



REPORT AS AT 30 JUNE 2003

Madrid, 24 July 2003

- The CPMP has decided not to grant initial marketing authorization for Yondelis for the treatment of soft tissue sarcoma in EU.
 - Aplidin received Orphan Drug Designation (ODD) for the treatment of acute lymphoblastic leukemia
 - Kahalalide F entered Phase II studies for hepatic carcinoma
 - ES-285 entered Phase I of clinical development
 - Advance results were presented for Yondelis in combination with cisplatin at the ASCO Meeting.
 - Zeltia sold property to UNED (Spain's National Distance Learning University) for 35 million euros
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- Zeltia approved new regulations for the Shareholder's Meeting and the Board of Directors to conform to the new corporate governance regulations.
 - R&D expenditure increased by 50% compared to june 2002
 - Net cash position: 108 million euros

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1. KEY AGGREGATES.

	30 June 2003	30 June 2002	% CHANGE
<i>Thousand euros</i>			
Net revenues	40.206,38	35.257,70	14%
Gross margin	23.223,93	19.714,12	18%
Capitalized R&D	26.103,74	17.369,35	50%
Net operating profit	(2.793,27)	3.221,84	-187%
Extraordinary items (net)	30.322,56	13.761,72	120%
PROFIT ATTRIBUTED TO CONTROLLING COMPANY	24.969,64	11.629,93	115%

An analysis of the consolidated income statement for the first half of 2003 shows that revenues increased by 14% year-on-year (see Zelnova and Xylazel below). Since the cost of goods sold was contained, the gross margin increased to 18%.

Group R&D expenditure exceeded 26 million euros in 1H03 (up 50% on 1H02), of which PharmaMar invested 24.56 million (94% of the total).

Increased marketing expenditure (up 15% to 11.3 million euros) and, in particular, higher depreciation and amortization (+46%), cut net operating profit from 3.28 million euros in June 2002 to -2.79 million euros in June 2003.

Zeltia, S.A.'s building at c/Bravo Murillo, 38 in Madrid was sold to Spain's National Distance Learning University for 35.16 million euros in 1H03. This explains the extraordinary profit since the property's net book value was 5.5 million euros—Zeltia made a net profit of 29.6 million euros on the sale.

Profit attributable to the Controlling Company amounted to 24.97 million euros at June 2003.

2. BUSINESS PERFORMANCE.

A. Consumer chemicals:

Xylazel increased revenues by 10% year-on-year, from 11.5 million euros in 1H02 to 12.7 million euros in 1H03.

This performance is based on three main factors:

- The continued growth of wood protectors, both traditional products under the Xyladecor brand and new launches under the Xylazel brand.

- Increased market share in rust-proofing under the Hammerite brand, which grew 24% in 1H03.
- The new products launched under the Xylazel brand: industrial wood protectors, varnishes and water-based paint.

These good revenues, combined with improved productivity and good raw material costs, led to net profit of 2.6 million euros in 1H03, which was 20.3% more than in 1H02 and well above our target.

In February, **Zelnova** acquired Thomil's mass market brands. The main brands are Hechicera and Bonacera (together they account for 24% of the floor wax market), Baldosinín (leading tile grout) and Briflor (household floor cleaners). It also acquired the license for K2r stain-remover.

This acquisition accounts for the main variations in the balance sheet and P&L account.

Net revenues increased by 20% to 24.1 million euros (20 million euros in 1H02). This good performance is due mainly to the Spanish market, where revenues rose from 17.3 million euros in June 2002 to 22.3 million euros in 2003. This represents an increase of 29%, or 5 million euros, 3 million of which is due to the incorporation of Thomil's brands and 1.8 million to the increase in sales of retailer label products.

The incorporation of Thomil's brands led to an increase in amortization (+0.4 million euros) and in financial costs (+0.1 million euros) due to the bank debt used to finance the purchase.

As a result of the foregoing, operating profit rose 33%, from 4.2 million euros in June 2002 to 5.6 million euros in June 2003. Earnings before tax rose 30% to 5.2 million euros (compared to 4 million euros in 1H02).

The company is confident that it will maintain this significant growth for the rest of the year since the good weather this year will boost sales of insecticides. Zeltia is Spain's largest company in this sector—it is the leader in household and garden insecticides with its Casa Jardín brand, and in electric insecticide dispensers and refills with its Kill Paff brand.

B. Biotechnology:

PharmaMar's highlights in 1H03 as regards its most advanced compounds were as follows:

Yondelis™

- ASCO Meeting: Advanced results of a **Phase I** trial of **ET-743 in combination with cisplatin** were presented. The safety data confirm the expected absence of overlapping side effects, and the main side effect (neutropenia) is reversible.

This combination clinical study has revealed the existence of activity in **ovarian cancer** that is resistant to platin-taxol treatment, so studies are being planned to develop a therapy involving ET-743 plus cisplatin in resistant ovarian carcinoma.

- Considerable progress was made in 1H03 in ten Phase I combination studies of Yondelis with nine different chemotherapy agents. These **combination studies** already involve **around 120 patients**.
- Although the AACR's 94th annual meeting (5-9 April in Toronto, Canada) was cancelled due to *force majeure*, the proceedings were published. The meeting was finally held in Washington in July. The Mario Negri Institute in Milan presented very interesting data regarding the action mechanism of Yondelis in interfering with the two nucleotide excision repair (NER) pathways.

Aplidin[®]

- Aplidin received Orphan Drug Designation from the Committee for Orphan Medicines of the European Medicines Evaluation Agency for the treatment of acute lymphoblastic leukemia, which is considered an uncommon and serious illness. This type of leukemia represents 23% of pediatric cancers and practically all cases of pediatric leukemia.
- As a result of the extension of the Phase II clinical program, studies are under way in colorectal cancer, kidney cancer, medullar thyroid cancer, non-small cell lung cancer, exocrine pancreatic cancer, and head and neck cancer. Over 50 patients were treated in 1H03.
- The studies in medullar thyroid carcinoma (MTC) have been extended to other countries and are now under way in France, Spain, Belgium and the UK.
- Applications for studies in melanoma are currently being assessed by ethical committees in Belgium, Norway, the UK and Canada.
- At the 9th Congress of the Spanish Society for Medical Oncology (SEOM), held in Tenerife in June, data were presented from the Phase I international multi-center study of Aplidin on patients with low grade neuroendocrine carcinoma; the results, showing that Aplidin may be an active agent on these types of tumors, may lead to Phase II clinical studies.
- Results of a pre-clinical study presented at the 5th International Symposium on Leukemia and Lymphoma in Amsterdam (March 2003) showed that Aplidin® enhanced the effect of three conventional drugs used for treating those illnesses (doxorubicine, methotrexate and cytosine arabinoside). Results were also presented from a study in malignant cells in samples of blood and bone marrow from children. That study showed that Aplidin was 3-10 times more selective on leukemia and lymphoma cells than on normal cells.

Kahalalide F:

- In 1Q03, the Spanish Medicines Agency (*Agencia Española del Medicamento*) and the ethical committees of several hospitals approved the commencement of Phase II clinical development of Kahalalide F. **Phase II studies for hepatic carcinoma** commenced in 2Q03. Five specialized oncology centers are participating in this multi-center trial.

Hepatic carcinoma, one of the most common carcinomas, is very aggressive and resistant. The available pharmacological treatments have a marginal impact on the performance of these patients, so the availability of other active treatments is a priority in cancer treatment.

In Phase I, Kahalalide F confirmed that the recommended dose presented very good tolerability with predictable and manageable levels of toxicity.

ES-285:

- ES-285 is the fourth compound in PharmaMar's portfolio to enter Phase I clinical development.

In pre-clinical studies *in vitro* and *in vivo*, ES-285 showed selective activity on various types of human tumors: liver, prostate, breast and kidney, as well as melanoma.

The ethical committees of two European oncology centers have already approved the protocol and patient recruitment has commenced. More studies are planned in other centers.

The Phase I program will assess the suitability of various ES-285 doses and dosage patterns on patients with advanced malignant solid tumors.

CONSOLIDATED BALANCE SHEET

(in thousand euros)

Assets	June 2003	Dec. 2002	Changes %	Liabilities	June 2003	Dec. 2002	Changes %
Intangible fixed assets	172.315,40	138.984,69	23,98%	Share capital	10.036,33	10.036,33	0,00%
Tangible fixed assets	56.137,80	56.466,90	-0,58%	Share premium account	225.816,96	225.816,96	0,00%
Financial fixed assets	11.598,51	8.571,72	35,31%	Other reserves	78.532,95	74.574,35	5,31%
Total fixed assets	240.051,71	204.023,31	17,66%	Profit and loss account	24.969,64	4.680,52	433,48%
Goodwill in consolidation	6.002,01	6.779,14	-11,46%	Total Capital & Reserves	339.355,88	315.108,16	7,70%
Deferred expenses	188,24	241,65	-22,10%	Minorities	0,05	0,05	0,00%
Stocks	10.776,27	6.854,96	57,20%	Negative difference in consolidation	438,99	438,99	0,00%
Receivables	53.538,01	33.223,11	61,15%	Deferred income	567,65	558,41	1,65%
Current asset investments	140.815,45	130.858,86	7,61%	Provisions for liabilities and charges	168,31	93,22	80,55%
Controlling company shares held at short term	3.496,86	3.683,52	-5,07%	Total creditors falling due after one year	35.320,27	23.467,07	50,51%
Cash at bank and in hand	5.522,56	8.850,90	-37,60%	Banks loan	42.117,62	21.027,23	100,30%
Deferred expenses	392,09	614,53	-36,20%	Trade account payable	30.983,97	29.541,76	4,88%
Total current assets	214.541,24	184.085,88	16,54%	Other liabilities	11.830,46	4.545,46	160,27%
				Accruals and deferred income	0,00	349,63	-100,00%
				Total creditors falling due in less than one year	84.932,05	55.464,08	53,13%
Total Assets	460.783,20	395.129,98	16,62%	Total liabilities	460.783,20	395.129,98	16,62%

CONSOLIDATED PROFIT & LOSS ACCOUNT

<i>(in thousand euros)</i>	jun-03	jun-02	Change %	Full Year 2002
Net turnover	40.206,38	35.257,70	14%	62.955,37
Cost of sales	-16.982,45	-15.543,58	9%	-25.938,08
Gross margin	23.223,93	19.714,12	18%	37.017,29
Research and development expenses	-26.596,74	-17.369,35	53%	-44.788,51
Capitalized in-house work on R & D	26.103,74	17.369,35	50%	44.566,06
Profit before other operating items	22.730,93	19.714,12	15%	36.794,84
General and administration	-7.859,89	-7.446,06	6%	-11.884,83
Marketing expenses	-11.297,63	-9.814,50	15%	-18.325,10
Depreciation	-4.355,80	-2.982,75	46%	-8.121,08
Other operating expenses	-3.123,89	-3.040,69	3%	-8.072,08
Other operating income	1.113,01	6.791,72	-84%	6.572,56
Operating profits	-2.793,27	3.221,84	-187%	-3.035,69
Financial items net	778,59	1.862,93	-58%	699,43
Amortization on goodwill in consolidation	-777,13	-754,44	3%	-1.554,28
Equity in income of equity-accounted affiliates	0,00	0,00		0,00
Profit before exceptionals	-2.791,81	4.330,33		-3.890,54
Extraordinary items net	30.322,56	13.761,72	120%	9.019,26
Profit before tax	27.530,75	18.092,05	52%	5.128,72
Tax on the profit period	2.561,11	6.462,60		448,20
Profit for the period before minority interest	24.969,64	11.629,45	115%	4.680,52
Minority interest's share of the profit	0,00	0,48	-100%	0,00
Profit for the period	24.969,64	11.629,93	115%	4.680,52

CASH FLOW JUNE 2003

Operating profit	-2.793,27
Depreciation & Provisions	4.355,80
Capitalized in-house work on R & D	-26.103,73
Increase in Stoks	-3.921,32
(Increase) decrease in debtors	-20.314,90
Increase in creditors	7.430,81
Other items	-3.339,24
Net cash inflow from operating activities	-44.685,85

Returns on investments and servicing of finance

Interest received	1.405,18
deferred interest	-105,38
Interest paid	-1.527,00
	-227,20

Tax paid	0,00
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Capital expenditure and financial investment

Purchase of fixed assets	-9.184,66
Purchase of tangible fixed assets	-7.422,56
Sale of tangible fixed assets	35.832,21
	19.224,99

Acquisitions and disposals

Acquisitions and purchases of minority interests	0,00
Disposal of investments	0,00
	0,00

Equity dividends paid	-2.007,26
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Net cash flow before financing activities	-27.695,32
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Financing

Treasury stock marking to theoretical value	186,70
Increase in long term debts	11.761,47
Early cancellation	0,00
Transfer of investments to long term	1.021,66

Total Cash Flow	-14.725,49
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<i>Opening net cash</i>	<i>122.366,09</i>
<i>Closing net cash</i>	<i>107.640,60</i>