional category 31
Average remuneration for directors and executives 32
CEO pay ratio 33
Labor relations 34
Work organization 34
Managing talent through training 35
Universal access for persons with disabilities 36
Committed to equality and diversity 36
Health and safety 37
Safety measures adopted against the COVID-19 pandemic 38
3. Supply chain value 41
Supplier management 41
Approval of suppliers 41
Procurement policy 42

Geographical distribution of suppliers 42
Impact of COVID-19 on product supply 43
Consumer relations 43
Quality complaints 45
Data protection 45
4. Protecting the environment 47
Environmental management approach 47
Pollution 48
PharmaMar's emissions 49
Circular economy and waste abatement and management 49
Actions to reduce food waste 51
Sustainable resource use 51
Resource consumption by PharmaMar 52
Climate change 52
Protection of biodiversity 53
5. Our commitment to Society 55
The company's commitments to sustainable development 55
Contributions to foundations and non-profit entities. 58
6. Business ethics and transparency 59
Human rights 59
Combating Corruption and Bribery 60
Measures adopted to prevent corruption and bribery. 60
Tax information 62
Requirements of Act 11/2018 in Connection with Non-Financial Disclosures and Diversity 64
Annex 1 74
Full list of material issues for the PharmaMar Group 74

Index of figures

Figure 1. Materiality matrix 7
Figure 2. Orphan drug designations in force 14
Figure 3. PharmaMar Group organization structure 16
Figure 4. Internal policies and regulations classified according to the materiality analysis categories 19
Figure 5. PharmaMar Group gender balance 26

Index of tables

Table 1. PharmaMar Group key indicators 9
Table 2. Average number of employees, classified by nationality, category and age range 27
Table 3. Average number of employees by employment contract type. 27
Table 4. Number of terminations, by gender, age and professional category 28
Table 5. Number of employees with disabilities, by gender and professional category 28
Table 6. Pay gap adjusted for professional category 30
Table 7. Gross pay gap, by professional category 30
Table 8. Gross pay gap, by age range 31
Table 9. Average remuneration, by professional category 31
Table 10. Average remuneration, by age 31
Table 11. Director classification by gender, and remuneration 32
Table 12. CEO pay ratio vs. average remuneration by professional category 33
Table 13. Total number of training hours by professional category 35
Table 14. Workplace accident incidence, frequency and severity 38
Table 15. Actions taken against COVID-19 40
Table 16. Investment/expenditure due to COVID-19 40
Table 17. Number of suppliers, by territory 42
Table 18. Calculating PharmaMar's emissions 49
Table 19. Resource consumption by PharmaMar 52
Table 20. Average number of employees per PharmaMar Group company, and location 55
Table 21. Corporate income tax calculation 62

ABOUT THIS REPORT

This Consolidated Non-Financial Information Statement (NFIS) was prepared in accordance with the requirements of Act 11/2018, dated 28 December, amending the Commercial Code, the consolidated text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Audit Act 22/2015, of 20 July, as regards non-financial information and diversity.

In compiling this report, the Global Reporting Initiative (GRI) Sustainability Reporting Standards have been used, insofar as they do not clash with Law 11/2018. The Corporate Social Responsibility Report that was formerly published annually was superseded in 2018 by the Non-Financial Information Statement.

The PharmaMar Group publishes this Non-Financial Information Statement (NFIS) in order to provide information on material environmental, social and staff-related questions, as well as matters concerning human rights and combating corruption and bribery.

Scope

This report has the same consolidation scope as the financial statements of the PharmaMar Group as of 31 December 2020, which includes Pharma Mar, S.A. itself and its direct and indirect subsidiaries (see section 1. "About Pharma Mar. Our organization"). Its content was selected and drafted having regard to the materiality analysis performed by the Group. Where any of the subsidiaries is not included in an analysis, this is indicated explicitly.

Some values for the PharmaMar Group in 2019 that were reported in the NFIS 2019 have been recalculated. The reason is that the company Zelnova Zeltia, which was part of the PharmaMar Group until 28 June 2019, was included in the 2019 data. However, in 2020, it was decided to recalculate the 2019 data without considering Zelnova Zeltia so as to enable a direct comparison of the key indicators between the two years.

Due to the pandemic, each section of this report refers, where pertinent, to how this situation has affected the PharmaMar Group and the measures adopted to combat COVID-19.

Materiality analysis

Materiality analysis is a key element when organizations are defining strategies, both in general and for specific business units.

In 2020, the PharmaMar Group identified material issues by obtaining information from both internal and external sources. That information was used to prioritize the company's material issues in order to guide both its strategy and the public reporting of its sustainability performance. The material issues do not differ from those already presented in previous NFIS; however, some issues have been regrouped or their titles have been redefined.

As a result of this process, 30 material issues or aspects have been identified and classified into five categories:

- innovation
- employment quality
- environment
- supply chain value
- and governance, business ethics and transparency.

To analyze the internal importance of material issues, the people in charge of all the Pharma Mar Group's functional areas were consulted; material issues were prioritized based on those consultations and assigned a numerical value.

For the external materiality analysis, the information was obtained by combining four external sources and weighting the results. The external sources that were analyzed are: Sustainable Asset Management (SAM), an investment firm; Sustainability Accounting Standards Board (SASB), an NGO; the PharmaMar Group's analysis of the media; and a benchmarking survey based on the materiality analyses performed by five comparable companies in the industry.

The resulting matrix shows the key aspects and their impacts on the company and on the main stakeholders: patients, customers, suppliers, authorities and shareholders.

The full materiality matrix resulting from this analysis is shown below and the issues are listed in Annex 1:

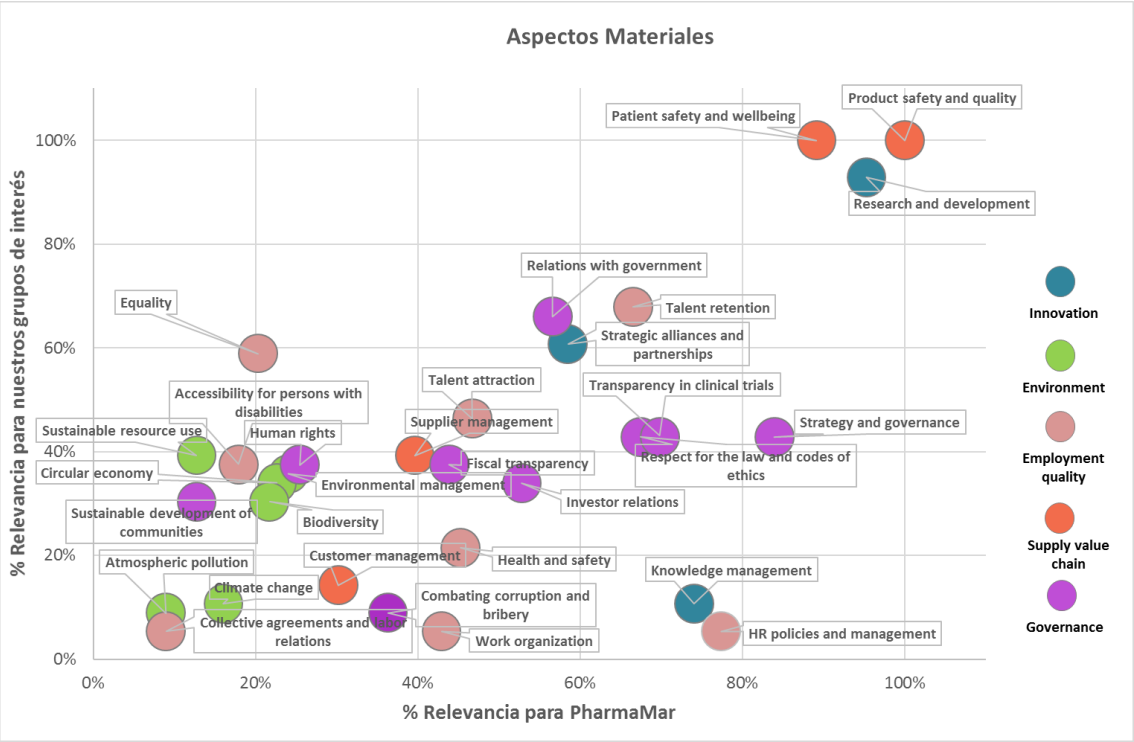


Figure 1. Materiality matrix

Key issues

As a result of this analysis, it was concluded that the main material issues for the PharmaMar Group and its stakeholders are as follows:

- Related to supply chain value:
  - Product safety and quality
  - Patient safety and wellbeing

- Related to innovation:
  - Commitment to research and development of new products,
  - Knowledge protection, patentability and management
  - Establishment of strategic alliances and partnerships, especially with licensees, partners, research centers and universities

- Related to employment quality:
  - Training and professional development for talent retention
  - Talent attraction

- Related to governance, business ethics and transparency:
  - Business model strategy and governance
  - Transparency in clinical trials
  - Respect for the law, regulations and codes of ethics

    - Transparent relations with public authorities and governments.

- Related to the environment:
    - Environmental management approach and objectives
    - Circular economy and waste abatement
    - Protection of biodiversity

As indicated earlier, the material issues were analyzed in 2020 on the basis of internal and external information. The conclusions do not differ substantially from those drawn in the analysis performed in 2019. The issues that are classified as material are fundamentally the same, with variations in the materiality attributed to some of the issues, such as the greater weighting given to transparency and talent retention in 2020.

This document elaborates upon the material issues described in this section in order to describe the Group's ESG strategy.

KEY INDICATORS

The Pharma Mar Group aims to generate long-term value for the company and its stakeholders in the area of sustainability. In this connection, the following key indicators are used:

		2019	2020
Economic	Revenues (thousand euro)	85,819	269,962
	R&D expenditure as a percentage of revenues	59.0%	19.9%
	Operating expenses as a percentage of revenues	56.3%	17.5%
	No. of new patents filed	5	30
	No. of strategic agreements in place	17	35
Corporate Governance	% independent directors	45.5%	45.5%
	% women on the Board	27.0%	36.4%
	Communication to society: media impacts	14,001	33,355
Talent attraction and retention	Turnover rate	10.8%	11.2%
	Training hours	14,361	10,551
	No. of nationalities (cultural diversity)	19	18
	Percentage of women in management	42.8%	44.2%
Environment	Amount of water used per day	34.7 m^3/day	32.3 m^3/day
	Annual Chemical Oxygen Demand (COD) in industrial discharges	317.1 kg	388.4 kg
	CO2 emissions	2,554.4 t	2,557.7 t
Social action	No. of actions by the "People of PharmaMar" platform	2	0
	No. of orphan drug designations in force	14	17
	No. of collaborations with non-profit entities	15	19
	Interns trained, as a percentage of total personnel	3.2%	2.2%

Table 1. PharmaMar Group key indicators

The value of certain key indicators is clarified below to facilitate understanding of the data.

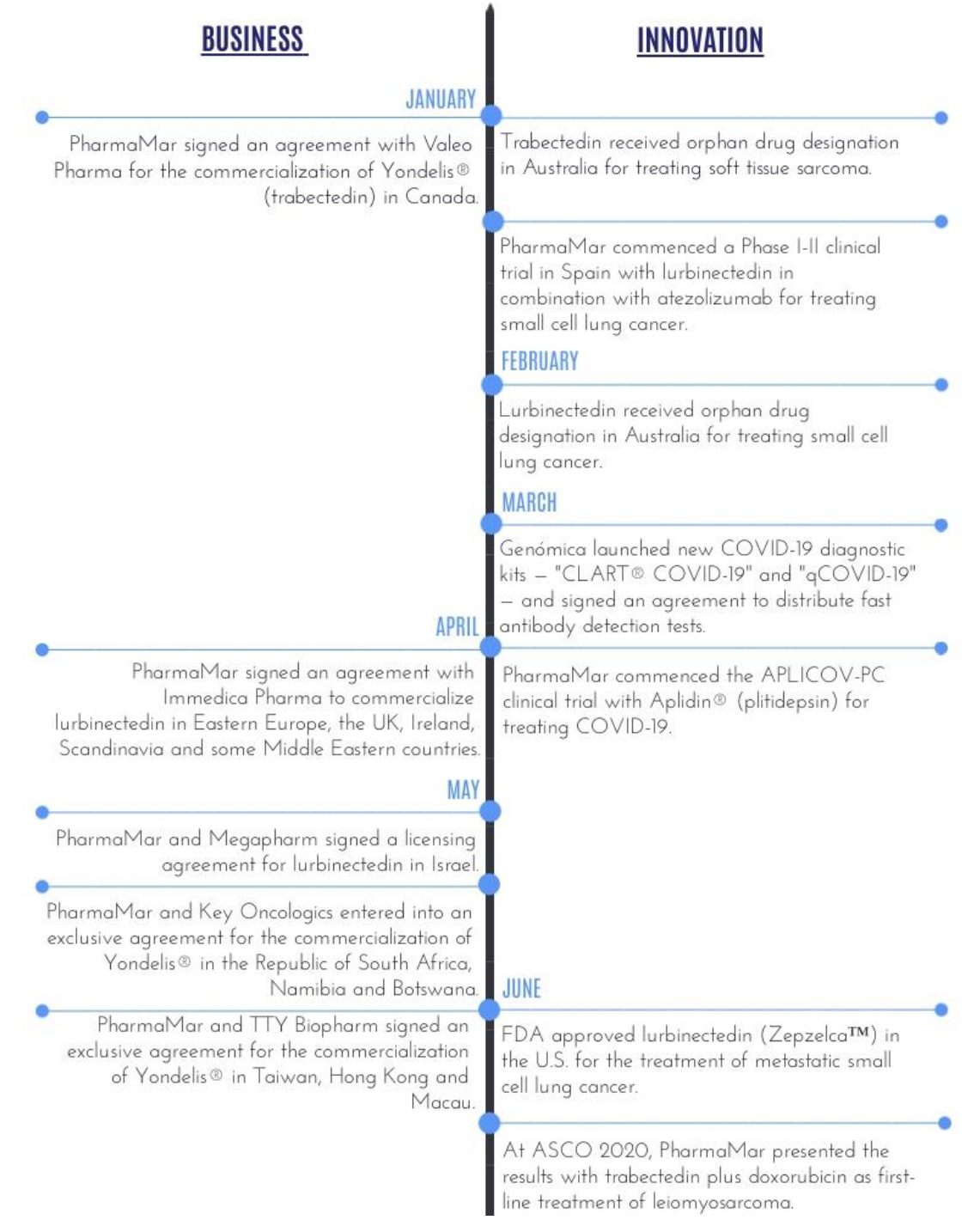
Economic indicators: R&D spending in 2020 was higher than in 2019 in absolute terms. However, R&D spending declined with respect to 2019 as a percentage of revenues because of the substantial increase in revenues in 2020.

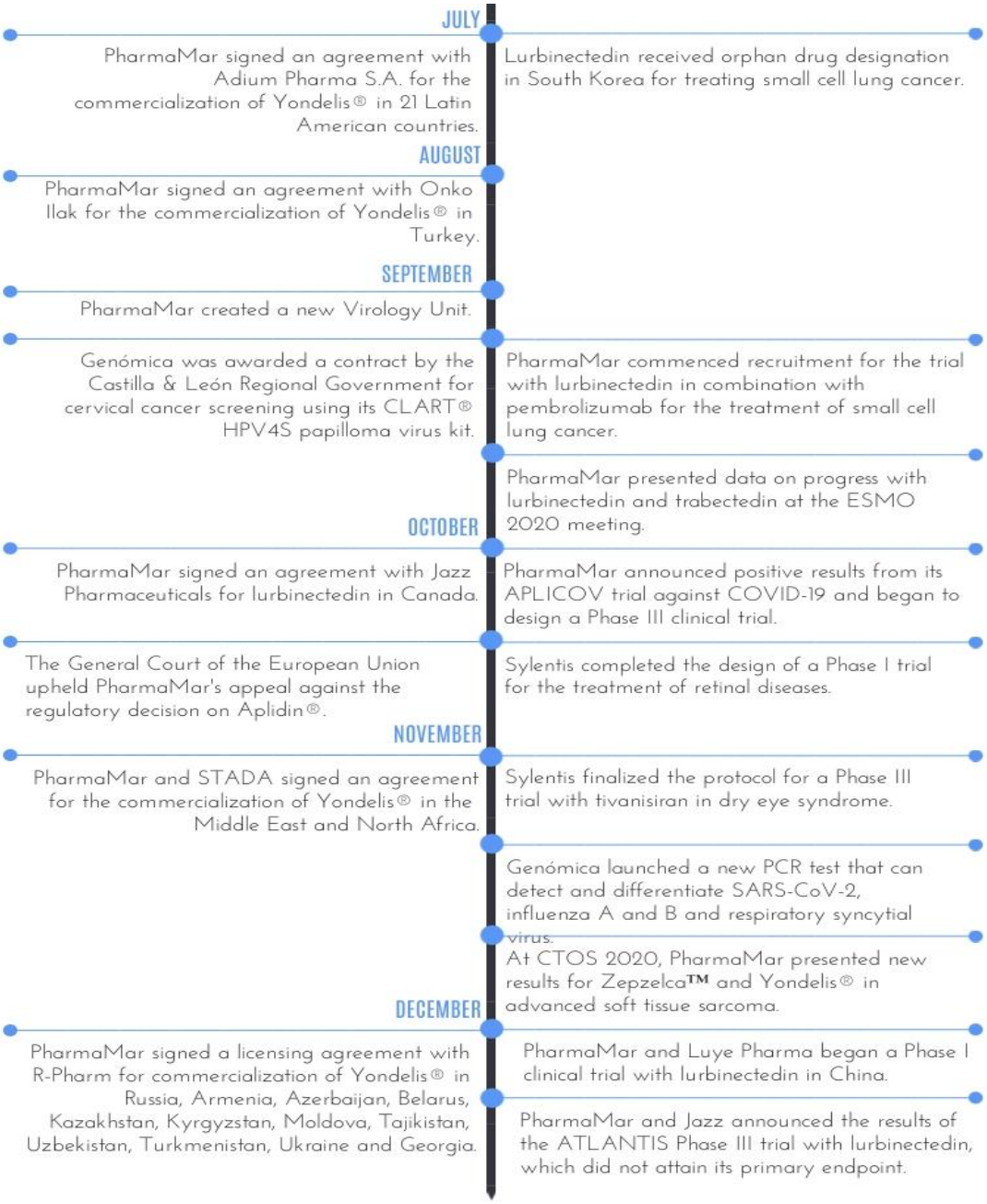
Talent retention indicators: The 2019 figures for the number of nationalities and percentage of women in management positions were recalculated with respect to those published in the NFIS 2019 due to the fact that Zelnova Zeltia ceased to be part of the PharmaMar Group. In the NFIS 2019, those figures were 20 and 37.2%, respectively. Training hours were also recalculated because the training data is drawn from a dynamic database that is updated as attendance certificates for scheduled courses are received. A total of 13,859 hours were registered in 2019, while the cumulative figure extracted from the database at the time of writing this report was 14,361 hours.

Environmental indicators: the environmental indicators refer solely to the company Pharma Mar, S.A. The figures for the amount of water used per day and CO_2 emissions for 2019 were recalculated with respect to those published in the NFIS 2019, again due to Zelnova Zeltia's departure from the Group. In the NFIS 2019, those figures were 40.06 m^3/day and 2,791 t, respectively. The Chemical Oxygen Demand (COD) figure for industrial discharges increased with respect to 2019 due to the increase in output.

Social action indicators: The actions in the "People of Pharma Mar" platform (see section 5. "Our commitment to society") refer only to Pharma Mar, S.A. The ratio of interns to total staff for 2019 was recalculated with respect to the figure published in the NFIS 2019, again because of Zelnova Zeltia. In the NFIS 2019, that figure was 2.9%. The ratio of interns to total staff declined in 2020 because of the impact of COVID-19. Specifically, certain agreements with universities and other schools could not be implemented for this reason.

2020 SIGNIFICANT EVENTS




JULY
PharmaMar signed an agreement with Adium Pharma S.A. for the commercialization of Yondelis® in 21 Latin American countries.
Lurbinectedin received orphan drug designation in South Korea for treating small cell lung cancer.
AUGUST
PharmaMar signed an agreement with Onko Ilak for the commercialization of Yondelis® in Turkey.
SEPTEMBER
PharmaMar created a new Virology Unit.
Genómica was awarded a contract by the Castilla & León Regional Government for cervical cancer screening using its CLART® HPV4S papilloma virus kit.
PharmaMar commenced recruitment for the trial with lurbinectedin in combination with pembrolizumab for the treatment of small cell lung cancer.
PharmaMar presented data on progress with lurbinectedin and trabectedin at the ESMO 2020 meeting.
OCTOBER
PharmaMar signed an agreement with Jazz Pharmaceuticals for lurbinectedin in Canada.
PharmaMar announced positive results from its APLICOV trial against COVID-19 and began to design a Phase III clinical trial.
The General Court of the European Union upheld PharmaMar's appeal against the regulatory decision on Aplidin®.
Sylentis completed the design of a Phase I trial for the treatment of retinal diseases.
NOVEMBER
PharmaMar and STADA signed an agreement for the commercialization of Yondelis® in the Middle East and North Africa.
Sylentis finalized the protocol for a Phase III trial with tivanisiran in dry eye syndrome.
Genómica launched a new PCR test that can detect and differentiate SARS-CoV-2, influenza A and B and respiratory syncytial virus.
At CTOS 2020, PharmaMar presented new results for Zepzelca™ and Yondelis® in advanced soft tissue sarcoma.
DECEMBER
PharmaMar signed a licensing agreement with R-Pharm for commercialization of Yondelis® in Russia, Armenia, Azerbaijan, Belarus, Kazakhstan, Kyrgyzstan, Moldova, Tajikistan, Uzbekistan, Turkmenistan, Ukraine and Georgia.
PharmaMar and Luye Pharma began a Phase I clinical trial with lurbinectedin in China.
PharmaMar and Jazz announced the results of the ATLANTIS Phase III trial with lurbinectedin, which did not attain its primary endpoint.

"At PharmaMar, our growth and development objectives are not only to achieve greater profitability for our shareholders, but also to achieve that profitability in an ethical and responsible manner and to ensure that our commitment to society and the environment around us is clearly perceived. This position is clear in the company's quality benchmarks and evidences our responsibility to society."

Ana Palacio
Chairman of the Appointments, Remuneration and Sustainability Committee.

1. About PharmaMar

The PharmaMar Group is focused primarily on discovering, developing and commercializing therapeutic agents of marine origin for treating cancer. It also operates in the areas of diagnostics (through Genómica) and drug development based on RNA interference technology (through Sylentis).

Pharma Mar's business model is an integrated one in which the company itself carries out most stages of the drug discovery and development process up until market launch. When Yondelis® was approved, PharmaMar became the first company in Europe to develop a marine-derived cancer drug from discovery through to commercialization.

Yondelis® (trabectedin), the first product developed by PharmaMar, is marketed in nearly 80 countries as a single agent for treating patients with certain advanced soft tissue sarcoma. Additionally, since 2009 it has been marketed in combination with pegylated liposomal doxorubicin (PLD) in 70 countries for treating relapsed ovarian cancer. The second product, Aplidin® (plitidepsin), has been approved by the Australian regulatory authorities for commercialization in combination with dexamethasone for treating relapsed multiple myeloma. A third product by PharmaMar, Zepzelca™ (lurbinectedin), was approved in the United States in 2020 as monotherapy for treating small cell lung cancer.

A number of clinical trials are under way with this third compound, lurbinectedin, in combination with other compounds in order to expand the number of patients who may benefit from it. In addition, a Phase III trial is being designed for another indication, as well as a new Phase III monotherapy trial for small cell lung cancer.

PharmaMar has other compounds under development in its pipeline, including PM184 and PM14, which are currently in clinical trials for the treatment of patients with solid tumors.

PharmaMar's commitment to the fight against cancer also includes orphan drugs to treat tumors for which there is no effective treatment. Europe and the United States have granted orphan drug status to trabectedin (Yondelis®) for treating soft tissue sarcoma and ovarian cancer, to plitidepsin (Aplidin®) for multiple myeloma, and to lurbinectedin (Zepzelca™) for small cell lung cancer. Those three compounds have also

been designated as orphan drugs for those indications in Switzerland. Additionally, trabectedin has orphan drug designation for soft tissue sarcoma in South Korea and Japan and, more recently, Australia granted lurbinectedin orphan drug status for the treatment of small cell lung cancer in 2020.

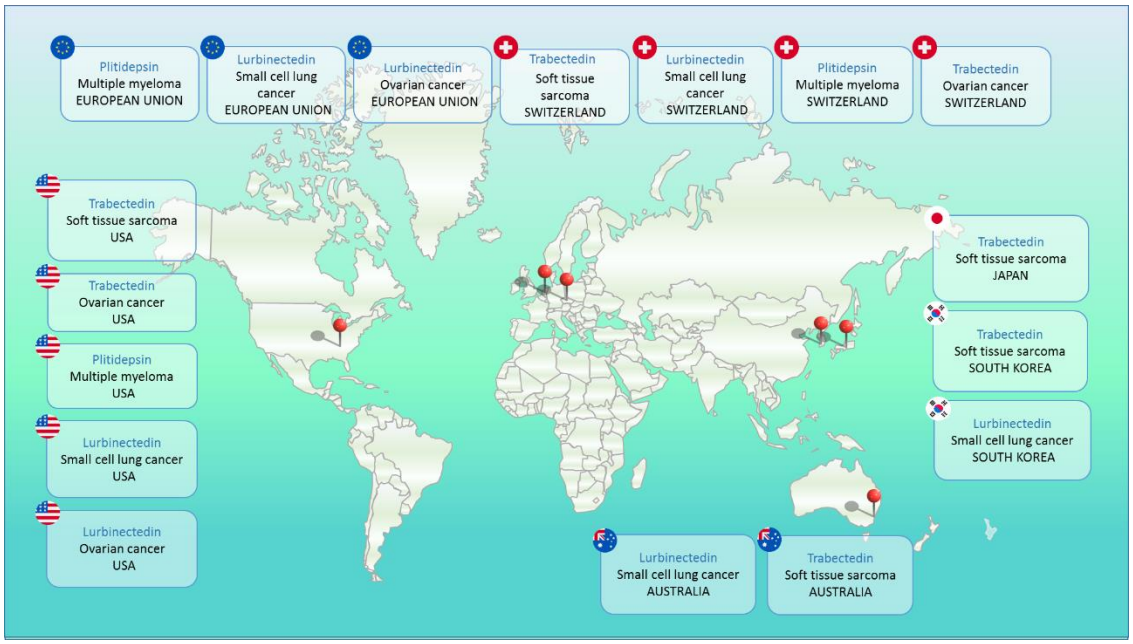


Figure 2. Orphan drug designations in force

Although oncology is the PharmaMar Group's main line of business, in 2020 it created a Virology Unit to research, develop and supply medicines for viral diseases for which there is no effective treatment as yet. The unit's current priority is finding an effective treatment for SARS-CoV-2. The company is currently undertaking clinical development of its molecule plitidepsin as a treatment for COVID-19.

The Pharma Mar Group is also present in the fields of diagnostics and drug development based on RNA interference through subsidiaries Genómica and Sylentis, respectively.

Genómica focuses on molecular diagnostics and genetic identification and analysis. Through its Clinical Arrays Technology (CLART®) platform, it has developed diagnostic tests for a range of viruses, such as human papillomavirus associated with cervical cancer, respiratory viruses, human herpes virus and enteroviruses. It has also developed predictive tests for the response to oncology therapies. In March 2020, the Group launched two tests that were developed in-house, one in CLART® and the other in Real-Time PCR, for the diagnosis of the SARS-CoV-2 virus, which causes COVID-19; they were the first tests in Spain to obtain the CE mark.

Sylentis is involved in the research and development of new drugs based on RNA interference, which is a selective method of gene silencing. Sylentis is primarily focused on ophthalmology, and its compound tivanisiran is undergoing clinical development with an upcoming Phase III trial in the treatment of dry eye syndrome. It is also working on therapies against retinal degenerative diseases and in 2020 it completed the design of a Phase I clinical trial of the drug SYL1801 for the treatment of age-related macular

degeneration. Sylentis has also made significant progress in its drug discovery processes with the use of siRFINDER, a proprietary platform based on artificial intelligence that improves drug design by reducing development costs and times.

Strengths of the PharmaMar Group

The PharmaMar Group has identified the following as its main strengths:

- A unique, fully-integrated technology platform based on marine organisms that has led to the approval for commercialization of three compounds — trabectedin, lurbinectedin and plitidepsin — in numerous markets around the world and provides a flow of new candidate for early stage clinical development with the goal of obtaining additional approvals 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.

- In addition to Oncology, the Group has other smaller businesses; one is the development and sale of diagnostic and DNA analysis kits, conducted through subsidiary Genómica. Sylentis is conducting clinical trials in ophthalmology with the new gene silencing technology, RNAi.

Pharma Mar invests heavily in new compound research and development every year, in line with its commitment to seek innovative therapies to treat diseases for which there is no effective remedy: in 2020, PharmaMar was the Spanish company that invested most in R&D as a proportion of revenues: 41%. PharmaMar also ranked first in Spain in terms of R&D expenditure per employee. In 2020, it ranked 450th in the European Union league table of industrial investment, ranking third among Spanish pharmaceutical companies in terms of total R&D spending. PharmaMar ranked 1,977th in the world in terms of R&D expenditure in 2020[1].

1 Source: The 2020 EU Industrial R&D Investment Scoreboard.

Our organization

As of 31 December 2020, the structure of the PharmaMar Group is as follows:

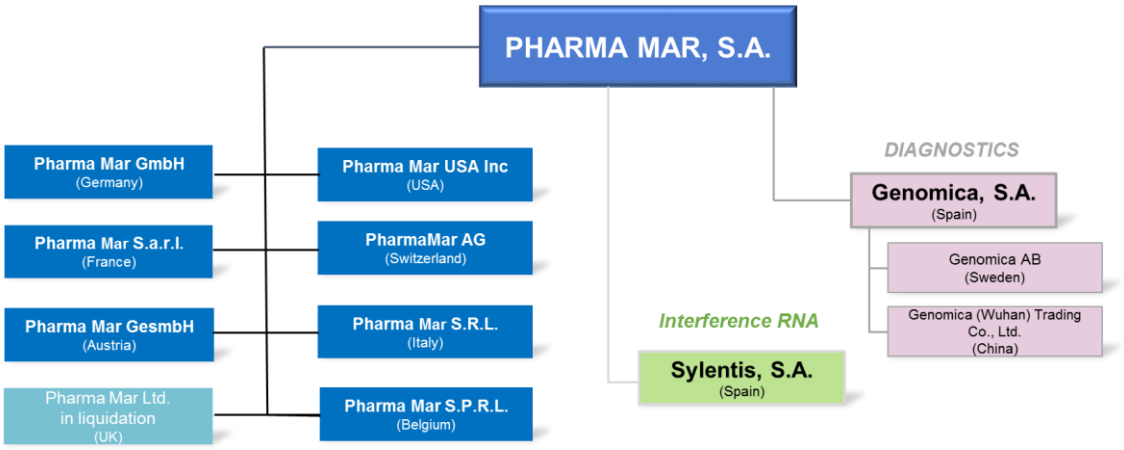


Figure 3. PharmaMar Group organization structure

Our strategy

The key components of the PharmaMar Group's strategy are:

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

Challenges for the pharmaceutical industry

The economic situation, the constant flow of government measures to contain healthcare costs, continuing concern about counterfeit products entering the supply chain, the increasing cost of research to develop new medicines, and the changes in healthcare regulations that have been introduced in recent years have had a major impact on the pharmaceuticals business.

Moreover, the COVID-19 pandemic has led to greater public trust in the pharmaceutical industry as an essential partner in finding therapeutic solutions to unmet medical needs. This trust is a unique opportunity to analyze the challenges facing the industry and to respond to them as a key contributor to social and economic progress.

Increase in funding for innovation

Innovation will be the main challenge in the coming years, but it also generates new opportunities to shorten clinical development, accelerate diagnosis and improve process efficiency. The automation of both internal and external processes, the use of information from clinical practice and digital tools make it possible to speed up drug research, improve clinical trial monitoring by shortening times, and enable better control of the medicine production and logistics chain and/or the traceability of raw materials and products from their origin to the hospital or pharmacy that supplies them to the patient.

Public-private partnerships for R&D

The challenge posed by the pandemic also highlighted the need for collaboration between the public and private sectors. The European Federation of Pharmaceutical Industries and Associations (EFPIA) emphasizes the need to seek a global agreement between health authorities, health organizations, medical and scientific associations, hospitals and pharmaceutical companies through collaborative R&D programs to develop new drugs and vaccines[2].

Market access and relations with government

The World Health Organization (WHO) considers that access to better and more effective medicines is one of the critical challenges to improving public health worldwide[3]. In recent years, the industry has been working to make governments and health decision-makers aware of the contribution by the pharmaceutical industry to the economy, job creation, research and innovation, as an engine of development in each

[2] "The top priority for EFPIA in the next two years will be to break through the silos and bring healthcare stakeholders together to achieve better outcomes for patients", Jean-Christophe Tellier, President of EFPIA. Published on 28 June 2019 and retrieved on 17 February 2021 on Euroactiv https://www.euractiv.com/section/health-consumers/news/new-pharma-boss-next-eu-commission-should-be-clear-on-how-to-protect-innovation/

[3] Roadmap for access 2019-2023. Roadmap for access 2019-2023, published at https://www.who.int/medicines/access_use/Roadmap_for_access_zero_draft.pdf, retrieved on 17 February 2021.

country. Since the industry is also highly regulated and product prices are agreed with government, there is a need for more dialog between government and the industry.

Adaptation to more regulation and regulatory changes

More stringent regulations on the development of new drugs, their registration, their production and even their marketing (via price regulation) require the pharmaceutical sector to adapt to a constantly changing environment. The pharmaceutical industry must become involved in building the pillars of a sustainable healthcare system, driving its own progressive transformation as a participants with high strategic value and better addressing the health problems of society as a whole.

Greater transparency, and the role of patients

Society is more demanding than ever and expects a social commitment from all agents involved. Pharmaceutical companies have been making major efforts in the area of social responsibility to offer transparency and improve the information they provide to patients, bearing in mind that, in many countries, including Spain, the law prohibits the industry from addressing patients directly to talk about products or treatments.

Greater control of the supply chain

COVID-19 has also underscored the danger of concentrating production in certain countries and the consequences for production of long supply chains subject to climate shocks, pandemics and/or changes in a given country's trade policy. According to Phil Hogan, European Commissioner for Trade, Europe is responding to this situation by adopting a strategic autonomy[4] approach, a new type of globalization involving stronger alliances with like-minded partners that offers greater protection for local companies and a diversification of supply chains. In any case, the pharmaceutical industry, whose suppliers are mostly highly specialized and very diverse, needs better control of its supply chains.

Our policies and internal regulations

The PharmaMar Group has a series of policies, protocols and internal rules concerning matters that are identified as material by its materiality analysis. These policies are applied to various spheres, such as product quality and safety, patient welfare, respect for the law and codes applicable to the Group, employee safety and training, the environment and sustainable development. The figure shows the main policies and the related material issues, which are detailed in the corresponding sections.

[4] Foreword by Phil Hogan, EU Commissioner for Trade, to the Trade and Investment Barriers Report 2019, published on 15 June 2020; retrieved 17 February 2021.

Figure 4. Internal policies and regulations classified according to the materiality analysis categories

In 2020, the Group adopted a Crime Prevention Plan and created a Compliance Committee, which is hierarchically dependent on the Board of Directors and must report to it periodically, its main function being to ensure compliance with the highest ethical standards within the company by exercising appropriate oversight. This committee is also responsible for reporting on all compliance-related issues and for investigating reports received through the Group's Whistleblower Channel.

The new Compliance Committee took on the functions of the former Conduct Committee, and this was notified to all Group employees, who were also informed of the e-mail address comitecumplimiento@pharmamar.com, to which any queries on this matter may be addressed.

The implementation of a Crime Prevention Plan is a further step by the PharmaMar Group in its commitment to the ethical values that it requires its people to apply, both among themselves and in their relations with customers, partners, suppliers and all those with whom they interact in the course of their professional activity.

The Crime Prevention Plan, the Regulation of the Whistleblower Channel, the Catalog of Prohibited Conduct, the Terms of Reference of the Compliance Committee, the PharmaMar Group Organization and Management Model, the Anti-Corruption Policy and the Penalty Procedure have been expressly approved by the Board of Directors.

Short-, medium- and long-term risks

Enviromental risks

Competition The pharmaceutical market is highly competitive and involves multinationals, small and medium-sized domestic players, and generic producers. The Pharma Mar group's results may be affected by the launch of novel or innovative products, technical and technological progress, and the launch of generics by competitors.
Mitigation measures: The Group invests in research and development in order to compete in this environment. Moreover, in key positions for the efficient and timely development of new products, it is vital to recruit qualified, experienced professionals, of whom there are few and who are in considerable demand by competitors. There is also a broad, up-to-date training program so that, in the case of unavoidable turnover, the Group has backup professionals.
Materiality: Innovation; Quality Employment Commitment to research into new products (1), People management and HR policies (10), Professional training and development (talent retention) (14) and Talent attraction (15).
Timescale: Medium term
Industrial property. Patents Industrial property is a key asset for the Pharma Mar group. Effective protection of industrial property is vital for ensuring a reasonable return on investment in R&D. Industrial property can be protected by registering patents, trade marks, brand names, domains, etc. Patents run for 20 years in most countries, including the USA and the European Union. The effective period of protection depends on how long drug development takes before launch. To partly offset such a long development period and the need to obtain authorization before marketing a drug, a number of markets (including the USA and the European Union) offer patent extensions in certain circumstances. Deficient protection of an invention or excessively long development times that limit the patent's useful life are risks inherent to the pharmaceutical business.
Mitigation measures: The PharmaMar Group has a rigorous patent policy which seeks to protect inventions obtained through its R&D activities. In addition to the protection that can be obtained for newly-discovered active principles, the Group also actively seeks protection for new formulations, production processes, medical applications and even new methods of drug administration. The Group has a system for managing its patents' life cycle, with patent departments that regularly review the patent situation in coordination with the regulatory affairs departments. It is also vigilant to detect breaches of our patents by other companies with a view to taking legal action if necessary.
Materiality: Innovation Knowledge protection, patentability and management (2)
Timescale: Long term
Regulation The pharmaceutical industry is highly regulated. Regulations cover such aspects as research, clinical trials, drug registration, drug production, technical validation of production standards, and even aspects of marketing. Regulatory requirements have become more stringent in recent times and this trend is expected to continue.

In most countries, pharmaceutical prices are controlled and regulated by the government, which has the power to authorize, disallow or even rule out reimbursement for the products. In recent years, prices have been reduced and reference prices have been approved, while the marketing and prescription of generics and biosimilar products have become easier.
Mitigation measures: To offset the risk of a constant flow of new legal and regulatory requirements, the Group makes its decisions and designs its business processes on the basis of developing innovative products in therapeutic areas where treatment options are very limited. The Group also constantly obtains exhaustive analyses of these issues by our own experts and by prestigious external experts where necessary.
Materiality: Supply chain value; Governance, business ethics and transparency Patient safety and wellbeing (20), Product safety and quality (21), Respect for the laws, regulations and industry codes (26), and Transparent relations with Authorities and Public Administrations (29).
Timescale: Medium term
Capital availability Because the markets are not always open and the PharmaMar Group makes significant R&D investments each year, the group seeks a range of funding sources, in both the credit and capital markets, to finance its growth, implement its strategy and generate income in the future.
Mitigation measures: The Group has spread out its risk considerably among various credit institutions, which provides it with greater flexibility and limits the impact in the event that any of its loans are not rolled over. The Group has also issued long-term debt in order to diversify its funding sources.
Materiality: Governance, business ethics and transparency Business model (strategy and governance) (22)
Timescale: Medium term
Shareholders As in the case of any listed company, there is the risk that a shareholder may consider that a decision by the Board of Directors or the Group's executives is harmful to their interests as a shareholder and file a complaint.
Mitigation measures: The Group has director and executive liability insurance which covers the risk of a shareholder filing a complaint on the grounds that a decision by the Board of Directors or the Group's executives is detrimental to their interests.
Materiality: Governance, business ethics and transparency Transparency in relations with investors and shareholders. (28)
Timescale: Short term

Operating risks

Raw material prices Deviations from expected price levels and a strategy of buying and accumulating inventories of raw materials expose the organization to excessive production costs and to losses on inventories.
Mitigation measures: The Group conducts an in-depth analysis of prices at the beginning of the year and tries to lock in a price for the year from its suppliers. Product cost prices are set on this basis. They are monitored monthly in case any modifications are necessary.
Materiality: Supply chain value Quality in managing outsourcing and suppliers (18)
Timescale: Short term

Patient safety

Failure to appropriately collect, review, track or report human safety information, including adverse events, from all potential sources, and to act on any pertinent findings in a timely manner, may compromise Pharma Mar Group's ability to conduct robust detection and interpretation of safety signals and to ensure that appropriate decisions are made regarding the risk/benefit profile of its products, including the completeness and accuracy of product labels and the conduct of any additional studies/analyses. This might result in harm to patients, reputational damage, product liability claims or other litigation, government investigations, regulatory action such as fines and penalties, and loss of product authorization.

Mitigation measures: The Group has a Pharmacovigilance Department which is responsible for compliance as part of a Group-wide policy. This policy ensures the protection of patients both in clinical trials and when the medicine has been authorized.
The pharmacovigilance organization monitors any adverse effects of products during clinical trials. Once a Group product is approved for marketing, we have an extensive surveillance and signal detection system in place. Information about any product side effects is received from a variety of sources, including unprompted reports from healthcare professionals and patients, regulatory authorities, medical and scientific literature, conventional media and social media. The Group's policy is that employees must immediately report any problems related to product safety or quality and specific training on this subject is mandatory for all employees every year. The Pharmacovigilance Department is responsible for oversight, exception monitoring and training to ensure that safety information is gathered and reported to the appropriate central safety department, in accordance with the policy and the law.
There is also a Quality Unit whose mission is to ensure patient safety and protection by verifying compliance with the GxP requirements (GLP, GCP, GVP, GMP and GDP) applicable to PharmaMar (see chapter 3. "Supply chain value. Consumer relations"). The unit holds ultimate responsibility for ensuring that activities associated with the design, development and execution of non-clinical and clinical trials and the manufacture of active ingredients and drugs are performed systematically, in accordance with approved protocols and procedures and in compliance with all applicable legal requirements and regulations and, most importantly, while safeguarding patients' rights, safety and wellbeing.

Materiality: Supply chain value
Quality in customer management (19), Patient safety and wellbeing (20), and Product safety and quality (21)

Timescale: Short term

Employee health and safety

Failure to provide a safe workplace for its employees would expose the Group to sizable expenses, loss of reputation and other costs.
Exposure of laboratory personnel to new natural or synthetic compounds whose possible adverse effects are unknown creates a theoretical health and safety risk in addition to the standard risk of handling chemicals.

Mitigation measures: Workplace health and safety is monitored exhaustively in pursuit of continuous improvement.
The Group has implemented a workplace health and safety system that is audited regularly to ensure compliance.
The Company has also arranged casualty and third-party liability insurance.
Pharma Mar, S.A., whose workforce accounts for 70.8% of the Group's employees, is certified to the OHSAS 18001 Occupational Health and Safety Management standard. Additionally, the workplace health and safety systems, involving a new approach based on the organization's internal and external context, were certified to the ISO 45001 standard in 2020.

Materiality: Employment quality

Health and safety (12)
Timescale: Short term
Environment Environmental risks can generate potentially significant liabilities for companies. The greatest risk lies in third-party claims for harm to persons, property or the environment as a result of pollution.
Mitigation measures: The Group's production processes generally have a very low risk of environmental impact (noise, smoke, discharges, etc.). Waste management is outsourced to recycling and waste management companies that are authorized by the pertinent environmental administration. Regular compliance checks are conducted and, where necessary, atmospheric emissions are monitored, water purification systems are installed and the Group has designated points for depositing separated waste. Pharma Mar, S.A. is certified to the ISO 14001 standard, a management tool for the systematic oversight of the degree of interaction between the companies' activities and processes and the environment, the goal being to enhance environmental performance and minimize the impact. The environmental management system is audited annually by independent firms.
Materiality: Environmental management Environmental management approach and objectives (4), Circular economy and waste abatement (6), Sustainable resource use (7), and Climate change (8)
Timescale: Long term
Product development The Group allocates a considerable volume of resources to researching and developing new pharmaceutical products. As a result of the length of this process, the technological challenges involved, the regulatory requirements and the intense competition, it is not possible to be sure that all compounds currently under development and those to be developed in the future will reach the market and attain commercial success.
Mitigation measures: To maximize the effective and efficient use of our resources, the Group has implemented a horizontal working structure across the various departments, project-specific teams and reporting systems to monitor R&D projects internally.
Materiality: Innovation Commitment to research and development of new products (1)
Timescale: Long term

Information risk

Information systems and cybersecurity If the company's information systems malfunctioned or were not sufficiently robust, this might adversely affect the continuity of the organization's critical processes and operations. If the computer security and access control systems failed to work properly, this might lead to unauthorized discovery, unauthorized access to data or the untimely delivery of same, and improper use of confidential information.
Mitigation measures: The PharmaMar Group is aware of the importance of computer systems to support the main business processes; for that reason, it continuously invests to maintain the infrastructure and information systems, and to keep its physical and legal security policies aligned with technological progress. The PharmaMar Group has a strategic plan for Information Systems whose main objective is to align the information technology strategies with the company's strategic objectives,

guarantee compliance with the strict regulatory framework, and ensure efficacy, security and robustness of the information systems that support the company's business processes. The strategic plan for Information Systems addresses key issues for attaining those goals, including: - Organization, roles and responsibilities within the IT unit - Corporate computing architecture and infrastructure - Catalog of corporate services provided by the Information Systems unit - Quality assurance and compliance commitments - General policies and procedures of the IT unit - Information security policies, procedures and infrastructure Where third-party technology infrastructures or IT solutions are used, the Group has service level agreements to minimize the impact on its operations of any degradation in those services.
Materiality: Innovation, Supply chain value Knowledge protection, patentability and management (2), Quality in managing outsourcing and suppliers (18), and Quality in customer management (19).
Timescale: Short term
Market disclosures. The Group is obliged to disclose certain financial information and make other regulatory disclosures that must be truthful, complete and timely. Failure to comply carries the risk of punishment and of a loss of credibility. Breach of transparency and 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.
Mitigation measures: PharmaMar's Board of Directors and certain of the company's executives and employees have access to inside information about the Group's performance. There are control systems in place in order to be aware of who is in possession of such information at any given time, mainly in order to comply with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse and with Spain's Securities Market Act, in the area of inside information. That Regulation includes a tool enabling the regulator to investigate potential market abuses relating to such information by means of the insider list of all persons with access to inside information, which the Company must compile and maintain up-to-date. The Rules of Conduct Steering Committee, made up of five members appointed by the Board of Directors, is tasked with ensuring proper application of the Internal Rules of Conduct in matters related to the securities market.
Materiality: Governance, business ethics and transparency Transparency in relations with investors and shareholders (28), and Transparent tax information (27)
Timescale: Short term

Financial risks

The financial risks are described in the consolidated financial statements.

2. Employment quality

People management

For the PharmaMar Group it is fundamental to promote a working environment based on respect and on personal and professional development. There is a Code of Ethics establishing the guidelines governing the conduct of all of employees in their daily work and, specifically, with regard to the Group's relations with all its stakeholders.

In the PharmaMar Group, management of human resources and relations between employees must always be based on scrupulous respect for people's dignity, rejecting any form of physical, psychological or moral abuse, or the abuse of authority, and any other conduct that might breach a person's individual rights. The PharmaMar Group does not tolerate any type of discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social background, disability or any other circumstance that might be a cause of discrimination.

The Group's materiality analysis this year established that the ability and capacity to attract and retain talent, as well as maintaining the quality of Human Resources management and policies, are material issues for the Group.

Pharma Mar is currently updating its Equality Plan to bring it into line with Royal Decrees 901/2020 and 902/2020, dated 13 October, which regulate equality plans and their registration, as well as equal pay for women and men.

There are also a number of protocols and policies that enable the Group to adapt to emerging challenges and demands in the labor market so as to ensure implementation of flexibility mechanisms to facilitate a work-life balance. These include:

- The general Human Resources regulations
- The Recruitment Policy (directly or through employment agencies)
- The Training Procedure
- The Performance Assessment Policy
- Teleworking policy and other actions aimed at boosting flexibility
- The Regulations on Working Hours
- Control and Logging of Hours Worked
- Policy on hiring interns.

Additionally, in 2020 the COVID-19 made it necessary to step up measures aimed at protecting employee health, and teleworking was encouraged in those positions where it was possible, especially in the toughest period of lockdown at the beginning of the pandemic. All these measures are detailed in the section on worker health and safety.

Workforce in 2020

The average number of employees was calculated taking into account the entire consolidation scope of the financial statements (see section 1. About PharmaMar. Our organization), including all PharmaMar Group companies and their respective subsidiaries. To ensure comparability between years, the data for 2019 were restated to exclude Zelnova Zeltia and its subsidiary Copyr, which were sold in mid-2019.

In 2020, Sygris, a data management platform, was acquired to analyze the Group's workforce data, which enables the analysis, management and reporting of sustainability information. This platform was developed by Cambridge Business Initiative (CBI), a Spanish company that develops technology solutions for smart data management. In 2020, PharmaMar used this platform to obtain average headcount remuneration figures and to calculate the gross and adjusted pay gap.

The workforce was divided into the following professional categories: senior management, management, middle management, technical, administrative and similar personnel, and other personnel. The NFIS 2019 used the professional categories used by the Spanish Social Security system.

Average headcounts were calculated on the basis of a 360-day year.

Breakdown of employees by gender, age, country and professional category.

In 2020, the PharmaMar Group employed an average of 443 people, of whom 62% were women (437 people, of whom 60% women, in 2019).

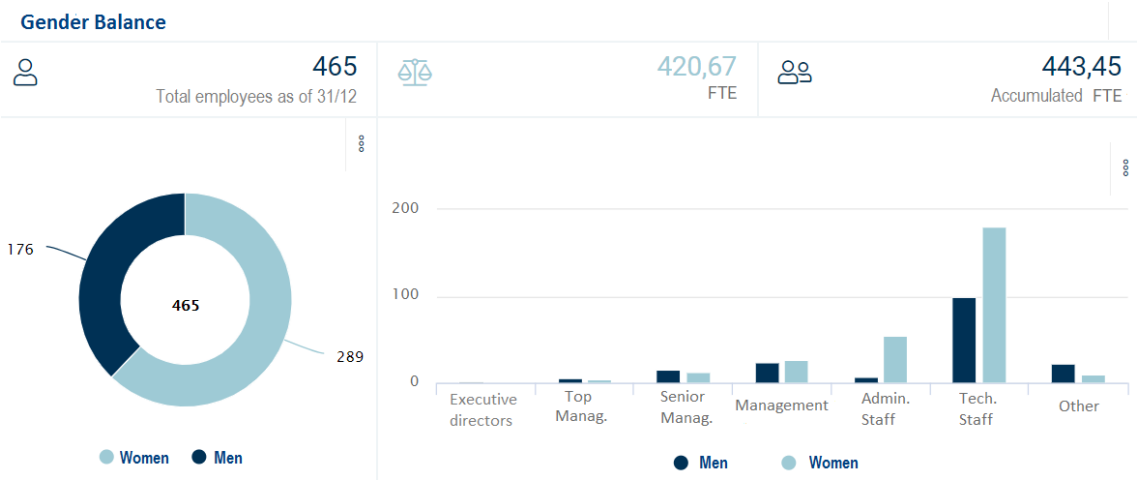


Figure 5. PharmaMar Group gender balance

*FTE is the average number of employees at the end of the year (considering only those who remained in the PharmaMar Group) and accumulated FTE is the average number of employees who were on the books at any time during the year.

Of the total workforce, 4.7% are aged under 30, while 34.5% are aged over 50 (in 2019, there were 437 employees, 60% women; 4% were aged under 30 and 30% were aged over 50).

Nationality	Men	Women	Total
Germany	8	13	21
Argentina	3	0	3
Austria	0	5	5
Belgium	1	5	6
Canada	0	1	1
China	0	1	1
Cuba	1	0	1
Spain	136	225	361
United States	1	1	2
France	7	8	15
Ireland	0	1	1
Italy	8	11	19
Peru	0	1	1
Portugal	0	1	1
United Kingdom	2	0	2
Romania	0	1	1
Russia	1	0	1
Sweden	1	0	1
TOTAL	**169**	**274**	**443**

Category	Men	Women	Total
Executive directors	2	0	2
Top Management	5	4	9
Senior Management	14	14	28
Management	23	26	49
Technical staff	102	169	271
Administrative and similar staff	6	51	57
Other	17	10	27
TOTAL	**169**	**274**	**443**

Age range	Men	Women	Total
<30	7	14	21
31-40	32	58	90
41-50	62	118	180
51-60	55	72	127
>61	13	12	25
TOTAL	**169**	**274**	**443**

Table 2. Average number of employees, classified by nationality, category and age range

The average number of employees by nationality was calculated using their current nationality, not their nationality of birth or previous nationality. Accordingly, employees originally from Morocco, Lebanon, Bosnia or Colombia are listed with their current nationalities (Spanish, French, etc.).

Distribution of employment contract types

On average, indefinite contracts account for 97.9% of the total, and temporary contracts account for only 1.8% (99% indefinite contracts and 1% temporary contracts in 2019).

Gender	Indefinite	Temporary	Total
Men	167	2	169
Women	267	7	274
Total	**434**	**9**	**443**

Age range	Indefinite	Temporary	Total
<30	16	5	21
31-40	87	3	90
41-50	179	1	180
51-60	127	0	127
>61	25	0	25
Total	**434**	**9**	**443**

Category	Indefinite	Temporary	Total
Executive directors	2		2
Top Management	9		9
Senior Management	28		28
Management	49		49
Technical staff	264	7	271
Administrative and similar staff	55	2	57
Other	27		27
Total	**434**	**9**	**443**

Table 3. Average number of employees by employment contract type.

Number of terminations, by gender, age and professional category

In 2020 there were 61 new hires and 38 attritions (16 terminations by the Group). (In 2019, there were 41 new hires: 11 men and 30 women; and a total of 27 terminations in the Group).

The table below shows the number of terminations by gender, age and professional category. The numbers are actual figures, not averages.

Age range	Gender	Senior Management	Management	Administrative and similar staff	Technical staff	Total
<30	Women	0	0	0	2	**2**
	Men	0	0	0	1	**1**
31-40	Women	0	1	0	2	**3**
	Men	0	0	0	1	**1**
41-50	Women	1	0	2	0	**3**
	Men	0	0	0	1	**1**
51-60	Women	0	0	0	1	**1**
	Men	1	0	0	2	**3**
>61	Women	1	0	0	0	**1**
	Men	0	0	0	0	**0**
TOTAL		**3**	**1**	**2**	**10**	**16**

Table 4. Number of terminations, by gender, age and professional category

Employees with disabilities, by gender and professional category

Pharma Mar, S.A. is in possession of a ruling dated 14/06/2016, Case no. 61/2016, by the Public Employment Service under the Madrid Regional Government Department for Economic Affairs, Employment and Taxation declaring it to be in exceptional circumstances with respect to the obligation to hire employees with disabilities and the adoption of alternative measures with Madrid Special Center for Employment number 286. The agreement that PharmaMar has reached entails hiring a special employment center (a travel agency); accordingly, billings through that center enable PharmaMar to fulfill its mandatory quota by spending at least three times the IPREM (Spain's multi-purpose income index) per worker with disability not hired.

The following table shows the total number of employees with disabilities in the PharmaMar Group, by gender and professional category, in 2020 and 2019.

Year	Gender	Management	Technical staff	Administrative and similar staff	Other	Total
2020	Men	1	2	1	1	**5**
	Women	0	0	2	0	**2**
2019	Men	1	2	1	1	**5**
	Women	0	0	2	0	**2**

Table 5. Number of employees with disabilities, by gender and professional category

Wage gap and average remuneration

Pharma Mar is committed to effective equality, providing equal opportunities and equal pay, regardless of gender, for jobs of equal value. To this end, and in order to continue advancing in the area of wage equality, a project was implemented to carry out a deeper analysis of the pay gap in 2020, seeking to homogenize the information and detect any factors that might distort the result. The data on the gross and adjusted pay gap in this report are presented on that basis. The project was performed with the advisory services of consulting firm CBI.

In addition to identifying and isolating the elements that distort the calculation, the analysis also made it possible to identify the factors that could give rise to inequality, and to implement actions for improvement in the coming years.

The calculation of average remuneration and the pay gap considered only workplaces in Europe, i.e. 99% of the workforce, excluding the salaries paid to employees in the USA (3 employees), China (2 employees) and Brazil (2 employees; this subsidiary was liquidated in October 2019), which account for the other 1%. This was done in order to avoid the distorting effect of applying exchange rates.

The gross pay gap was calculated as the percentage difference between the average pay received by men and women. Average pay was calculated by considering fixed and variable remuneration, in cash and in kind (medical insurance, meals, vehicle, etc.). The calculation did not include overtime, severance payments and the value of the shares that the Group gives free of charge to those employees who elect to participate in the Share Ownership Plan. The shares are offered to all employees under the same conditions and for the same amount, but participation in the Plan is voluntary and, therefore, this is not a form of remuneration decided by the employer. Nevertheless, the amount is not material with respect to total remuneration.

Additionally, in 2020 the Board of Directors approved extraordinary remuneration for certain employees of the Group who had contributed to arranging the agreement with Jazz Pharmaceuticals. Given that this was a one-off event and was not part of a pre-established remuneration package or a long-term bonus, this extraordinary bonus was also removed from the comparative tables of average remuneration between 2019 and 2020, although the overall gross gap is calculated in both scenarios.

Executive directors' fixed and variable remuneration, and internship contracts, are reported separately in the section on average remuneration by category, and do not form part of the Group's average remuneration.

The adjusted pay gap is calculated by applying econometric models that make it possible to isolate the effect on wages of differences between men and women, both in terms of their socio-economic characteristics (age, seniority, level of education or academic choices) and the jobs they hold (working hours, type of occupation, etc.). Accordingly, adjusted pay gaps are a more reliable indicator of whether men and women receive the "same pay for the same work".

Average remuneration was calculated on a cash basis unless otherwise specified. Figures are expressed in euro.

Calculation of the PharmaMar Group pay gap

The PharmaMar Group's adjusted pay gap is 4.9% (7.7% in 2019), as calculated with the econometric model in the CBI application as the average, weighted by the number of women, of the existing pay gap between men and women who have the same attributes. In the case of people who do not have an equivalent person of the opposite gender with whom to compare, the average of the attribute in which they do coincide is taken as the value. The model used by PharmaMar takes account of the professional category and seniority as attributes for adjustment. In the case of seniority, recognition of the person's contribution to the company and the labor market conditions at the time they were hired are used as differentiating elements. The table below shows the calculation of the gap by professional category, adjusted for seniority:

Category	Adjusted gap	Contribution to the adjusted gap
Top management	7.7%	0.1%
Senior Management	28.1%	1.4%
Management	-3.1%	-0.3%
Technical staff	12.5%	7.8%
Administrative and similar staff	-23.0%	-4.3%
Other	7.6%	0.3%
	Adjusted gap	**4.9%**

Table 6. Pay gap adjusted for professional category

The Group's gross pay gap stands at 26.2% (25.7% in 2019), excluding the extraordinary bonus, or 29.8% if the bonus is included. The tables below show the gap broken down by age and professional category, expressed as the percentage difference between women and men in 2020 alone, and broken down depending on whether the workplaces are located in Spain or in commercial subsidiaries elsewhere in Europe:

Category	PharmaMar Group	Spain	European subsidiaries
Top Management	25.6%	25.6%	-
Senior Management	25.4%	28.1%	13.4%
Management	9.9%	12.7%	-22.1%
Technical staff	16.1%	23.0%	-13.7%
Administrative and similar staff	-20.1%	-31.5%	23.0%
Other	2.0%	2.0%	-

Table 7. Gross pay gap, by professional category

Age range	PharmaMar Group	Spain	European subsidiaries
<30	-5.5%	-2.6%	-
31-40	11.3%	-1.2%	33.0%
41-50	23.1%	29.7%	-8.2%
51-60	28.5%	28.7%	30.5%
>61	16.24%	18.9%	-29.9%

Table 8. Gross pay gap, by age range

Average remuneration and changes, by gender, age and professional category.

The average remuneration of the PharmaMar Group's total workforce in 2020 was €74,441.32, excluding the extraordinary bonus, or €78,070.96 if it is included (€75,628.70 in 2019). Average remuneration decreased since most of the new hires in 2020 were in lower wage categories.

The tables below show the PharmaMar Group's average remuneration in 2020 by gender, age and professional category, and the comparison with 2019. The average remuneration figures are also broken down by geographic area, distinguishing between workplaces in Spain and the commercial subsidiaries in other European countries:

Category	PharmaMar Group				Spain		European subsidiaries	
	2019		2020		2020		2020	
	Men	Women	Men	Women	Men	Women	Men	Women
Executive directors	696,316	-	719,561	-	719,561	-	-	-
Top Manag.	299,333	243,733	320,231	238,212	320,231	238,212	-	-
Senior Manag.	240,609	170,144	225,078	168,006	231,170	166,313	206,805	179,012
Management	122,882	93,912	110,091	99,189	115,463	100,730	70,692	86,349
Technical staff	65,754	61,914	69,593	58,360	64,727	49,826	95,812	108,951
Admin. and similar staff	42,858	42,173	33,800	40,586	29,195	38,400	66,033	50,863
Other	37,710	32,182	33,775	33,086	33,775	33,086	-	-

Table 9. Average remuneration, by professional category

Age range	PharmaMar Group				Spain		European subsidiaries	
	2019		2020		2020		2020	
	Men	Women	Men	Women	Men	Women	Men	Women
<30	40,578	30,863	26,988	28,474	26,988	27,681	-	39,576
31-40	43,889	43,193	47,418	42,045	40,773	41,279	103,903	69,627
41-50	95,089	70,875	87,000	66,934	84,703	59,510	97,070	105,066
51-60	126,155	87,140	122,802	87,839	121,145	86,417	133,162	92,523
>61	120,690	118,559	125,617	105,217	128,825	104,494	87,130	113,169

Table 10. Average remuneration, by age

The executive director category includes their fixed remuneration for executive functions and the variable remuneration paid to the executive Chairman, who also receives compensation in kind such as communication equipment, prestige offices, support staff, security systems and staff, and a high-end vehicle, which amounted to a total of €337 thousand in 2020 (€332 thousand in 2019).

Average remuneration for directors and executives

The average remuneration for directors and executives is calculated on an accrual basis as specified in the Annual Report on Director Remuneration.

Average director remuneration

The remuneration of the members of the Board in their capacity as such is governed by the Director Remuneration Policy 2020-2022, which was approved by the Shareholders' Meeting on 18 June 2020.

The remuneration detailed below is that received by directors for their status as such, and excludes the fixed and variable remuneration paid to executive directors for performing executive duties (also set out in the Director Remuneration Policy 2020-2022), which is disclosed in the tables of Group average remuneration.

Remuneration for directors for their status as such includes fixed amounts they receive as members of the Board of Directors and its committees (Executive Committee, Audit Committee, and Appointments, Remuneration and Sustainability Committee), fees for attending meetings of the Board and committees, remuneration they receive as members of the Boards of Directors of other companies in the Group, the remuneration for the Lead Director and contributions to savings schemes.

The following table shows the breakdown by gender of each remuneration item and the remuneration corresponding to each item:

	2019				2020			
	Number		Remuneration		Number		Remuneration	
	Men	Women	Men	Women	Men	Women	Men	Women
Member of the Board	7	3	64,605	64,605	7	4	68,675	68,675
Member of the Executive Committee	3	-	127,115	-	3	-	135,123	-
Chairman - Other committees	1	1	21,933	21,933	1	1	23,315	23,315
Member - Other committees	5	3	16,840	16,840	4	3	17,901	17,901
Board meeting attendance fees	-	-	3,701	3,701	-	-	3,934	3,934
Committee meeting attendance fees	-	-	1,679	1,679	-	-	1,785	1,785
Lead director	1	-	16,840	-	1	-	17,901	-

Table 11. Director classification by gender, and remuneration

As of 31 December 2020, there were 11 directors, four of whom were women (one appointed in December 2020). As of 31 December 2019, there were 11 directors, three of whom were women (one appointed in June 2019).

PharmaMar's remuneration policy seeks to align the interests of the shareholders with prudent risk management and moderation and balance, bearing in mind that the quality and commitment of the members of the Board of Directors is essential for implementing the Group's strategy. Remuneration must encourage dedication without compromising independence.

Director remuneration

The information in this item refers to average remuneration for senior executives, i.e. those who report directly to the Board of Directors or to a director (in line with the approach adopted in article 249 bis of the Capital Companies Act) and who may only be appointed or removed by the Board of Directors of PharmaMar, in accordance with Spanish law.

The average was calculated taking account of the fact that, as of 31 December 2020, there are nine senior managers, four of whom are women (seven in 2019, of whom three were women). As shown in the table of remuneration by category, the average remuneration for senior executives in 2020 was €320,231 for men and €238,212 for women (2019: €299,333 and €243,733, respectively).

CEO pay ratio.

The CEO pay ratio is calculated as the proportion between the remuneration paid to the PharmaMar Group's CEO and the median compensation of all employees, excluding the CEO. In 2020, the CEO was paid 22.2 times the company's median wage (20.7 in 2019).

The following table shows the CEO pay ratio vis-à-vis the average remuneration by professional category:

Category	CEO pay ratio
Top management	4.1
Senior Management	5.9
Management	11.2
Technical staff	29.3
Administrative and similar staff	18.7
Other	34.9

Table 12. CEO pay ratio vs. average remuneration by professional category

Labor relations

The Parent Company is governed by the General Labor Agreement for the Chemical Industry (currently number 19, in force in 2018, 2019 and 2020), which applies to 100% of employees in Spain.

At 2020 year-end, 100% of employees at the European subsidiaries were covered by a collective agreement, except in Germany, where there is no such agreement in the industry. The applicable collective bargaining agreements are:

- "Contratto Collettivo Nazionale dei Chimici", in Italy
- "Convention Collective de l'Industrie Pharmaceutique (brochure No. 3104)", in France
- "Commission Paritaire 200", in Belgium.
- "Kollektivvertrag Handelsangestellte", in Austria

PharmaMar does not have a Works Committee. The Group uses the intranet to provide its employees with information concerning:

- Legal texts
- Policies and procedures
- Internal organization
- Departmental organization
- News and events relating to the Company

Work organization

The PharmaMar Group is governed by Spain's General Labor Agreement for the Chemical Industry, which stipulates a total of 1,752 working hours per year per employee. This translates into a 40-hour week which employees may distribute so as to have Friday afternoons off. PharmaMar employees may start their working day any time between 8:00 and 9:30.

The unbroken shift, along with flexibility regarding the start time, are measures to promote work-life balance in order to enhance employees' productivity by optimizing the time dedicated to work and family.

Work-life balance measures at PharmaMar also include a teleworking policy adapted to the needs of each job and each area of interest, depending on the duties to be performed by each employee. Teleworkers are provided with appropriate infrastructure and resources to enable them to connect with their teams from home. The efficiency of this approach is monitored based on specific metrics and goals.

As detailed later in this chapter, the situation generated by the COVID-19 pandemic increased the number of people teleworking.

For convenience and to save time and money, PharmaMar employees also have access to its cafeteria, where a daily meal is available free of charge. The company also offers a takeaway menu for employees to consume outside working hours or off the premises if they so wish. At premises where there is no cafeteria, there is a restaurant voucher system.

Managing talent through training

There is a training procedure focusing exclusively on general training of the Group's staff. Given the heterogeneous nature of the professional categories in the organization, these are subject to various highly skilled training regulations, demands and requirements which are managed by the various departments.

Managers indicate whether there are any employees in their departments who might benefit from specific training or an improvement in their technical, commercial or linguistic skills. Employees also take part in courses and seminars to boost their skills.

The Human Resources Department performs three functions in this connection:

- It manages, promotes and delivers the general training aimed at developing skills and languages. It also provides technical training applicable to broad interdepartmental groups.
- It approves, supervises, controls, records and keeps track of the information on all the training actions and attendance at conferences by all Group staff. These functions are executed through:
    - The Training Procedure, which includes each department's Annual Training Plan, is available to all employees on the Intranet
    - Applications for training
    - Record of attendance
    - Training database
- It manages training subsidies from Fundación Tripartita.

The table below presents the total number of training hours by professional category.

Category	2019*		2020	
	Nº people	Training hours	Nº people	Training hours
Top management	8	82	9	85
Senior Management	19	1,117	20	516
Management	98	4,271	99	2,719
Technical staff	114	4,588	125	4,188
Administrative and similar staff	162	4,080	181	2,996
Other	4	223	4	47
Total	**405**	**14,361**	**438**	**10,551**

Table 13. Total number of training hours by professional category

* The training database is a dynamic database that is updated as attendance certificates are obtained for scheduled courses. For this reason, in some cases it may happen that the data reported in the previous NFSR does not correspond to the current updated data. In the case of 2019, 13,859 hours were reported, being the accumulated data extracted from the database at the date of writing this report 14,361 hours.

The COVID-19 pandemic made it impossible to carry out the planned training and, consequently, the number of training hours delivered in 2020 was lower than in 2019.

Universal access for persons with disabilities

From the outset, the PharmaMar Group has taken into consideration the aim of facilitating access to persons with reduced mobility, for employees, service providers and visitors. This accessibility begins as soon as they arrive at the facilities. where there are reserved parking spaces for persons with disabilities. All accesses have ramps.

There are lifts inside the facilities. There are accessible toilets for wheelchair access which are fully equipped to facilitate their use.

The Group's corporate philosophy contemplates recruiting persons with disabilities.

Committed to equality and diversity

The PharmaMar Code of Good Practices rules out discrimination on the basis of gender or for any other reason. All vacancies are open to both genders and the wages are established in accordance with candidates' experience and effective capabilities.

Moreover, PharmaMar Spain has a Protocol for Action on Workplace Harassment. It also has a Plan for Equal Opportunities between Women and Men[5], which sets out the company's commitments in the following items:

- Access to employment
- Promotion
- Staff training
- Remuneration
- Work-life balance
- Occupational health

There is an Equality Committee, comprising an employee representative and a representative of the company, which is scheduled to meet periodically to verify compliance with the commitments through the presentation of data for the period in question. PharmaMar is currently updating its Equality Plan to bring it into line with Royal Decrees 901/2020 and 902/2020, of 13 October.

[5] In accordance with Organic Act 3/2007, of 22 March

In order to promote diversity, the Group publishes job offers widely and always seeks the best candidate for each position, regardless of their origin. For example, there are 18 different nationalities working in the PharmaMar Group (19 in 2019), with a very positive impact in terms of the variety of languages, origins and cultures.

Health and safety

This section on Health and Safety refers to PharmaMar, although the absenteeism and accident data refer to the entire Group.

PharmaMar is certified to the OHSAS 18001 Occupational Health and Safety Management System standard by Lloyd's Register Quality Assurance. It has been renewing this certification for more than eleven years now, passing annual audits for this purpose. This certification is evidence of the company's strong commitment to best practices in this domain and the consideration of these practices as a priority for both its employees and its suppliers.

PharmaMar's workplace health and safety systems, involving a new approach based on the organization's internal and external context and aligned with the ISO 14001:2015 environmental management standard, were certified to the ISO 45001 standard in 2020.

There are workplace safety plans in place and employees are provided with safety training and awareness programs. There is also a self-protection and emergency plan, as well as evacuation plans and drills. All offices have signage indicating emergency exits and fire extinguishers. Responsibility for safety is outsourced to an external provider, which periodically verifies that all equipment and offices conform to safety standards.

With regard to employee healthcare, the Group adopts a broad interpretation of health monitoring that goes beyond the strict requirements of labor legislation. Check-ups include broader blood and urine analyses to enable employees to monitor their general state of health. Importance is also given to ergonomics (suitable chairs and encouraging proper posture), there are programs to stop smoking, dietary information, blood pressure monitoring and promotion of physical activity, among other actions. The scheduled program could not be implemented in 2020 because of the restrictions imposed in response to the COVID-19 pandemic.

PharmaMar includes and integrates employee healthcare as part of its management system, as evidenced by its certification to the OHSAS 18001 standard, in alignment with Sustainable Development Goal 3. That goal aims to ensure healthy lives and promote well-being for all, at all ages.

Because of the COVID-19 pandemic in 2020, PharmaMar was unable to implement the planned safety culture initiatives[6], such as:

[6] In accordance with Act 31/1995, of 8 November

- Free flu vaccination for employees: could not be performed because the Social Security system centralized vaccines rather than distributing them to private companies.
- Workplace Health and Safety Week: canceled because of the pandemic.
- Blood donation drive: canceled because of the pandemic.

Lost time[7] at the PharmaMar Group totaled 33,479 hours in 2020 (23,394 hours in 2019). The increase in lost time year-on-year includes that due to COVID-19.

As for the accident rate, there were two workplace accidents at PharmaMar that did not result in sick leave, and four commuting accidents, three of which resulted in sick leave. At Genómica there were two accidents resulting in sick leave, but zero commuting accidents. There were no accidents at Sylentis.

The tables below show PharmaMar's accident incidence, frequency and severity rates and those for the industry for 2019 and 2020.

	PharmaMar 2019	Industry 2019	PharmaMar 2020	Industry 2020
Incident rate	3.19	15.40	0.00	13.56
Frequency rate	1.82	8.79	0.00	7.53
Absolute frequency	3.64	17.58	3.54	20.09
Severity rate	0.05	0.22	0.00	0.11

Table 14. Workplace accident incidence, frequency and severity

PharmaMar's accident frequency and severity has been consistently below the industry average in the last few years.

No occupational illnesses or illnesses having a direct relationship with the activities performed by the Group have been reported. There were a total of 68 cases of sick leave due to COVID-19 in 2020.

Safety measures adopted against the COVID-19 pandemic

During the onset of the COVID-19 pandemic in early 2020, the most immediate response was to e-mail employees with instructions about precautionary and containment measures. The Environment, Health and Safety Department then drafted a Risk Management Manual in order to identify existing risks and measures to be adopted. At the same time, external service providers were contacted to ascertain their internal protocols for action, and internal hygiene measures were stepped up through extra cleaning in the common areas of the staff restaurant and at the sites where cases had

[7] The Company calculates time lost as including temporary disability (sick leave due to common illnesses and work accidents, excluding paid leave for maternity, paternity, vacations, etc.).

been detected. External service providers were recommended to avoid non-essential visits, and new access rules were implemented.

Once the Spanish government declared the state of alarm, all employees whose work could be carried out from external locations switched to telework (approximately 60% of the total). For workers whose presence was essential, containment measures were increased, establishing a system of two 6-hour shifts, which enabled production to continue without incident.

Once the first state of alarm had concluded, vulnerable staff were identified and allowed to telework for a longer period. According to the Ministry of Health definition, vulnerable staff included persons over 60, pregnant women and people with high blood pressure, diabetes, cardiovascular diseases, chronic lung diseases, cancer or immune deficiencies.

PCR and blood tests were performed on all employees during the first state of alarm, and regular tests were performed thereafter. In addition to generalized testing, employees showing symptoms of COVID-19 and close contacts of confirmed cases were given PCR tests at the company's expense before returning to work.

Also, based on the recommendations of the Spanish Ministry of Health and the WHO, the internal protocol for action in the event of COVID-19 infection was updated and new protocols were established, principally:

- Risk management manual
- Protocol for entrance by outside contractors
- Internal protocol for action by employees in the event of COVID-19 infection
- Instruction for hospital visits (providing guidelines for key account managers and trial monitors)
- Cleaning protocol for contract cleaners.
- Protocol for measures in the staff restaurant.
- Protocol for identifying vulnerable persons and informing them about the measures.
- Telework during the state of alarm and in order to care for a minor in 2020.
- New access rules for outside contractors.
- Regular internal e-mails to workers to remind them of safety and protection measures.

Since the state of alarm was declared, changes have been made within the facilities to identify, separate and flag work areas. Posters with rules were placed in meeting rooms, cafeteria and staff restaurant and protective screens were installed in common areas (reception, meeting rooms, shared offices, etc.). The number of hand sanitizer locations was increased and anti-COVID surface cleaning was expanded.

Since laboratory staff are most at risk because of shared work areas, they were provided with FFP2 masks from the outset. Workers who have to visit hospitals and particularly

sensitive workers were given PPE. Once resource availability increased, surgical masks and reusable hygienic masks were supplied to the entire workforce.

The number of laptop computers was increased for all teleworking employees and those suspected of having COVID-19 due to a close contact or a workmate, based on the internal protocol.

The airflow in the facilities was increased to double the air change rate. Automatic soap and paper dispensers were installed in toilets, as well as door retention mechanisms to enable users to avoid touching surfaces and doorknobs.

Employees were allowed to enter the premises up to 30 minutes early to avoid crowds, and changing room shifts were established for laboratory and maintenance staff to keep numbers to a safe level. Outside visitors were required to pass a temperature check and other measures at the facility gate.

Datum	Units	Comment
Surgical masks acquired	32,900	Equivalent to 100 per employee
FFP2 masks acquired additionally	800	Equivalent to 10 per laboratory employee
Communication, action protocols, training and information for workers.	43	This includes all communications, from the first e-mail in February 2020 warning of the situation and the impact on the company, to the remote training arrangements.
Legislation and official protocols revised and adapted to the company	57	Ministry of Health, Madrid Regional Government, National Institute of Safety and Health at Work, etc.
Number of PCE tests performed	1,700	approximately

Table 15. Actions taken against COVID-19

Expenditure by the Pharma Mar Group on teleworking equipment, improving connections in meeting rooms, equipping offices and acquiring personal protection equipment is as follows:

Action	Investment/Expenditure
Upgrade telecommunications systems in meeting rooms to avoid face-to-face meetings and facilitate teleworking	457,981 €
Provision of laptop computers to facilitate teleworking	45,924 €
Performance of PCR and antigen tests	225,353 €
Outfitting of offices to provide safe working conditions (renovation, installation of partitions, signage, air purifiers, contactless clocking machines, infrared thermometers, hand sanitizer, etc.)	56,621 €
Masks (self-filtering P2 and surgical) and gloves (latex and nitrile).	40,086 €

Table 16. Investment/expenditure due to COVID-19

3. Supply chain value

The PharmaMar Group companies interact with a large number of suppliers of products and services, who contribute significant value to the supply chain.

Supplier management

The Procurements Department manages the supplier selection process in conjunction with the department requesting the product or service. The goal is to achieve mutual benefit of the company and the supplier by fulfilling commitments and playing a leading role in sustainability.

Employees involved in procurements must comply with and promote compliance with basic ethical standards in relations with the market. The Code of Conduct expressly regulates relations with contractors, suppliers and the market.

The Procurements Department has implemented and systematized supplier selection and assessment processes, which must be applied to ensure impartiality, ethical behavior and transparency. These selection processes consider the importance of the good or service for the company and the expense relative to total annual expenditure.

The Procurements Department:

- Requires that suppliers are socially responsible and is in the process of implementing an audit process to require documentary proof.
- Ensures that procurements are respectful of society and the environment.
- Gives preference to local suppliers and to domestic suppliers over international suppliers, thus promoting the economic development of the locality, region and country. This approach is dependent on conditions being equal and without increasing the company's risk or reducing its competitive advantage. This local preference is set out in the Procurement Policy.

Approval of suppliers

As a general rule, all suppliers of products and services must be approved, although the approval requirements vary in accordance with the product or service they offer.

The entire approval process is implemented in coordination with the affected areas so as to guarantee that the chosen supplier meets the minimum legal and quality requirements and the sustainable procurement criteria (e.g. gender equality and workplace safety). To this end, the Procurement Department asks for documentary proof of a supplier's environment and quality certificates.

Because of the pandemic, no supplier audits were conducted in 2020. However, the Company closely monitored supplier performance during the year by means of direct contacts and interviews to set the guidelines.

Procurement policy

The Procurement Policy seeks to optimize the expenditure in each procurement category and ensure that it contributes the greatest possible value from the supply markets. Procurement decisions take account of at least the following aspects:

- Security of supply: The extent to which a supplier is able to supply a good or service, in terms of capacity or in financial terms
- Quality: The extent to which the good or service meets the required specifications
- Service: The extent to which the good or service ensures compliance with the delivery deadlines, manufacturing commitments or technical support criteria
- Cost: The extent to which the price of the goods or services matches their actual value in the market
- Innovation: The extent to which the good or service contributes an advantage or added value
- Regulatory: The extent to which the supplier, the good or the service meets the applicable regulatory standards
- Sustainability criteria: The extent to which the supplier meets the Company's sustainability standards and to which the good or service is respectful of society or the environment over its life cycle.

Geographical distribution of suppliers

The percentage of domestic suppliers to the Pharma Mar Group was 89% at 31 December 2020.

All the Group's suppliers belong to OECD or United Nations member countries; accordingly they comply with labor legislation and respect human rights.

All the Pharma Mar Group's suppliers are based in OECD countries and, consequently, are assumed not to pose special risks. In this regard, some supply difficulties have arisen due to the impact of the COVID-19 pandemic and its consequences on freight transport.

Distribution of Group suppliers by territory as of 31 December 2020	
Spain	3,825
Rest of Europe	380
Rest of the world	
United States	79
Canada	1
South Korea	1

Table 17. Number of suppliers, by territory

Impact of COVID-19 on product supply

Certain functions and products in the Procurement Department were greatly affected by the COVID-19 pandemic in 2020.

The shortage of products such as ethanol and 2-propanol, which are widely used in manufacturing, put this activity at risk; consequently, stockpiles have been acquired to ensure that needs in 2021 are met.

There were shortages of disposable items such as gowns, caps, shoe covers and gloves, and a procurement process has been initiated with various suppliers to ensure supply. The price of these items has increased considerably

Glass vials are another product that was hit hard by the pandemic, due to demand from the vaccine industry. A procurement process was conducted between August and October 2020 with domestic and overseas suppliers that enabled us to obtain important information on potential suppliers, expanding our options and minimizing risk.

Product supply was also affected by the freight situation. The decrease in the number of cargo flights caused delays in deliveries and price increases for many products.

Consumer relations

The PharmaMar Group defines the patients who receive its oncology treatments as "consumers" and the buyers of Genómica's diagnostic products as "customers". This section focuses on PharmaMar, since its revenues accounted for 88.5% of the Group total in 2020 (93.0% in 2019).

For PharmaMar patients, safety is within the framework of the pharmaceutical industry, one of the most stringently regulated in the world. The health authorities supervise key aspects in relation to drugs, such as their quality, efficacy and safety. As a result, to continue operating as a pharmaceutical laboratory, PharmaMar must comply with a complex set of regulations, including the following:

- **Good Laboratory Practice** (GLP): this applies to non-clinical trials of medicines and is aimed primarily at ensuring their quality and reliability with a view to assessing their safety.

- **Good Clinical Practice** (GCP): this applies to clinical trials involving human subjects and its core purpose is to safeguard participants' rights, safety and well-being, as well as the quality and integrity of the data obtained. In this way,

PharmaMar guarantees that its clinical trials are conducted on a sound scientific and ethical footing.

In its clinical trials, PharmaMar uses monitoring and audits to ensure strict compliance with both the trial protocol approved by the health authorities and GCP and other applicable standards.

- **Good Pharmacovigilance Practice** (GVP): these rules ensure the authenticity and quality of the data compiled through pharmacovigilance and make it possible to assess the risks associated with a drug at any given time.

  PharmaMar has updated its pharmacovigilance system files and periodically issues up-to-date reports on product safety. Furthermore, all PharmaMar employees receive training in pharmacovigilance in order to report any adverse effects of any of the company's products of which they become aware.

- **Good Manufacturing Practice** (GMP). These standards ensure that the active pharmaceutical ingredients and the medicines they are used to produce comply with the pre-established quality specifications. They cover all aspects of production, of both commercial drugs and medicines for clinical trials, with the goal of reducing the risks associated with the manufacture of pharmaceutical products.

- **Good Distribution Practices** (GDP): these ensure that the quality of drugs is maintained throughout the supply chain, from PharmaMar's warehouses to the hospital pharmacy where the drugs are eventually administered to patients.

  These standards also encompass measures to minimize the risk of fake medicines entering the supply chain. To protect patients from such risks, the European Union has issued the Falsified Medicines Directive[8], which requires each unit of medicine to carry a unique identifier and an anti-tampering device. PharmaMar has adapted its facilities and processes to conform to that Directive.

To ensure compliance with these new standards, PharmaMar devised a new Quality Policy and introduced a Quality Assurance System as described in the Quality Manual. This Quality Assurance system identifies responsibilities at all levels of the organization, provides for proper management of human and financial resources, establishes appropriate action indicators, and fosters the implementation of continuous improvement processes.

The Company has a Quality Unit and a Quality Board that meets every six months to oversee implementation of the Quality Assurance System in all areas of the company.

Both PharmaMar's partners and the health authorities perform regular inspections to ensure compliance with the practices referred to in this section and to confirm the

[8] Directive 2011/62/EU, which is binding from February 2019.

degree to which PharmaMar is compliant as well as the general conformity to the standards and the existing voluntary and mandatory agreements.

PharmaMar has been inspected by the Spanish Agency of Medicines and Medical Devices (2008, 2011, 2014 and 2017), the European Medicines Agency (EMA), the US Food and Drug Administration (2009 and 2015) and Japan's Pharmaceuticals and Medical Devices Agency (2015 and 2020). In December 2020, the Spanish Agency of Medicines and Medical Devices inspected the pharmacovigilance system.

Quality complaints

The Quality Unit handles and resolves complaints, regardless of how they are received, from: healthcare professionals, institutions, patients or others.

Operating procedures are in place to establish, among other relevant matters, the manner and timeline for resolving the complaint, as well as the obligation to implement improvements in the event such an opportunity is detected. Moreover, the quality complaints database is periodically cross-checked against that of safety, maintained by the Department of Pharmacovigilance, so as to determine whether potential adverse effects caused by the drug might be associated with deficiencies in their quality, and vice-versa.

Pharma Mar received a total of nine quality complaints in 2020, referring to internally managed processes and externally executed processes (e.g. medicine transportation). None of them related to material risks to patient safety and none resulted in a product recall.

Data protection

PharmaMar attaches the utmost importance to the privacy of its patients', employees' and suppliers' data and it approaches this issue in various ways:

In compliance with the Data Protection Act, the company has a Privacy and Data Protection Policy which may be consulted on the PharmaMar website. This policy sets out the reasons and purposes for processing the personal data of patients and other parties (researchers, monitors, etc.) taking part in clinical trials, as well as employees of the company and any other third party whose data are handled by PharmaMar.

PharmaMar keeps a unified register of all data processing for which it is responsible (register of processing activities). In compliance with Europe's General Data Protection Regulation, the register lists the purpose of the processing operations, a description of the categories of data subjects and categories of personal data, any transfers of personal data to a third country, and the technical and organizational security measures that are in place.

The company has a training plan in place for all Group employees who process personal data or who have access to particularly sensitive personal data, so as to ensure that all employees are aware of, and comply with, the data protection legislation. This training is given when the person joins the company.

The privacy requirements are also set out in all contracts, including those for the purposes of conducting clinical trials (with centers, researchers and contract organizations), as well as for pharmacovigilance activities, and with third parties with which personal data is to be processed, and contracts are signed with the data processor for this purpose. The company pays particular attention to protecting the rights of patients participating in clinical trials, by obtaining informed consent prior to their participation, in which they are informed in detail and clearly of their rights; the related forms must be approved by the ethics committees.

Pharma Mar has implemented both internal and perimeter security measures to protect its internal network from attacks and prevent unwanted external access (Internet) to the company's IT resources. These security standards are described in the Information Systems Security Policy. The increase in teleworking due to the pandemic situation did not make it necessary to implement additional security measures, apart from an increase in bandwidth to satisfactorily accommodate the higher demand.

The Clinical Quality Assurance Department verifies compliance with these privacy requirements and ensures that the information relating to health data is not collected in an unfair, unlawful or fraudulent manner. This verification is carried out either in its internal audits of the Pharmacovigilance Quality System and the Clinical Development Department or in the scheduled audits of the centers participating in the clinical trials. Whenever these audits disclose an opportunity for improvement or a breach in this connection, remedial actions are established that must be approved before being implemented by the Clinical Quality Assurance Department.

No complaints were received in 2020 regarding this issue and there were no security breaches.

During its pharmacovigilance inspection, the Spanish Agency of Medicines and Medical Devices made a minor observation regarding data; the company is awaiting a final report on this issue in order to respond or adopt appropriate remedial measures.

4. Protecting the environment

The PharmaMar Group strives to protect the environment, not just in its activities but also in the development of products that comply with environmental regulations.

The commitment to environmental management in processes requires certain key principles and guidelines to be established in order to help guarantee environmental protection and ensure that business is conducted in a sustainable manner, in compliance with the strategies and goals of the PharmaMar Group.

The Group's environmental risk analysis enables it to ensure that the environmental aspects relating to its facilities will not result in serious pollution episodes, in accordance with the legislation requiring a monetary guarantee to be arranged.[9] The quantitative analysis of PharmaMar's environmental risks, performed by ADVISIAN, was well below the threshold triggering the requirement to post such a guarantee for environmental risk.

In 2020, there were no contingencies at the Group in relation to environmental protection and improvement.

PharmaMar is the only Group company that engages in activities with a significant potential environmental impact. The rest of companies are considered to be non-material from the standpoint of environmental impact. Consequently, the information in this chapter refers to PharmaMar.

Environmental management approach

PharmaMar's environmental conduct has been certified to the ISO 14001 standard for more than 11 years, enabling continuous improvement and reducing consumption in pursuit of efficiency, while also ensuring compliance with the stringent legal requirements applied to the facility.

PharmaMar's goals, in its commitment to the environment and its sustainability plan, are aligned with the UN Sustainable Development Goals, in particular with SDG14 Life Below Water. These goals are based on continuously improving supervision of environmental aspects of the company's activities and of its products throughout their life cycle.

[9] In accordance with the implementing legislation under Environment Ministry (APM) Order 1040/2017, of 23 October, establishing the date from which a mandatory financial guarantee of €2,000,000 must be arranged by companies with an ISO 14001:2015-compliant environmental management system, pursuant to Environmental Liability Act 26/2007.

PharmaMar is also a member of the Spanish Green Growth Group (Grupo Español para el Crecimiento Verde), an association created to foster public-private cooperation and help address the current environmental challenges. The goals of the Spanish Green Growth Group are as follows:

- Convey to society and government the potential for a green economic growth model for Spain.
- Work on common positions with a view to international negotiations on climate change, and combat climate change via public-private partnerships.
- Influence the development of a low carbon economy that is compatible with the goal of economic growth and job creation.

All material direct and indirect environmental aspects, including air pollution, industrial discharges, waste management and raw material consumption, are assessed annually using the organization's internal procedures. This information is reported to senior management so that it can assess the company's environmental conduct and take any necessary strategic measures to guide the company towards the goals established in its environmental policy.

Pollution

PharmaMar meets all the legal requirements established in the Environmental Permit issued by the Madrid Regional Government. The anti-pollution measures in place at the company keep pollution levels at the facility below 50% of the limit established in the Integrated Environmental Permit, so that any cases of pollution are not classified as serious. These measures include:

- Minimization of atmospheric emissions by means of HEPA particle filters in process areas and scrubbers for gases from the laboratory fume cupboards.
- Control of hazardous waste produced at PharmaMar installations and minimization of the impact using waste separation programs.
- Control of process water using a purifying plant that adjusts the chemical parameters to ensure that industrial water discharges are within the allowed limits.
- Product storage areas are built of concrete, and drain towards the water purification system to avoid risks of chemical spills and leaks.

The impact of PharmaMar's Colmenar Viejo facilities in terms of carbon emissions may be considered insignificant, since the direct scope 1 emissions are those generated by the hot water boilers needed to heat the facility and comply with the parameters of comfort required under Royal Decree 486/1997, of 14 April.[10] Scope 2 emissions, which are more abundant than Scope 1 emissions, are due to consuming the electricity needed to keep both the production facilities and the cold rooms in operation 24 hours a day, 365 days a year. The cold rooms are necessary to preserve our marine samples, raw materials and intermediates, as well as the final product for commercialization.

[10] Royal Decree 486/1997, of 14 April

Noise levels are compliant with the criteria established in the Colmenar Municipal Regulation[11]. Since the company is located in an industrial estate at least 500 meters from the nearest home, this is not seen as a material impact.

Light pollution is not considered to be significant as there is no nocturnal activity and the only light left on at night is that needed for surveillance of the premises.

The company's environmental risk analysis ensures that the environmental aspects of PharmaMar's facilities will not give rise to serious pollution episodes[12].

PharmaMar's emissions

Source of the emissions	2018	2019	2020
Electricity (t CO_2)*	1,200.98	1,855.49	1,855.37
Natural gas fuel (t CO_2)	794.41	698.87	702.31

Table 18. Calculating PharmaMar's emissions

* Emissions are calculated using a market-based approach, i.e., using the factor provided by the electricity supplier. This conversion factor was 0.39 in 2019 and 2020, compared with 0.246 in 2018.

Circular economy and waste abatement and management

PharmaMar's activity is subject to the pharmaceutical industry regulations concerning the control of raw materials involved in manufacturing medicines, which prevents them from being re-used during the production process.

The environmental impact of the drugs that are sold may be considered to be insignificant because of the strict production process and the stringent regulations governing their storage and disposal.

PharmaMar has implemented measures to control and reduce the environmental impact that have resulted in higher energy efficiency in the last few years, with the Colmenar Viejo building achieving a BER of "B" based on a technical analysis conducted by an independent expert in 2013.

The company has been calculating its carbon footprint on a comprehensive basis since 2018, ranging from dive expeditions for sample collection up to commercial distribution of drugs.

[11] BOCM 216

[12] Those exceeding €2,000,000 in accordance with the secondary legislation under Environmental Liability Act 26/2007.

With regard to the environmental impact of the suppliers with whom it works, PharmaMar adheres to the International Standards for Phytosanitary Measures (ISPMs), which set out guidelines for reducing risks linked to wood packaging (pallets). These standards recommend heat treatment as an alternative to methyl bromide fumigation, as methyl bromide is an ozone-depleting gas. In order to help protect the ozone layer, the Procurements Department requires that its packaging suppliers have certificates and identifying marks to the effect that the wooden pallets it receives were heat treated. This has been a requirement for years now and suppliers are reminded of it with every order.

Since 2018, agreements have been reached with suppliers who have higher volumes of orders and good delivery times, to delay non-urgent deliveries by two or three days. This enables deliveries to be concentrated in a smaller number of shipments, which not only improves prices but also reduces the environmental impact of transportation and the degree of handling by people in the supply chain.

To benefit the local community, the PharmaMar Group is in favor of hiring local suppliers to contribute to the joint development of neighboring communities and reduce the environmental impact.

As for waste generated, PharmaMar selects local waste managers that guarantee the highest possible levels of waste recovery to ensure a lower environmental impact from its transportation.

Waste management at PharmaMar is aimed at minimizing the amount and hazard status of waste generated, and to prioritize waste recycling and re-use. To guarantee optimum compliance in waste management, PharmaMar has implemented an integrated waste management system to ensure the collection and proper treatment of waste generated by the Company, thereby minimizing the environmental impact.

The facility is duly authorized for hazardous waste, which means the waste must be logged, inventoried, stored and processed by waste managers authorized by the relevant authority in accordance with the applicable legislation.

Biological waste is managed by Cespa Gestión Residuos, S.A., a member of the Ferrovial group, while chemical waste is managed by various managers, each best suited to the specific waste, including Destilerias Requim, S.A. and GVC Gestión y Valorización Integral del Centro, S.L. This information is reported in the Annual Hazardous Waste Declaration, which must be submitted each year along with the environmental records.

Non-hazardous waste is re-used where possible or collected by a local authorized manager in order to minimize the impact of transporting this waste to recycling or re-use facilities. Also, and in compliance with the requirements of the integrated environmental authorization, PharmaMar compiles an Annual Packaging Declaration that is part of the annual environmental records submitted to the Madrid Regional Government.

Actions to reduce food waste

This is not considered to be a material issue for PharmaMar.

Sustainable resource use

PharmaMar is aware of the need to minimize the use of natural resources in its operations. Since the ISO 14001 standard was implemented, the company has been implementing a program to reduce water and electricity consumption that has made the plant highly efficient from both these standpoints.

The reduction in water consumption has been based mainly on identifying and reusing non-polluted water from the factory's various processes, such as from purified water production. On a smaller scale, a more efficient system of bacteriostatic agents has been introduced in the toilets so as to reduce water consumption. This system is patented by a Spanish company, so it has the dual advantage of supporting R&D by domestic suppliers.

Electricity consumption has been minimized, in both lighting (where conventional lights are being replaced by energy-saving LED bulbs) and climate control in the facility and the cold stores for product storage. Colmenar Viejo's continental climate places a high demand on the plant's heating and cooling systems. Accordingly, the challenge with regard to electricity consumption is to implement processes to procure renewable energy or implement emission offset programs.

The implementation of efficiency measures with regard to the consumption of reagents and solvents is limited by two factors: Firstly, pharmaceutical regulations call for stringent controls and prior authorization of any changes in either the raw materials used or the amounts involved; in practice, this means that, once a process has been approved by the authorities, it is very difficult to improve it. Secondly, the company's research and development process, which accounts for more than 80% of its activity, is based on a process of optimization and trial and error that does not allow us to introduce an efficiency program in connection with the materials used.

Other measures have been adopted to significantly reduce resource use, such as:

- Replacement of plastic cups with re-usable beakers at the company's water fountains, in accordance with the measures adopted by the EU in 2018 as part of its policy to reduce plastic, which comes into force in 2021.
- Implementation of a new system for dispensing paper towels in toilets, which has cut consumption by 46% since 2017.

Resource consumption by PharmaMar

Resource type	2018	2019	2020
Electricity (MWh)	4,823	4,844	4,882
Natural gas (fuel) (MWh)	3,913	3,443	3,460
Water (m^3)	8,085	8,572	8,012
Raw materials (kg)	30,278	23,584	37,371
Breakdown of raw materials (kg)*			
Laboratory solvents and reagents	25,424	17,926	33,402
Other ancillary raw materials and reagents	4,854	5,658	3,969

Table 19. Resource consumption by PharmaMar

Among the continuous improvement processes, the organization made progress in identifying and classifying the types of raw materials used in the process. Since 2019, "Solvents" and "Other ancillary raw materials" have been separated into two categories, whereas in 2018 they were combined in a single category: "Solvents". This separation allows for a more accurate analysis to identify opportunities for improvement in connection with the potential re-use of these ancillary materials in the Company's processes. For 2018, the "Raw materials" figure and its breakdown were recalculated taking account of density, a parameter that is now being used to ensure appropriate traceability for 2019 and 2020.

Climate change

In its commitment to researching marine organisms, PharmaMar is acutely aware of the consequences of climate change on the marine ecosystem. The Company is constantly exploring options for reducing greenhouse gas emissions generated directly and indirectly in the plant.

The bulk of the company's greenhouse gas emissions are generated by the combustion gases from hot water and steam boilers needed for the facility to operate. To reduce the greenhouse effect, the Company plans to replace the old industrial steam boiler with a more energy-efficient one in 2021.

The plant's cooling systems, which are essential to meeting a range of needs, may also generate greenhouse gas emissions. To minimize the risks, this equipment is subject to a strict maintenance program that prevents unwanted emissions such as small leaks.

Energy efficiency audits were conducted in 2020 at all the PharmaMar Group's companies and locations in Spain with the goal of detailing saving opportunities in order

to contribute to adopting measures to adapt to climate change and reduce greenhouse gas emissions, for implementation in 2021.

In addition to these audits, Pharma Mar undertook the following actions in 2020 to minimize the energy impact of the following systems at its manufacturing plant: vacuum network, climate control and ambient conditions in rooms. Those actions were as follows:

- Replacement of the heating boiler burner with one equipped with a frequency variator for greater energy efficiency.
- Reduction of the number of air changes per hour to reduce energy consumption without an impact on air quality.
- Replacement of the vacuum pump to minimize the consumption of energy and lubricant.

The final target with regard to greenhouse gases is to reduce gas consumption by 20% and electricity consumption by 10%.

Protection of biodiversity

Although research and development includes a process of extracting marine organisms, this is done in a minimally invasive manner while always guaranteeing compliance with international conventions such as the Rio Declaration on Environment and Development and the Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

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

PharmaMar collects marine samples by means of selective collection techniques that minimize the impact on the sea bed. The samples are collected by specialized divers who, thanks to their considerable experience and training, are able to identify the species that may be of interest with a view to discovering new chemical entities that may be transformed into therapeutic molecules.

Samples of marine invertebrates are harvested by hand by scuba divers; no mechanical systems, such as drag nets or dredging, are used, thereby eliminating the impact on the natural environment. We also use an underwater robot with an umbilical that is operated from the surface and provides a real-time view of the seabed, allowing for the selection of sample zones and minimizing human interaction with the ecosystem. No more than 100 grams of each marine organism are extracted.

The samples are collected under permits provided by the various countries in the areas they indicate, either directly by PharmaMar or in partnership with local universities. All of this information is compiled in the expedition log, showing the exact location of the

marine ecosystem involved; this log can also be used by local authorities as an environmental indicator.

Because of the COVID-19 pandemic, no expeditions were conducted outside Spain in 2020, but samples collected in the 2019 expedition were received from Madagascar.

In accordance with the Rio Declaration on Environment and Development, the company advocates the sustainable use of the sea's valuable resources and the equitable sharing of its findings. In this way, PharmaMar not only contributes to the development of new treatments from just a few grams of sample, but also furthers knowledge and conservation of local marine ecosystems.

The research PharmaMar conducts based on these samples continues to respect the environment, since the aim is to chemically synthesize molecules of interest. This provides a supply of the compound without having to resort to the natural organisms that produce it.

PharmaMar has discovered hitherto unreported marine organisms on its expeditions. For example, the company discovered a new species of deep-sea sponge, *Streptomyces pharmamarensis*, which was isolated from marine sediment and characterized by PharmaMar researchers

PharmaMar is in compliance with Article 1 of the Rio Convention on Biodiversity. There are two international documents whose principles are reflected in the criteria applied in sample collection: the Red List of endangered species, and CITES (Convention on International Trade in Endangered Species of Wild Fauna and Flora).

5. Our commitment to Society

The company's commitments to sustainable development

The PharmaMar Group companies in Spain are established in the municipalities of Colmenar Viejo, Tres Cantos and Madrid, all in the Madrid region. The companies contribute to the development of their local communities by creating and maintaining stable employment, paying taxes and providing a range of services as detailed below.

In 2020, there were 376 employees in Madrid, including PharmaMar, Genómica and Sylentis. A total of 68 employees work overseas. (In 2019, there were 372 employees in Spain and 65 overseas).

Av. no. employees	Spain			International		Total
	PharmaMar	Genómica	Sylentis	PharmaMar subsidiaries	Genómica subsidiaries	
Men	126	13	4	24	2	**169**
Women	187	28	17	41	1	**274**
TOTAL	**313**	**41**	**21**	**65**	**3**	**443**

Table 20. Average number of employees per PharmaMar Group company, and location

The impact of the PharmaMar Group's activity, and its relations with the communities in which it operates, are reflected in various domains and actions. The number of activities in this area was reduced in 2020 due to the COVID-19 pandemic. Meetings with patients and attendance at conferences were particularly affected.

- Development initiatives in **the local community**:

  - PharmaMar and Sylentis normally offer **guided tours of their facilities** for authorities and students, with explanatory talks pitched to the appropriate level. Because of the pandemic, there were no visits in 2020.

  - Cooperation with **ASEYACOVI**, the Association of Entrepreneurs, Traders and Self-employed Workers of Colmenar Viejo, and the **Family Business Association of Madrid**, an independent group which defends Madrid interests and organizes activities for its members.

  - **"People of PharmaMar Platform"**. This is an online platform through which PharmaMar employees may voluntarily take part in leisure and cultural, free time and sports activities, proposed by the company or the employees

themselves. No events were arranged in this platform in 2020 because of the COVID-19 pandemic.

- Involvement in **Premios Hipatia "Mujeres en la Ciencia"** awards offered by El Economista in recognition of the achievements of women researchers. The 2nd edition of these awards took place in 2020, in which Sylentis was part of the jury and took part in the round table discussion during the awards ceremony.

- Actions to **disseminate knowledge**:

  - **Scientific publications** in a range of prestigious international journals and specialist press, in the fields of oncology, pharmacology, therapeutics and diagnosis. According to the latest ASEBIO report, PharmaMar ranks fifth among Spanish companies in terms of the number of publications in high-impact scientific journals[13].

  - Publication of volume 16 of the book "**El mundo submarino de PharmaMar**" (PharmaMar's Undersea World), which contains photographs of marine organisms taken on expeditions by our marine biologists, from which the company extracts the compounds for R&D and innovation.

- **Educational actions**:

  - Agreements with numerous national and foreign universities, business schools and institutes as part of a **training program for interns**. In 2020, there were 10 interns at the PharmaMar Group (14 in 2019).

  - Participation in **post-graduate seminars and courses** organized by universities and in Master's programs and conferences in the fields of biomedicine and biotechnology. These courses facilitate the exchange of technical knowledge in order to promote science and research.

    Because of the pandemic, work in this line in 2020 was mainly on a distance basis.

  - **Grants** to university students.

- Initiatives to **support society**:

  - **Donation of 800 antigen and antibody tests** to the following institutions: Residencia San Camilo, Asociación El Despertar and Primar Centro Geriátrico.

[13] "Asebio. Report 2019. Prepared for the Spain of tomorrow", published in June 2020.

- Outsourcing of advertising materials and graphic design work to **sheltered workshops for persons with disabilities**, such as Trébore, a Paideia Galiza Foundation initiative. It also works with IntegraIAV, a travel agency which employs persons with disabilities.

- Participation in #LaCenaDeNavidadMásGrande, the Christmas campaign by Acción Contra el Hambre (Action Against Hunger), by publicizing it among PharmaMar staff and in its social media accounts.

- **Donation of 4 infusion pumps, 15 caps and 25 bifurcated** extension tubes to the Biomedical Research Foundations of the Ramón y Cajal and Puerta de Hierro-Majadahonda university hospitals.

- **Donation of 30 manual soap dispensers** to ONG CONNECT MADRID, which distributed them to Asociación Cauces (which deals with mental health and provides care for young people with behavioral issues) and Culturas Unidas. These were the manual soap dispensers that PharmaMar replaced with new automatic ones to avoid contact.

- **Communication initiatives**

  In 2020, PharmaMar published a total of 51 press releases and achieved 33,355 media impacts, of which 24,250 were in media in Spain and 9,300 in media in other countries. The potential audience was of 5,385 million readers: 4,035 million in Spain and 1,350 million readers of international media.

  PharmaMar has an active presence in the following social media platforms:

  - **LinkedIn:** in 2020, the number of followers reached 47,727 and there were a total of 106,090 interactions (recommendations, comments or shares) in this platform.
  - **Twitter:** 5,786 followers. Tweets achieved a total of 107,500 impressions and logged 32,073 interactions (likes, retweets and replies).
  - **Facebook:** 18,227 followers. Organic reach exceeded 1.76 million people, generating more than 97,450 interactions (likes, comments and shares).
  - **YouTube:** PharmaMar's video channel obtained 227,798 views.

- Actions in connection with **the environment**:

  As detailed in the section on the environment, the PharmaMar Group employs all the necessary resources to minimize the environmental impact of its activities on the territories and communities where it operates.

Contributions to foundations and non-profit entities.

The PharmaMar Group collaborates actively with various foundations and non-profit entities. This collaboration consists mainly of activities to foster research as well as donations to medical and patient associations. The contributions in this connection amounted to €190,449 in 2020 (€137,928 in 2019). These contributions were made in accordance with the provisions of the Farmaindustria Ethics Code, to which the PharmaMar Group subscribes.

Notable contributions included:

- Collaboration with **patient associations**, including Sarcoma Patients Euronet (SPAEN), Fundación Mari Paz Jiménez Casado, Associação Oncologica do Algarve and Fondazione Nerina e Mario Mattioli.
- Cooperation with **medical associations**: These are biomedicine groups that conduct independent cancer and epidemiology research projects.
- Sponsorship of, and participation and presentations at, numerous **scientific conferences and meetings**.
- Active participation in associations to **promote biotechnology**, such as ASEBIO, the Spanish Association of Bioenterprises.

6. Business ethics and transparency

Human rights

The PharmaMar Group's companies and subsidiaries are located in the European Union and the United States and comply with employment and human rights legislation in force. Moreover, as a Spanish company, PharmaMar is subject to European regulations, which in turn are based on the fundamental conventions of the International Labour Organization. Among other aspects, these agreements refer to respect for human rights, freedom of association and collective bargaining.

The PharmaMar Group also has a Code of Conduct that is applicable to all employees and executives and which came into force on 1 February 2016. In 2020, the Group updated its procedures in relation to ethics compliance and approved a Crime Prevention Plan, which updates existing policies and adds new ones. This includes a new version of the Code of Conduct and a new Protocol for Action on Workplace Harassment, as well as other documents listed in the following section, "Combating Corruption and Bribery". The Crime Prevention Plan came into force on 29 October 2020 and was communicated to all the Group's employees.

The purpose of the Code of Conduct is to formalize the principles that should guide the conduct of all people forming part of the PharmaMar Group, among themselves and in their relationships with other parties in the course of their work (customers, partners, suppliers, etc.), including respect for human rights at all times.

The Code of Conduct explicitly rules out discrimination in the workplace. It requires all relations between employees to be based on strict respect for each person's dignity and rejects all forms of abuse or conduct that might violate their rights. The PharmaMar Group does not tolerate any type of discrimination based on gender, race, sexual orientation, religious beliefs, political opinions, nationality, social background, disability or any other circumstance.

In the framework of the Crime Prevention Model, the Pharma Mar Group has a catalog of prohibited conduct which, among many other offenses, prohibits any offense related to the violation of the rights of workers and foreign citizens, expressly mentioning issues such as child labor and forced labor, and strictly prohibiting any deceit or the abuse of an employee's situation to impose working conditions that harm, suppress or restrict the rights they have under current legislation.

The PharmaMar Group previously had a Conduct Committee that oversaw compliance with the Code of Conduct. Since the aforementioned 2020 update, the Conduct Committee was replaced by a Compliance Committee, which is responsible for ensuring compliance with ethical values in the company and with exercising appropriate oversight.

The Group has a Whistleblower Channel through which any employee may make good faith reports of breaches of the Code in a confidential manner without fear of reprisals. Reports via this channel are handled appropriately and analyzed independently and confidentially. The process ensures that the identities of the whistleblower and the alleged wrongdoer(s) remain confidential, and that they are shared only with the persons who are strictly necessary in the process of investigation and resolution.

The Whistleblower Channel is available via:

- Corporate Intranet
- E-mail: comitecumplimiento@pharmamar.com
- Postal mail: Plaza Descubridor Diego de Ordás, 3. 28003 Madrid.

To date, there have been no complaints in relation to human rights breaches, discrimination at work, forced or mandatory labor, child labor or any other related matter.

Combating Corruption and Bribery

Measures adopted to prevent corruption and bribery.

The PharmaMar Group's Code of Conduct expressly sets out measures to prevent bribery and corruption and indicates that in no cases will unethical practices be used to influence persons outside the company in order to obtain an illicit benefit. Not only are such practices prohibited, but the persons subject to the Group's Code of Ethics must remain alert to avoid such conduct in PharmaMar's relations with other persons and organizations.

The Code of Conduct is applicable to the members of the Board of Directors, senior management and, generally, to all employees and executives of the companies that form part of the PharmaMar Group.

Those persons may not make, offer or receive any payment in cash or in kind or any other benefit which might be considered to be unethical or to alter the professional relationships between the parties. Those persons are also prohibited from making payments, in any form and of any amount, to secure or expedite the performance of any process or action before any judicial body, public administration or government agency.

For control and compliance with the provisions of the Code of Conduct, the PharmaMar Group adopted a Crime Prevention Plan in 2020. As part of the Plan, it established a Compliance Committee whose main functions are as follows:

- Ensuring compliance with ethical standards within the company.

- Communicating all matters relating to compliance with the rules governing the PharmaMar Group.
- Performing pertinent supervisory and oversight functions
- Investigating reports received through the Group's Whistleblower Channel.

The Compliance Committee took on the functions of the former Conduct Committee, which was abolished. It is made up of members of the Legal, Human Resources, Corporate Affairs and Compliance Departments and may be contacted for any communication regarding ethics, anti-corruption or compliance issues at the following address: comitecumplimiento@pharmamar.com

The approved Crime Prevention Plan includes an Organizational and Management Model for Crime Prevention, with the following documents: Code of Conduct (new version), Anti-Corruption Policy, Catalog of Prohibited Conduct, Protocol of Action on Workplace Harassment, and Penalty Procedure.

Pharma Mar has also created a specific Compliance Department that reports directly to the Chairman in order to ensure the strictest ethical compliance. This department has functions relating not only to Criminal Compliance, as established in the Criminal Code in connection with the criminal liability of legal persons, but also to responsibilities in connection with Pharmaceutical Compliance, ensuring compliance with the industry's standards and self-regulatory codes.

Pharma Mar also adheres to Farmaindustria's Code of Good Practice in the Pharmaceutical Industry. The latter is aligned with the EFPIA Code of Practice, as amended, issued by the European Federation of Pharmaceutical Industries and Associations (EFPIA).

PharmaMar also shares the fundamental ethical values of the Code of Ethics of the Spanish Association of Biotechnology Companies (ASEBIO), of which it is a member.

In line with Farmaindustria's Code of Good Practice and the EFPIA Code of Practice, PharmaMar publishes an annual transparency report on its corporate website that details all transfers of value, whether in cash or in kind, in all its dealings with healthcare professionals, health associations and patient organizations in all the European countries in which it operates. This contributes to highlighting the activities carried out by the pharmaceutical industry, and in this case Pharma Mar, such as the key role it plays in training healthcare professionals. It is also a sign of the rigor and independence with which the relations between all the parties involved are conducted, thus creating a virtuous circle in which:

- healthcare professionals update their scientific and medical knowledge
- the healthcare system has professionals at the forefront of research, and
- patients and society in general benefit from professionals who are scientifically up to date and better trained.

This support for healthcare organizations and professionals is published in five categories: donations to healthcare organizations, grants for training activities and scientific and professional meetings, support for patients' associations, remuneration for professional services, and R&D.

Aspects relating to money laundering are not considered to be material at the Group due to the characteristics of the sector in which it operates and the markets in which it is present.

Tax information

The PharmaMar Group prioritizes compliance with its obligations to pay the taxes which are due in each territory.

The PharmaMar Group paid a total of €482,803 in corporate income tax in 2020 (€365,376 in 2019) in the countries where it operates. The table below details the tax paid, considering all income tax payments made in each country in 2019 on a cash basis, as well as payments on account of income taxes in 2020.

Under the system of minimum installments on book profit, the Group made prepayments totaling €9,650,460. The accrued tax base method, which is the same method used to settle corporate income tax, did not give rise to any amount payable in 2020; consequently, PharmaMar is entitled to a refund of that amount.

Earnings (before taxes) are detailed by country as indicated in the Notes to the Consolidated Financial Statements (Note 24. “Deferred taxes and income tax”).

Country	Profit (before taxes)	Income tax prepaid on 2020 profit	Income tax paid on 2019 profit	Income tax paid in 2020
Germany	326,922	70,427	134,284	204,711
Austria	-6,310	9,708		9,708
Belgium	42,358	10,000		10,000
China	-72,201			0
Spain	144,620,355	9,650,460		0
France	79,198			0
United Kingdom	-297			0
Italy	325,891	256,767		256,767
Sweden	275,453			0
Switzerland	4,385		468	468
US	12,201	1,150		1,150
Total	**145,607,955**	**9,998,512**	**134,752**	**482,803**

Table 21. Corporate income tax calculation

Grants recognized in 2020 amounted to €303,491.31, of which €39,630.27 were collected in cash in the year.

The table below shows the content required by Act 11/2018, of 28 December, amending the Commercial Code, the consolidated text of the Capital Companies Act approved by Royal Decree Act 1/2010, of 2 July, and Audit Act 22/2015, of 20 July, as regards non-financial information and diversity.

Requirements of Act 11/2018 in Connection with Non-Financial Disclosures and Diversity

SCOPE	CONTENT	MATERIAL ISSUE	CONSOLIDATION SCOPE	RELATED GRI STANDARDS	PAGES
GENERAL					
Business model					
	Brief overview of the group's business model including: 1.) its business environment, 2.) its organization and structure, 3.) the markets in which it operates, 4.) its goals and strategies, 5.) the main factors and trends that might affect its future performance. 6.) statement by senior executive decision-makers	Yes	General	102-1 102-2 102-3 102-4 102-6 102-7 102-14	5-8 11-18
Policies					
	A description of the policies applied by the group to these matters, including: 1.) the due diligence procedures applied for identifying, assessing, preventing and mitigating material risks and impacts 2.) verification and control procedures, including the measures that have been adopted.	Yes	General	103 Management approaches in each sphere within the broad economic, environmental and social areas	18-19
Short-, medium- and long-term risks					

	The main risks relating to these matters linked to the group's activities including, when relevant and proportionate, its commercial relations, products or services that might have negative effects on these spheres	Yes	General	102-15	20-24
KPIs					
	Key indicators of non-financial performance relating to the specific business activity that meet the criteria of comparability, materiality, relevance and reliability.	Yes	General	General or specific GRI standards of the economic, environmental and social areas, reported in the following blocs	9-10
ENVIRONMENTAL MATTERS					
	Overall environmental				
	1.) Detailed information on the current and foreseeable effects of the company's activities on the environment and, where applicable, on health and safety, assessment procedures or environmental certification; 2.) Resources devoted to the prevention of environmental risks; 3.) Application of the precautionary principle, the amount of provisions and guarantees for environmental risks.	Yes	General	103 Management approach in each sphere of the environmental area	47-48
	Pollution				
	1.) Measures to prevent, reduce or remedy carbon emissions that severely affect the environment; 2.) considering any kind of atmospheric pollution that is specific to an activity, including noise and light pollution.	Yes	General	103 Management approach to emissions / biodiversity	48-49

	No		---		The impacts caused by the Group's activities are not material
Circular economy and waste abatement and management					
Circular Economy	Yes	General	103 Management approach to effluent and waste	49-50	
Waste: Measures to prevent, recycle, re-use, other waste recovery and abatement approaches.					
Actions to reduce food waste.	No		---		The impacts caused by the Group's activities are not material
Sustainable resource use					
Water consumption and water supply in accordance with local limits.	Yes	General	303-1,	51-52	
Consumption of raw materials and measures adopted to use them more efficiently.			103 Management approach to materials 301-1,		

	Direct and indirect energy consumption, measures adopted to enhance energy efficiency and the use of renewable energies.			103 Management approach to energy 302-1	
	Climate change				
	The main greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces.	Yes	General	103 Management approach to emissions 305-1, 305-2,	52-53
	Measures adopted to adapt to the consequences of climate change.			103 Management approach to emissions	
	Voluntary medium- and long-term goals to reduce greenhouse gas emissions and the steps taken for that purpose.			103 Management approach to emissions	
	Protection of biodiversity				
	Measures adopted to preserve or restore biodiversity.	Yes	General	103	53-54
	Impact of activities/operations in protected areas.			304-2	
SOCIAL AND PERSONNEL MATTERS					
	Employment				
	Total number of employees and distribution by gender, age, country and professional category.	Yes	General	103 Management approach to	25-27

			employment, 102-8 405-1	
Total number and distribution of employment contract types.			102-8	27
Annual average of indefinite contracts, temporary contracts and part-time contracts by gender, age and professional category.			102-8, 405-1	27
Number of terminations by gender, age and professional category.			401-1,	28
Average remuneration and comparative figures broken down by gender, age and professional category or equal value; pay gap, remuneration for equal jobs or average remuneration at the company.			103 Management approach to diversity and equal opportunities, 405-2	31-32
Average remuneration for directors and executives, including variable remuneration, per diem expenses, indemnities, payments into long-term savings schemes and any other benefit, broken down by gender. Total annual compensation ratio			103 Management approach to diversity and equal opportunities 102-38	32-34
Implementation of policies to foster disconnection from work.			103 Management approach to employment	34
Employees with disabilities.			405-1	28
Work organization				
Organization of working hours.	Yes	General	103 Management approach to employment	34-35

Number of hours lost.			403-2	38
Measures aimed at facilitating work-life balance and encouraging both parents to share the responsibility in this area.			103 Management approach to employment	25, 35
Health and safety.				
Occupational health and safety conditions.	Yes	General	103 Management approach to occupational health and safety	37-40
Workplace accidents, in particular their frequency and severity, Occupational diseases, broken down by gender.			403-2, 403-3	38
Labor relations				
Organization of dialog with employees, including procedures to inform and consult and negotiate with staff;	Yes	General	103 Management approach to labor relations	34
Percentage of employees covered by collective bargaining agreements, by country;			102-41	34
Outcome of collective bargaining agreements, especially in the field of occupational health and safety.			403-1	34
Training				
Training policies implemented;	Yes	General	103 Management approach to training and education	25, 35,36
Total number of training hours by professional category.				35

Universal access for persons with disabilities		General	103 Management approach to diversity, equal opportunities and non-discrimination	36
Equality				
Measures adopted to foster equal treatment and equal opportunities between men and women;	Yes	General	103 Management approach to diversity and equal opportunities	36
Equality Plans (Chapter III of Organic Act 3/2007, of 22 March, concerning effective equality between men and women), measures adopted to promote employment, protocols to combat sexual and gender-based harassment, integration and universal accessibility of persons with disabilities;				36
The policy against all kinds of discrimination and the policy on managing diversity, if any.				59-60
HUMAN RIGHTS				
Due diligence in connection with human rights. Avoidance of the risk of human rights violations, and measures to mitigate, manage and remedy any abuses that occur.	Yes	General	103 Management approach to the evaluation of human rights and non-discrimination, 102-16, 102-17	59-60
Reports of human rights violations.			406-1	60
Promotion of and compliance with the provisions of the fundamental conventions of the International Labour Organization in connection with freedom of association and the right to collective bargaining.			103 Management approach to	59

			non-discrimination	
The elimination of discrimination in respect of employment and occupation.			103 Management approach to non-discrimination 406-1	59
The elimination of forced or mandatory labor.			103 Management approach to non-discrimination	59
The effective abolition of child labor.			103 Management approach to non-discrimination	59
CORRUPTION AND BRIBERY				
Measures adopted to prevent corruption and bribery.	Yes	General	103 Management approach to non-discrimination, 102-16, 205-2	60-62

	Anti-money laundering measures.	No		---	62 The impacts caused by the Group's activities are not material
	Contributions to foundations and non-profit entities.	Yes		413-1	58
SOCIETY					
	The company's commitments to sustainable development				
	The impact of the company's activity on local development and employment.	Yes	General	103 Management approach to local communities and indirect economic impacts, 413-1	55-58
	The impact of the company's activity on local communities and the territory.			413-1	55-58
	Relations with agents in the local communities and the forms of engagement with them.			102-43	55-58
	Association or sponsorship actions.	Yes		102-12, 102-13	58
	Outsourcing and suppliers				
	* Inclusion of social, gender equality and environmental factors in the procurement policy; * Consideration of suppliers' and subcontractors' social and environmental responsibility.	Yes	General	102-9, 103 Management approach to procurement practices	41-43
	Audit and supervisory systems and their outcome.			103 Management approach to	43

			procurement practices	
Consumers				
Consumer health and safety metrics.	Yes	General	103 Management approach to customers' health and safety, marketing and labeling and customer privacy	43-46
Grievance mechanisms, complaints and outcomes.			103,	45
Tax information				
Profit breakdown by country. Income tax paid	Yes	General	103 Management approach to economic performance	62-63
Public subsidies received			201-4	63

Annex 1

Full list of material issues for the PharmaMar Group

	Nº	Material issues in accordance with Act 11/2018
Innovation	1	Commitment to research and development of new products
	2	Knowledge protection, patentability and management
	3	Strategic alliances and partnerships (with licensees, partners, research centers and universities)
Enviromental Management	4	Environmental management approach and objectives
	5	Atmospheric pollution
	6	Circular economy and waste abatement
	7	Sustainable resource use - Water, energy and commodities
	8	Climate change - GHG emissions and risk management
	9	Protection of biodiversity
Employment quality	10	People management and HR policies
	11	Work organization
	12	Health and safety
	13	Collective agreements and labor relations
	14	Training and professional development (talent retention)
	15	Talent attraction
	16	Universal access for persons with disabilities
	17	Equality
Supply chain value	18	Quality in managing outsourcing and suppliers
	19	Quality in customer management
	20	Patient safety and wellbeing
	21	Product safety and quality
Governance, business ethics and transparency	22	Business model (strategy and governance)
	23	Respect for human rights
	24	Combating corruption and bribery
	25	The company's commitments to sustainable development of communities
	26	Respect for the laws, regulations and industry codes
	27	Transparent tax information
	28	Transparency in relations with investors and shareholders
	29	Transparent relations with public authorities and governments
	30	Transparency in clinical trials

SEPARATE DISCLOSURES CONCERNING THE CONSOLIDATED NON-FINANCIAL INFORMATION STATEMENT (ART. 49.7 OF SPAIN'S COMMERCIAL CODE) FOR THE YEAR ENDED
31 DECEMBER 2020, FORMING PART OF THE DIRECTORS' REPORT OF THE PHARMA MAR GROUP FOR THAT YEAR

In compliance with the provisions of articles 34, 44 and 49 of the Commercial Code and articles 253 and 254 of the Capital Companies Act, this separate report concerning the consolidated non-financial information statement for the period from 1 January 2020 to 31 December 2020, as referred to in article 49.7 of the Commercial Code, is drafted and authorized as part of the Directors' Report of the PharmaMar Group for the period from 1 January 2020 to 31 December 2020.

In accordance with the provisions of the Commercial Code and the Capital Companies Act, the Board of Directors signed this 74-page document on 26 February 2021.

The Board of Directors:

Mr. JOSÉ Mª FERNÁNDEZ SOUSA-FARO Chairman	Mr. PEDRO FERNÁNDEZ PUENTES Vice-Chairman He participated by telematic connection in the meeting of the Board of Directors, and approves this separate report on the consolidated statement of non-financial information.
Mr. Carlos Pazos Campos Director	Mr. Eduardo Serra Rexach Director (representing EDUARDO SERRA Y ASOCIADOS, S.L.)
Ms. Sandra Ortega Mera Director (representing ROSP CORUNNA Participaciones Empresariales, S.L.)	Mr. Carlos Solchaga Catalán Director

Mr. José Félix Pérez-Orive Carceller Director	Ms. Ana Palacio Vallelersundi Director
Ms. Montserrat Andrade Detrell Director	Mr. Valentín de Torres-Solanot del Pino Director
Ms. Mª Blanca Hernández Rodríguez Director	

Certificate by the Secretary to the Board of Directors to certify that, following the authorization by the members of the Board of Directors in its meeting of 26 February 2021 of the separate report concerning the consolidated non-financial information statement for the period from 1 January 2020 to 31 December 2020, as referred to in article 49, section 7, of the Commercial Code, as part of the Directors' Report of the PharmaMar Group for the period from 1 January 2020 to 31 December 2020, the directors listed above (except for Mr. Pedro Fernández Puentes, who participated by telematic connection in the meeting of the Board of Directors and approved the contents of the separate report on the consolidated non-financial information) signed this document on the first and last page hereof. Which I certify in Madrid on 26 February 2021.

Secretary of the Board of Directors

_____

Juan Gómez Pulido

STATEMENT OF RESPONSIBILITY FOR THE CONTENTS OF THE ANNUAL FINANCIAL REPORT

The members of the Board of Directors declare that, to the best of their knowledge, the consolidated financial statements for the financial year ended December 31, 2020, prepared by the Board of Directors at its meeting of February 26, 2021 and drawn up in accordance with the applicable accounting principles, give a true and fair view of the net worth, financial position and results of PHARMA MAR, S.A. and of the subsidiaries included in the consolidation, taken as a whole, and that the consolidated management report includes a true and fair analysis of the development and results of the business results and of the position of PHARMA MAR, S.A. and of the subsidiaries included in the consolidation, taken as a whole, together with a description of the main risks and uncertainties they face.

In Madrid, February 26, 2021

The Board of Directors:

Nombre/Denominación social	NIF/CIF	Cargo	Firma
José María Fernández Sousa-Faro		Chairman	
Pedro Francisco Fernández Puentes		ViceChairman	Participated by telematic connection in the Board of Directors' meeting and approved the contents of the Financial Statements and the Management Report of Pharma Mar, S.A..
Eduardo Serra y Asociados, S.L. (Represented by Eduardo Serra Rexach)		Director	
ROSP CORUNNA Participaciones Empresariales, S.L. (Represented by Sandra Ortega Mera)		Director	
Carlos Solchaga Catalán		Director	
Ana Palacio Vallelersundi		Director	
Montserrat Andrade Detrell		Director	
Valentin de Torres- Solanot del Pino		Director	
José Félix Pérez-Orive		Director	
Mª Blanca Hernández Rodríguez		Director	
Carlos Pazos Campos		Director	

Diligence prepared by the Secretary of the Board of Directors to record that, following the preparation by the members of the Board of Directors at the meeting held on February 26, 2021 of the Consolidated Financial Statements and the Consolidated Management Report of PHARMA MAR, S.A., corresponding to the fiscal year ended December 31, 2020, the Directors listed above have proceeded to sign this document of Declaration of Directors' Responsibility by affixing their signatures (except for Mr. Pedro Fernández Puentes, who participated by telematic connection in the meeting of the Board of Directors, and approved the contents of the Consolidated Financial Statements and Management Report of Pharma Mar Group), to which I hereby attest, in Madrid on February 26, 2021.

The Secretary of the Board of Directors:

Juan Gómez Pulido