

ANNEX 1

ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

ISSUER'S IDENTIFICATION

FISCAL YEAR CLOSING DATE

31/12/2015

SPANISH TAX ID (C.I.F.)

A-78267176

COMPANY NAME

PHARMA MAR, S.A.

REGISTERED OFFICE

AVENIDA DE LOS REYES 1, POLÍGONO INDUSTRIAL LA MINA, 28770
COLMENAR VIEJO (MADRID)

FORM OF ANNUAL REPORT ON COMPENSATION OF DIRECTORS OF LISTED PUBLIC LIMITED COMPANIES

A COMPANY COMPENSATION POLICY FOR THE CURRENT YEAR

A.1 Please explain the Company's compensation policy. This section will include information on:

- General principles and foundations of the compensation policy.
- Most significant changes to the compensation policy with respect to the previous year's policy, as well as any modifications made during the year to the conditions for exercising options already awarded.
- Criteria used and composition of groups of comparable companies whose compensation policies have been examined to establish the company's compensation policy.
- Relative importance of variable compensation items in relation to fixed compensation items and criteria followed to determine the different components of the directors' compensation package (compensation mix).

Explain the compensation policy

Pharma Mar, S.A. (hereinafter, "Pharma Mar" or the "Company") became a listed company on 2 November 2015, on which date its shares were admitted to trade on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges. The takeover merger of Zeltia, S.A. (absorbed company) by Pharma Mar (absorbing company) was previously recorded in the Mercantile Registry on 30 October 2015. It is worth noting that up until such date Zeltia held 100% of the share capital of its subsidiary Pharma Mar, and its shares were listed up until such date on the four mentioned stock exchanges.

As explained in the Information Memorandum on the corporate governance for the company resulting from the takeover merger of Zeltia, S.A. by Pharma Mar, S.A. Sociedad Unipersonal, which was reported by Zeltia, S.A. as a Relevant Event on 23 June 2015 (hereinafter the "Information Memo"), the Universal General Shareholders Meeting of Pharma Mar, at its meeting on 30 June 2015, resolved to adopt, as from the date it became a listed company, Zeltia's director compensation policy for fiscal year 2015, as defined in the Annual Directors' Compensation Report of Zeltia, S.A. for fiscal year 2014 (hereinafter the "Zeltia ACR 2015"). Said Zeltia ACR 2015 was approved by the General Meeting of Zeltia, on an advisory basis, at its meeting on 30 June 2015 under agenda item VI. Furthermore, the Universal General Shareholders Meeting of Pharma Mar met on the same day and resolved to set the maximum amount of annual compensation for the Directors of Pharma Mar as a whole, in their condition as such, as the amount set for such purpose in Zeltia's compensation policy, which Pharma Mar has resolved to adopt, totaling €1,816,200.

It is worth noting that both the Information Memo as well as the resolution of the Universal General Shareholders Meeting of Pharma Mar held on 30 June 2015 indicated that Pharma Mar intended to submit the Directors' compensation policy for fiscal year 2016 et. seq. to the approval of its Annual General Shareholders Meeting to be held in 2016, regardless of whether said policy would remain unaltered from Zeltia's Directors' compensation policy for 2015, as included in the Zeltia ACR 2015, or whether its Board deemed it appropriate to propose amendments thereto for 2016 et. seq. In such regard, the Company's Board of Directors resolved at its meeting on 26 January 2016, at the proposal of the Appointments and Compensation Committee, to propose a new Directors' compensation policy comprising the following key terms to the 2016 Annual General Shareholders Meeting (which as of the date of this report had not yet been called to a meeting):

A.- General Principles of the Compensation Policy

Pharma Mar's Director compensation policy seeks to bring the policy in line with the interests of its shareholders, prudent risk management, and moderation and balance, taking into account at all times that the quality and commitment of its Board members is essential in order to successfully implement the Company's strategy. Compensation should incentivize dedication without posing a barrier to independence.

In order to achieve this, the general principles of the compensation policy for directors in their condition as such are as follows:

- External competition: bonus compensation that helps attract and retain directors while simultaneously ensuring their independence.
- Internal fairness: compensation that rewards directors for their level of responsibility and effective dedication.
- Lack of variable compensation components, thus encouraging unbiased decision making.
- Moderation: by analyzing market benchmarks.
- Transparency:

In addition, the principles applied in the compensation policy for executive directors, for performance of their executive duties, are as follows:

- Alignment of the executive directors' compensation policy with the Company's strategy.
- The different compensation components have been developed such that fixed compensation represents a significant part of total compensation and variable compensation rewards the achievement of the strategic objectives of the Company and its Group.
- Alignment with the compensation established in comparable companies (as regards both size and sector of activity).

The aforementioned compensation principles comply with the provisions established generally for capital corporations in the new Article 217.4 of the Capital Corporations Law on the reasonableness of the compensation of board members and the adequacy of compensation in light of the Company's size, relevance and financial position. These principles are also aimed at promoting profitability and sustainability while simultaneously preventing excessive assumption of risk and compensation for unfavorable results.

B. Compensation policy for Directors in their condition as such for 2016-2018 (paragraph 1, Art. 529 septdecies Spanish Capital Corporations Law –“LSC”)

Compensation components:

The Company's compensation policy for the 2016-2018 period, which will be submitted to the 2016 Annual General Shareholders Meeting, establishes that directors shall be compensated for their condition as such by virtue of fixed annual compensation plus allowances for attendance at the meetings of the Board of Directors and its Committees. In this regard, current Article 37 of the Company's Bylaws establishes the following:

“The compensation system for Directors in their condition as such shall include fixed annual compensation and attendance allowances for attending the meetings of the Board of Directors or its Committees. The Board of Directors shall set annual fixed compensation for each Director, taking into account for such purpose the Director's respective duties and responsibilities, including as the chairman or as a member of any Committees, or as the Coordinating Director, as well as all other objective circumstances deemed relevant. The Board shall also set the amount of attendance allowances for attending the meetings of the Board and its Committees.”

As compensation for their condition as Company Directors, each Board member shall receive fixed annual compensation aimed at sufficiently compensating them for the responsibility and dedication required in their position.

The Company's compensation policy for 2016-2018, which will be submitted to the 2016 Annual General Shareholders Meeting for approval, establishes that those Directors who also serve as members of the various Committees (Executive Committee, Audit Committee and Appointments and Compensation Committee) shall receive additional fixed compensation for their dedication to said Committees, with higher weightings for the Chairmen of the Audit Committee and the Appointments and Compensation Committee. Compensation received by members of the Executive Committee shall take into account the additional activities and duties undertaken, as these duties now include those that were carried out by the former Management Committee of Pharma Mar, which was eliminated at the time of the merger of Zeltia and Pharma Mar. The position of Coordinating Director shall also receive fixed annual compensation.

Directors shall receive an attendance allowance to compensate for their personal and effective attendance at the meetings of the Board of Directors and its different Committees. The annual amount received by any Director as an allowance for attending the meetings of the Board or of its Committees may under no circumstances exceed the amount of annual fixed compensation provided for membership on the Board of Directors.

In addition, Article 37 of the Company's Bylaws establishes the following:

“It is expressly authorized that compensation of some or all of the members of the Board of Directors may include the delivery of Company shares or share option rights, or may be linked to share value, if so determined by the General Meeting, which shall set the maximum number of shares that may be allocated to this scheme in each fiscal year; the exercise price or method for calculating the exercise price of the share options; the share value that, as the case may be, is used as a benchmark; and the term of the plan. The General Meeting may delegate the determination of any aspects related to this type of compensation to the Board of Directors. The Company shall also contract a civil liability insurance policy for the Directors and executives.”

The compensation policy for the 2016-2018 period, which will be submitted to the approval of the 2016 Annual General Shareholders Meeting, does not establish for any director a compensation system linked to share value or that involves the delivery of shares or share option rights.

Finally, it is worth noting that the Company has contracted a civil liability insurance policy for its directors and executives.

C.- Maximum overall compensation to be paid to the directors as a whole in their condition as such in 2016 (paragraph 1, Art. 529 septdecies Spanish Capital Corporations Law –“LSC”)

In this regard, Article 37 of the Company's Bylaws establishes the following:

"The maximum annual compensation for the Directors as a whole based on their condition as such shall be approved by the General Meeting in the compensation policy and shall remain in effect until such time as an amendment thereto may be approved."

The maximum annual compensation for directors as a whole based on their condition as such (i.e. Directors of Pharma Mar, S.A.) in 2016 is €1,800,000 (paragraph 1, Art. 529 septdecies LSC). This amount is €16,000 less than the maximum annual compensation amount established for Pharma Mar directors as a whole by the General Meeting of said Company at its meeting on 30 June 2015 (and is exactly the same amount as that established by Zeltia's General Meeting for its Directors, in a meeting held on the same date). This maximum compensation amount to be paid to the directors as a whole based on their condition as such was calculated on the basis of ten directors, although as of the date of this report there were nine Directors on the Company's Board of Directors. Said maximum amount includes: i) fixed annual compensation for membership on the Board of Directors, ii) fixed annual compensation for the positions of Chairman and for the members of the Board Committees, iii) additional compensation applicable to the Coordinating Director; and ii) a maximum attendance allowance per director for attending the meetings of the Board of Directors and of its Committees, for ten Directors. The maximum attendance allowance amount was calculated taking into account that, in accordance with the Company's policy, attendance allowances received by the Directors for attending the meetings of the Board of Directors and of its Committees may under no circumstances exceed the amount established as fixed annual compensation for their membership on the Board of Directors.

D.- 2016-2018 compensation policy for directors performing executive duties (paragraph 1 Art. 529 octodecies LSC).

Article 37 of the Company's Bylaws establish the following in this regard:

"The additional compensation to be received by Directors for carrying out executive duties, including severance pay for early removal and any other amounts to be paid by the Company as insurance premiums or contributions to savings systems, must be in compliance with the compensation policy approved by the General Meeting."

This compensation is independent from compensation applicable thereto by virtue of their general monitoring and group decision making duties arising from their status as a director –including compensation received for serving as the Chairman of the Board of Directors, or as a member or other officer on any of its committees– of the Company or any Group company.

The compensation system applicable to Pharma Mar's executive directors was developed in conformity with the mercantile law in force and with the Bylaws. Said system includes the following provisions:

D.1. Fixed Compensation

The fixed compensation of the Executive Directors is closely linked to their responsibility, professional experience and leadership within the organization and is in line with that provided in the market for comparable companies, both in terms of size and sector of activity.

The Appointments and Compensation Committee, comprised exclusively of Non-Executive Directors, is responsible for, in accordance with Article 14 of the Board of Directors Regulations, proposing individual compensation and other contracting conditions for executive directors of the Company to the Board of Directors, as well as for ensuring compliance therewith.

The contract governing the performance of the Executive Chairman's duties and responsibilities is commercial in nature and includes those clauses generally found in these types of contracts. Said contract for the provision of executive services was approved by the Board of Directors of Zeltia, S.A. on 26 February 2015 at the proposal of its Appointments and Compensation Committee, in which Pharma Mar has succeeded Zeltia by operation of law as a result of the merger between the aforementioned Companies. In accordance with the aforesaid contract, fixed compensation of the Executive Chairman for 2016 will be 855.9 thousand euros; this amount is expected to be revised in 2017 and 2018 in accordance with the evolution of the Consumer Price Index for the preceding year (2016 and 2017, respectively).

As regards the Executive Vice Chairman, fixed compensation for performing its executive duties, currently under an employment contract, (compensation independent from that received for performing general monitoring and group decision making duties as a mere director –including compensation for membership on the Board of Directors or as a member or other officer on any of the committees of the Company or its Group companies) will be 254.7 thousand euros for fiscal year 2016. This amount is identical to the amount received in 2015. In 2017 and 2018, said contribution may be updated in accordance with the Consumer Price Index for the preceding year.

DUE TO LACK OF SPACE THE RESPONSE TO THIS SECTION A1 IS CONTINUED IN THE SECTION "OTHER INFORMATION OF INTEREST."

A.2 Please provide information on the preparatory works and decision-making process followed for determining the compensation policy and the role, if any, of the Compensation Committee and other control bodies in shaping the compensation policy. This information will include, where appropriate, the mandate and composition of the Compensation Committee and the identity of external advisers whose services have been used to define the compensation policy. The character of the directors, if any, were involved in defining the compensation policy should also be included.

Explain the process for determining the compensation policy

The Appointments and Compensation Committee (hereinafter, the "Committee") is the body in charge of assisting the Board of Directors in compensation related matters. In accordance with Article 14 of the Board of Directors Regulations –as provided in the text in force at the time this report was drafted–, the duties of this Committee as relates to the compensation policy are as follows: i) to propose to the Board the compensation system and policy for Directors, general managers, managers that perform senior management duties and report directly to the board, executive committees or Managing Directors, as well as individual compensation and other contract conditions for executive directors; ii) to verify compliance with and regularly revise the compensation policy applied to the Directors and senior executives, including compensation systems using shares and the application thereof, as well as to ensure that individual compensation is proportionate to the amount paid to the other Directors and senior executives of the Company; iii) to verify information on the compensation of Directors and senior executives as provided in the various corporate documents, including the annual report on directors' compensation; and iv) to report in advance to the Board of Directors on proposed resolutions for related-party transactions.

The Committee was established by resolution of the Board of Directors on 22 September 2015, although said establishment resolution did not enter into effect until the date on which the shares of Pharma Mar were admitted to trade on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges (i.e. 2 November 2015).

By virtue of the aforesaid resolution of the Board of Directors of Pharma Mar dated 22 September 2015, the Committee is comprised of the following directors:

- Eduardo Serra y Asociados, S.L. (represented by Eduardo Serra Rexach), independent director.
- Ana Palacio Vallelersundi, independent director.
- Montserrat Andrade Detrell, shareholder-appointed director.
- Jaime Zurita Sáenz de Navarrete, independent director.

This same Board appointed EDUARDO SERRA Y ASOCIADOS, S.L. (represented by Eduardo Serra Rexach) as the Committee Chairman for a term of four years. Furthermore, Jaime Zurita Sáenz de Navarrete was appointed as the Committee Secretary.

The current composition therefore complies with the requirement established in Article 529 quidecies of the Capital Corporations Law, which establishes that "the appointments and compensation committee shall be comprised exclusively of non-executive directors appointed by the board of directors, at least two of which shall be independent directors."

In light of the fact that the establishment resolution for the Committee adopted by the Board of Directors of Pharma Mar on 22 September 2015 did not enter into effect until the shares of Pharma Mar were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges, which took place on 2 November 2015, the activity of the Committee in 2015 was limited to two months (November and December), during which time a single meeting was held on 22 December. At this meeting, only one of the agenda items related to compensation; thus, in conformity with the duty attributed to the Committee by Art. 14.2.e) of the Board Regulations ("To report on the proposals for appointment and removal of senior executives and to report on or propose the basic terms of their contracts"), the Committee submitted various amendments to the compensation package for four of Pharma Mar's senior executives to the Board of Directors.

In addition, at the same meeting, the Committee drafted a report confirming the classification of the directors into the different categories applicable to directors of listed companies (executive, shareholder-appointed, independent and other external) for each of the nine members of the Board of Directors of Pharma Mar, in light of the provisions of Article 529 duodecies of the Capital Corporations Law. Said report was submitted to and approved by the Board of Directors of Pharma Mar at its meeting on 22 December 2015.

In addition to the duties performed by the Appointments and Compensation Committee in relation to compensation of the Executive Directors for carrying out their executive duties (as described in section A1.D of this report), it is worth noting that the aforesaid Committee has proposed the specific compensation amounts (fixed compensation and attendance allowances) to be received by Directors in 2016 for their condition as such to the Board of Directors. Said proposal having been approved by the Board of Directors at its meeting on 26 January 2016, as indicated in section A.1, *supra*, said amounts are described in section A.3 of this report.

A.3 Please indicate the amount and nature of the fixed components, itemizing where appropriate any compensation for the performance of senior management duties by executive directors, additional compensation for the chairman or members of any board committee, allowances for participating in the board and its committees or other fixed compensation as a director, as well as an estimate of the resulting fixed annual compensation. Identify other benefits that are not paid in cash and the basic criteria on which they are awarded.

Explain the fixed components of the compensation

1. 2016 compensation for directors in their condition as such (paragraph 1, Art. 529 septdecies LSC)

1.1. Fixed Compensation per Director for fiscal year 2016 for membership on the Board of Directors and its Committees:

- Board of Directors; Chairman; Vice Chairman and Members: 62,149.47 euros
- Executive Committee; Chairman and Members: 122,284.79 euros (provided, in accordance with the content of section A.1, the 62,000 euro increase for each of the Committee members is approved by the 2016 Annual General Meeting, with retroactive effect from 1 January 2016).
- Audit Committee and Appointments and Compensation Committee; Chairman: 21,100 euros
- Audit Committee and Appointments and Compensation Committee; Members: 16,200 euros
- Coordinating Director: 16,200 euros

1.2. Allowances per Director for fiscal year 2016 for attending Board and Committee meetings:

- Board of Directors: 3,560 euros per meeting attended.
- Executive Committee; Audit Committee and Appointments and Compensation Committee: 1,614.97 euros per meeting attended.

The Company's policy provides that the total amount of attendance allowances received by any Director for attending meetings of the Board of Directors and its Committees during the fiscal year may under no circumstances exceed fixed annual compensation established for said fiscal year for membership on the Board of Directors (see the first paragraph of clause 1.1 of this section A.3).

It is worth noting, on the other hand, that the Company has executed a civil liability policy for its directors and executives that covers all such individuals within the Corporate Group. Total amount paid for this policy in 2015 was 182 thousand euros.

2. Fixed compensation of Executive Directors for fiscal year 2016 for performing executive duties (paragraph 1, Art. 529 octodecies LSC)

The Company has two executive directors (Chairman and Vice Chairman) that receive specific compensation for carrying out their executive duties (compensation is independent from any compensation applicable thereto by virtue of their general monitoring and group decision making duties arising from their status as directors –including compensation for serving as the Chairman of the Board of Directors, or as a member or any other officer on any of its committees– of the Company or any Group company).

- In 2016, the executive Chairman will receive fixed compensation, in cash, of 855.9 thousand euros, in accordance with the contract for the provision of executive services dated 26 February 2015 executed with Zeltia (and approved by the General Shareholders Meeting of Zeltia on 30 June 2015). By resolution of the General Shareholders Meeting of Pharma Mar on 30 June 2015, Pharma Mar shall succeed Zeltia, following the merger between the companies, in all existing contracts with the executive directors of Zeltia, who will become executive directors of Pharma Mar once the merger has been completed.

- In 2016, the executive Vice Chairman will receive fixed compensation of 254.7 thousand euros, which is the same as the fixed amount received in 2015. It is worth noting that Pharma Mar, by operation of law and as a result of its merger with Zeltia, also succeeded Zeltia in its employment relationship with its Executive Vice Chairman.

Furthermore, the aforementioned Executive Directors receive welfare compensation (whether by virtue of a contract for the provision of executive services or of an employment relationship), including the following benefits:

- Life and retirement insurance (life insurance-savings insurance). The Company makes an annual contribution of €12,000 for each one of the Executive Directors.
- Accident insurance, under a collective policy for the Company's employees or under equivalent conditions, health insurance, under a collective policy for the Company's employees or under equivalent conditions, and an annual medical check-up (only for the Executive Chairman), totaling an annual contribution of €4,000 for the executive chairman and €3,000 for the Vice Chairman.

On the other hand, the Company provides the Executive Chairman with a representative office at the operating headquarters, communications equipment, payment instruments, support staff, and a company vehicle sufficient for the duties performed thereby. The total value of these elements provided to the executive chairman in 2016 can be estimated or quantified at 147 thousand euros. The accumulated amount of this figure is listed under the "Other Items" column in table D.1.a).i).

A.4 Please explain the amount, nature and primary features of the variable components of the compensation systems.

In particular:

- Identify each of the compensation plans of which the directors are beneficiaries, their scope, date of approval, date of implementation, validity period and their main features. For plans involving share options or other financial instruments, the general features of the plan should include information on the conditions for each plan regarding exercising those options or financial instruments.

- Identify any compensation awarded as profit sharing or bonuses, and the reason why they were awarded.
- Explain the basic parameters and grounds for any system of annual bonuses.
- The types of directors (executive directors, external shareholder-appointed directors, external independent directors or other external directors) who are beneficiaries of compensation systems or plans that include variable compensation.
- The basis of those variable compensation systems or plans, the performance assessment criteria chosen, as well as the assessment components and methods for determining whether or not said assessment criteria have been fulfilled, and an estimate of the total absolute amount of variable compensation to which the current compensation plan would give rise, depending on the extent to which the benchmark hypotheses and objectives are fulfilled.
- Where appropriate, please provide information on any payment deferral periods established and/or retention periods for shares or other financial instruments.

A) Variable compensation components for Directors in their condition as such for 2016

In fiscal year 2016, no variable compensation is established for Directors in their condition as such (notwithstanding attendance allowances for attending Board of Directors and Committee meetings).

B) Variable compensation components for Executive Directors for performing executive duties in 2016

In fiscal year 2016, only the Executive Chairman has a variable compensation component for performing executive duties, as provided for in the contract for the provision of executive services executed between the Company and the Executive Chairman, in which Pharma Mar succeeded Zeltia by operation of law as a result of the takeover merger between the aforementioned Companies.

Thus, in accordance with the aforesaid contract, the variable compensation applicable to the Executive Director in 2016 may reach a maximum of 30% of the fixed compensation established for said fiscal year for the performance of its executive duties.

Said annual variable compensation includes two tranches. The first tranche is regulated and includes quantitative targets that refer to sales figures, income, etc. In 2016, this first tranche could reach a maximum amount of 12% of the fixed gross annual compensation for said fiscal year for the performance of executive duties.

The second tranche is discretionary and will be determined by the Board of Directors in view of criteria related to strategic momentum, focus of R&D investments, attendance at international conferences, presentations and roadshows, creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. In 2016, this second tranche could reach a maximum amount of 18% of the fixed gross annual compensation for that fiscal year for the performance of executive duties.

A.5 Please explain the main features of the long-term savings systems, including retirement and any other survivor benefits, partially or wholly funded by the company, whether provided internally or externally, estimating their amount or equivalent annual cost and indicating the type of plan, whether defined benefit or contribution, the conditions of the vested economic rights of the directors and their compatibility with any type of compensation for early termination of the contractual relationship between the company and the director.

Please also identify any contributions made to defined contribution pension schemes on behalf of the director; or the increase in vested rights of the director in the event of contributions to defined benefit plans.

Explain the long-term savings systems

The Executive Chairman and Executive Vice Chairman are the beneficiaries of a life insurance-savings insurance policy. This involves a defined contribution. The Company makes an annual contribution of €12,000 for each one of the Executive Directors. The contingencies covered include retirement and death.

As regards the Executive Chairman, the Company undertakes, during the validity of its contract for the provision of executive services, to make an annual contribution of €12,000. Upon termination of the aforementioned contract, the Company will stop making such contributions, although accumulated capital will be held in favor of the Executive Chairman until such time as an insured event occurs (death or retirement), unless the termination thereof was a result of (a) the unilateral voluntary withdrawal of the Executive Chairman, not followed by the immediate retirement thereof, or (b) a serious breach of the Executive Chairman's obligations that has been legally declared as such, in which cases the accumulated capital shall pertain to the Company rather than the insured. Receipt of accumulated capital is compatible with the severance pay referred to in section A.7.

As regards the Executive Vice Chairman, the Company shall continue to make annual contributions as long as said Executive Vice Chairman continues to provide the services to the Company (excluding those services provided in its condition as a director) or to its subsidiaries and up until his/her retirement, regardless of the directors age at the time of retirement. The accumulated capital pertaining to the insured shall be held to its benefit until such time as an insured event occurs (retirement or death), regardless of whether the Company has stopped making contributions to the benefit of the insured at any given time, with the exception of legally mandated removals or voluntary resignation, not including retirement, in which case, the accumulated capital shall pertain to the Company rather than the insured.

A.6 Please indicate any compensation agreed or paid in case of termination of duties as a director.

Explain the compensation

As of the date of this report, there are no "golden parachute" or other severance payments agreed by the Company in the case of termination of the duties of the Company's Directors in their condition as such, subject to the special feature applicable to the Executive Chairman (see section A.7 of this report).

A.7 Please indicate the conditions that must be respected in contracts for individuals carrying out senior management duties as executive directors. This should include information on duration, limits on compensation amounts, tenure clauses, notice periods, and payment in lieu of the aforementioned notice period, and any other clauses on hiring bonuses, as well as on severance payments or golden parachutes for the early termination of the contractual relationship between the company and the executive director. Include, among others, non-competition, exclusivity, tenure or loyalty and post-contractual non-competition covenants or agreements.

Explain the conditions of the executive director contracts

In relation to the Executive Chairman, the contract for the provision of executive services between the Company and the Executive Chairman –which was approved by Zeltia's Board of Directors at its meeting on 26 February 2015, in which Pharma Mar succeeded Zeltia by order of law as a result of the takeover merger between the aforementioned Companies– shall remain in force for as long as such individual holds the position of Chairman of the Board of Directors and top executive of the Company, bearing in mind the following. The contract may be terminated by mutual agreement of the parties, by unilateral voluntary resignation of the Executive Chairman, for causes attributable to the Company, or as a result of the death, legal disability, total permanent disability or severe disability, or temporary inability to perform their senior management duties for a period greater than one year.

The Executive Chairman will have the right to receive an indemnity equal to 1.5 times the gross Regulatory Compensation (defined as the arithmetic mean of the total amount accrued during the two full fiscal years immediately preceding the contract termination date for fixed annual compensation, annual variable compensation and attendance allowances) if the contract as top executive is terminated for any cause attributable to the Company (whether by unilateral voluntary termination by the Company –e.g. removal or non-reappointment of the director, or removal of authority or powers, without subsequent and immediate appointment, delegation or granting of analogous authorities or powers in the Company or, in the case of an intragroup merger, in the absorbing company–, significant amendment to the powers or conditions of providing the services, including the succession of the company or significant change in ownership thereof that has the effect of updating its governing bodies or the content and positioning of its primary activity, unless the contract is assigned by the Company to any other Group company).

In the event of termination of the contract by the sole will of the Company, as expressed by a resolution of the Board of Directors or by the total or partial revocation of powers or duties delegated to the Executive Chairman, advance notice of three months shall be required and the Company may release the Executive Chairman from carrying out its duties during said period, although it shall continue to pay the pertinent compensation. In the event of termination of the contract by the voluntary unilateral resignation of the Executive Chairman, advance notice of three months shall be required, which if not complied with shall give way to an indemnity payable to the Company in the proportional amount of the Regulated Compensation –as defined herein above– applicable at the time of termination of the aforesaid contract applicable to the advance notice period that was breached.

As regards exclusivity agreements, in accordance with said contract for the provision of executive services, the Executive Chairman shall dedicate its full professional activity to the Company and its Group companies, and the Executive Chairman shall, unless with the prior and express consent of the Board of Directors, abstain from carrying out any professional activity beyond the Pharma Mar Group.

Notwithstanding the above, the Executive Chairman may perform teaching and research activities at Universities and public or private schools, carry out positions in foundations or business associations or related to the area where the Company operates, or carry out positions as an independent director in other companies, provided the provision of this activity has been previously notified to the Appointments and Compensation Committee, and does not have a material effect on the full dedication of the Executive Director nor interferes with the performance of his/her duties to the Company or, in any other case, that has been authorized by the Board of Directors.

As regards the Executive Vice Chairman, its relation with the Company as of the date of drafting this report is an employment relationship entered into for an indefinite term, whereby the indemnities and advance notice applicable in the event of termination of said employment relationship shall be as provided in applicable employment regulations.

On the other hand, it should be noted that the non-competition obligations of the directors are regulated in general by Art. 229 et. seq. of the Capital Corporations Law.

A.8 Please explain any supplementary compensation paid to directors as compensation for services provided other than those inherent in their position.

Explain supplementary compensation

N/A

A.9 Please indicate any compensation in the form of advances, loans and guarantees, indicating the interest rate, key features and any amounts repaid, as well as the obligations assumed on their behalf as a security.

Explain the advances, loans and guarantees granted

The Executive Chairman has accumulated from prior years an advance in the amount of €45,000, which does not accrue interest.

A.10 Explain the main characteristics of payments in kind.

Explain payments in kind

See section A.3

A.11 Please indicate the compensation earned by the director by virtue of the payments made by the listed company to a third party in which the director provides services, when said payments are made to remunerate the director's services in the company.

Explain the compensation earned by the director by virtue of the payments made by the listed company to a third party in which the director provides services

N/A

A.12 Any compensation item different from those above, regardless of its nature or which group company made said payment, especially if it is considered a related transaction or its issue distorts the fair view of the total compensation earned by the director.

Explain the other compensation items

During the current fiscal year and up until the date of drafting of this report, no economic consideration whatsoever has been paid to any Director of the Company or any of its related companies for related-party transactions with the Company or its Group companies.

A.13 Please explain the actions adopted by the company in relation to the compensation system to reduce exposure to excessive risks and adapt it to the long-term targets, values and interests of the company, which will include, where appropriate, reference to: measures designed to ensure that the compensation policy considers the long-term results of the company, measures that establish a balance between the fixed and variable components of compensation, measures adopted for those categories of personnel whose professional activities have a material effect on the company's risk profile, debt collection formulas or clauses to claim a refund of results-based variable components of the compensation if those components have been paid according to data which has subsequently proved to be clearly inaccurate, and measures to avoid any conflicts of interests, where appropriate.

Explain actions adopted to reduce risks

The Company's compensation policy for its top executive includes variable compensation for carrying out executive duties, thus linking a part of compensation to the Company's performance and strengthening control over the risk associated with compensation. This policy allows the Company to base compensation of the top executive on the good performance of the Company, as some of the objectives on which variable compensation is based are economic/financial.

No clawback clauses were expressly included in the contract for the provision of executive services executed between the Company and the Executive Chairman.

In accordance with the provisions of Art. 228 LSC, the Directors of the Company shall abstain from deliberating and voting on resolutions or decisions regarding which they and/or a related person has a direct or indirect conflict of interest.

Furthermore, Art. 229 LSC regulates the duty of the directors to avoid situations of conflict of interest and Art. 230 LSC further establishes the regime for enforceability and exceptions in relation to said duty. It is worth noting that the Executive Directors of the Company and the directors related thereto abstained from participating in and voting on the resolutions adopted by the Board of Directors at its meeting on 26 January 2016 referring to the assessment of compliance with 2015 targets (in the case of the Executive Chairman) and to the establishment of compensation for 2016 (in the case of the Executive Vice Chairman).

B PROJECTED COMPENSATION POLICY FOR FUTURE YEARS

Repealed.

C GENERAL SUMMARY OF HOW THE COMPENSATION POLICY WAS APPLIED FOR THE YEAR ENDED

C.1 Briefly explain the main characteristics of the structure and compensation items of the compensation policy applied for the year ended and provide a breakdown of the individual compensation earned by each of the directors shown in section D of this report, and summarize the decisions made by the board for the application of those items.

Explain the structure and compensation items of the compensation policy applied during the year

A) Compensation of Directors in their condition as such in 2015

Prior to analyzing the compensation of directors of Pharma Mar in their condition as such in 2015, it should be highlighted that in 2015 there was a reverse merger between Pharma Mar (absorbing company) and Zeltia (absorbed company): For this reason, two periods during the year need to be analyzed: the period prior to the merger (1 January to 30 October) and the period after the merger (31 October to 31 December).

1) Up until the effective date of the Merger, the Directors of Pharma Mar received the compensation to which they were entitled in their condition as such by virtue of the resolutions adopted under agenda items 6.1. and 6.2. of the Universal General Shareholders Meeting of Pharma Mar held on 30 June, which included the following:

The compensation of the Directors of Pharma Mar for their condition as such included the following amounts and items:

- Fixed annual compensation for membership on the Board: 25,000 euros (gross).
- Attendance allowances for each Board meeting: 6,750 euros (gross)(physical attendance); 1,600 euros (gross)(remote attendance).
- Annual maximum total compensation limit for the sum of the two aforementioned items: 52,000 euros (gross) per director.

In addition, those directors of Pharma Mar that were members of its Management Committee had the right to receive additional annual compensation of €10,000 for their membership on said Management Committee (which was substituted by an Executive Committee following the effective date of the Merger).

Therefore, in relation to fixed annual compensation for membership on the Board and fixed annual compensation for membership on the Management Committee, Pharma Mar's Directors received the proportional part of said compensation applicable thereto for the time they served as Directors of Pharma Mar, i.e. from 1 January 2015 (or from the subsequent date on which they were appointed as Directors of Pharma Mar if other than 1 January 2015) up until 30 October 2015 (or up to the date of removal if they were previously removed from their position as a Pharma Mar Director), on which date the Merger became effective. In this regard, the proportional fixed annual compensation received for the period from 1 January up to the effective date of the merger was €20,833 and the proportional part received for membership on the Management Committee was €8,333.

Furthermore, in accordance with the provisions of Article 26 of the former Bylaws of Pharma Mar, the General Meeting may, on an annual basis, grant special compensation to those directors whose performance during the prior fiscal year was particularly significant. This amount may not exceed €75,000 (gross) per director. In accordance with this limit, by resolution of the Universal General Shareholders Meeting of 30 June 2015, three directors were granted special compensation for a total collective amount of €17,700 (gross) for their significant performance in their position as directors during 2014.

2) Once the Merger became effective, Pharma Mar's Directors, as a whole, were compensated for their condition as such from the effective date thereof up until 31 December 2015 for a maximum amount equivalent to the proportional part of the maximum annual compensation applicable to Zeltia's Directors for their condition as such for 2015 (amount included in the Zeltia ACR 2015, totaling €1.8 million) corresponding to the time between the effective date of the Merger and 31 December 2015. In this regard, during the period from the effective date of the Merger up until 31 December 2015:

- The Directors of Pharma Mar earned fixed compensation for membership on the Board of Directors of Pharma Mar, during said period, in the amount of €10,358, i.e. the proportional part of fixed annual compensation for membership on the Board of Directors of Zeltia, as indicated in the Zeltia ACR 2015.
- The Directors of Pharma Mar received an attendance allowance for each of the meetings of the Board of Directors of Pharma Mar that they attended during this period in the same amount as the attendance allowance for meetings of the Board of Directors of Zeltia for 2015, as indicated in the Zeltia ACR 2015, i.e. €3,560.
- The Directors of Pharma Mar that were members of the Audit Committee or Appointments and Compensation Committee of said company received individual compensation for said period of €2,700, which is the proportional part of the fixed annual compensation established individually for members of the aforementioned Committees of Zeltia, as indicated in the 2015 Zeltia SCR.
- The Directors of Pharma Mar that served as Chairmen of the Audit Committee or of the Appointments and Compensation Committee of said company received individual compensation for said period of €3,517, which is the proportional part of the fixed annual compensation established individually for the Chairmen of the aforementioned Committees of Zeltia, as indicated in the 2015 Zeltia SCR.
- The Directors of Pharma Mar that were members of the Executive Committee (including the Chairman and the members) of said company received individual compensation for said period of €10,048, which is the proportional part of the fixed annual compensation established individually for the members of the Executive Committee of Zeltia, as indicated in the 2015 Zeltia SCR.
- The Directors of Pharma Mar that were members of the Executive Committee, the Audit Committee or the Appointments and Compensation Committee received an attendance allowance for each meeting of the aforesaid Committees that they attended during said period, in an amount equivalent to the attendance allowance for meetings of the aforesaid Committees of the Board of Directors of Zeltia for 2015, as indicated in the 2015 Zeltia SCR, i.e. €1,615.
- The Coordinating Director of Pharma Mar received fixed compensation for holding such position during said period in the amount of €2,700, i.e. the proportional part of the fixed annual compensation established for the Coordinating Director of Zeltia, as indicated in the Zeltia ACR 2015.

In addition, it is worth noting that the Pharma Mar Group has taken out a civil liability insurance policy for the directors and executives of the companies that form part of its Group.

For the purposes of the provisions of Article 217.3 of the Capital Corporations Law, maximum annual compensation for the directors of Pharma Mar as a whole in their condition as such for 2015 was established as the same amount provided for such purposes in Zeltia's compensation policy, which was assumed by Pharma Mar (i.e. €1,816,200, as stated in the Zeltia ACR 2015, although the maximum amount set by Pharma Mar does not include compensation received by Zeltia's Directors in 2015 for their condition as such). However, this maximum amount would only apply if the Merger was executed before 31 December 2015, otherwise, the applicable maximum amount would be as set forth in the resolution adopted in relation to agenda item 6.2 of the General Meeting (€530,000).

No compensation system linked to share value or that involves the delivery of shares or share option rights has been applied to any of the directors.

B) Compensation of executive Directors for performing their executive duties in 2015

Prior to the reverse Merger of Pharma Mar (absorbing company) and Zeltia (absorbed company), no director of Pharma Mar was compensated for performing their executive duties.

Once the merger was made effective, Pharma Mar succeeded Zeltia in its contracts held with its two executive directors (Chairman and Vice Chairman), the primary terms and conditions of which are set forth in the Zeltia ACR 2015.

In this regard:

- Fixed compensation of the Executive Directors in 2015: The Executive Chairman received fixed compensation of 674.4 thousand euros. The Executive Vice Chairman received fixed compensation of 254.7 thousand euros.

- Variable compensation of the Executive Directors in 2015: The Executive Chairman received variable compensation of 425.2 thousand euros.

As regards variable compensation of the Executive Chairman for performing executive duties in 2015, it is worth noting that compensation could, in accordance with that approved by the Board of Directors, reach a maximum equivalent to 65% of fixed annual gross compensation for performing its executive duties and that said compensation was comprised of two tranches, including a regulated and discretionary tranche. The first tranche, which has a maximum amount equal to 26% of the fixed annual gross compensation for performing executive duties, includes quantitative targets that refer to sales figures, income, etc. The second tranche, which has a maximum amount equal to 39% of the fixed annual gross compensation for performing executive duties, includes criteria that refer to the strategic momentum, evolution of the product pipeline, focus of R&D investments, attendance at international conferences and roadshows, and/or other criteria that may be considered indicative of their individual performance and of the Company's performance. The Company's Board of Directors resolved, at its meeting on 26 January 2016, after analyzing the Report presented by the Appointments and Compensation Committee on achievement of the targets linked to the Executive Chairman's variable compensation, as previously described, to approve the proposal of said Committee, concluding that there was a 95% achievement rate with the quantitative targets of the regulated tranche as well as with the targets referring to strategic momentum, pipeline performance, increased R&D investment, etc. and thus, variable compensation of the Executive Chairman in 2015 was 63.05% of fixed compensation for said year.

On the other hand, during fiscal year 2015, the Company paid €12,000 as life and savings insurance premiums (life insurance-savings insurance) in favor of each of the two Executive Directors. These premiums have been being paid since 1997. Furthermore, the aforementioned Executive Directors received the following benefits as welfare compensation:

- Accident insurance, under the collective policy for Company employees.
- Health insurance, under the collective policy for Company employees.
- Full annual medical check-up (only for the Executive Chairman).

On the other hand, the Company provides the Executive Chairman with a representative office at the operating headquarters, communications equipment, payment instruments, support staff, and a company vehicle sufficient for the duties performed thereby.

In addition to the above, the Executive Chairman was awarded a special cash bonus of one million euros (gross), as provided for in the contract for the provision of executive services between the Executive Chairman and the Company, which would accrue on the date the Food and Drug Administration (FDA) approves the Yondelis medication for commercialization in the United States. This special bonus was set at the time by the Appointments and Compensation Committee of Zeltia, which was accepted by the Board of Directors of Zeltia at its meeting on 27 February 2012. The FDA approved the aforementioned medicine in October 2015, at which time the bonus was effectively paid.

In order to clarify the content of the tables in section C, the following clarifications are made:

Table D.1.a) i): Compensation earned in the company covered in this report: Cash compensation: The board members listed in the table includes those that were members as of 31 December 2015.

For fiscal year 2015, compensation received by the directors of Pharma Mar in the period prior to the merger (in the event they were directors of Pharma Mar during said period) plus compensation received from Pharma Mar in the period following the merger is included.

For fiscal year 2014, compensation received by those same directors for their membership on the Board of Directors of Pharma Mar during said fiscal year (if they were directors in 2014) is included.

Table D.1.b) i): Compensation earned by the company's directors for their membership on the boards of other group companies: Cash compensation:

This table includes those directors that, as of 31 December 2015, were directors of Pharma Mar and that were also directors in 2015 of any subsidiary of the Pharma Mar Group (including Zeltia, S.A. up until its merger with Pharma Mar on 30 October 2015) and that received any type of compensation from the latter.

For fiscal year 2015, compensation received for membership on the boards of directors of other Pharma Mar Group companies that compensated the directors for their membership on said boards (in particular of Zelnova Zeltia, Genómica and Xylazel) is included, as well as the compensation received from Zeltia by those directors of Pharma Mar that in 2015 were directors of the former before it was absorbed by Pharma Mar.

For fiscal year 2014, compensation received by these directors for their membership on the Board of Zeltia during 2014 plus amounts received for their membership on boards of directors in other Group companies that compensated their directors in 2014 is included; however, this does not include amounts received from Pharma Mar in said year.

D BREAKDOWN OF INDIVIDUAL COMPENSATION EARNED BY EACH OF THE DIRECTORS

Name	Category	Accrual Period 2015
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	Executive	From 1/1/2015 to 31/12/2015.
PEDRO FRANCISCO FERNÁNDEZ PUENTES	Executive	From 1/1/2015 to 31/12/2015.
JEFPO, S.L.	Other External	From 30/06/2015 to 31/12/2015.
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	Shareholder-Appointed	From 1/1/2015 to 31/12/2015.
EDUARDO SERRA Y ASOCIADOS, S.L.	Independent	From 30/06/2015 to 31/12/2015.
CARLOS SOLCHAGA CATALÁN	Independent	From 30/06/2015 to 31/12/2015.
MONTSERRAT ANDRADE DETRELL	Shareholder-Appointed	From 30/06/2015 to 31/12/2015.
ANA PALACIO VALLELERSUNDI	Independent	From 1/1/2015 to 31/12/2015.
JAIME ZURITA SÁENZ DE NAVARRETE	Independent	From 28/4/2015 to 31/12/2015.

D.1 Please complete the following tables on the individual compensation of each of the directors (including compensation for carrying out executive duties) earned during the year.

a) Compensation earned in the company covered in this report:

i) Payment in cash (in thousands of €)

Name	Salaries	Fixed Compensation	Allowances	Short-Term Variable Compensation	Long-Term Variable Compensation	Compensation for membership on Board committees	Indemnities	Other Items	2015 Total	2014 Total
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	112	31	31	71	0	18	0	31	294	62
PEDRO FRANCISCO FERNÁNDEZ PUENTES	42	31	24	0	0	18	0	9	124	62
JEFPO, S.L.	0	31	35	0	0	21	0	6	93	62
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	0	31	32	0	0	3	0	0	66	52

Name	Salaries	Fixed Compensation	Allowances	Short-Term Variable Compensation	Long-Term Variable Compensation	Compensation for membership on Board committees	Indemnities	Other Items	2015 Total	2014 Total
EDUARDO SERRA Y ASOCIADOS, S.L.	0	19	12	0	0	4	0	0	35	0
MONTSERRAT ANDRADE DETRELL	0	19	12	0	0	3	0	0	34	0
ANA PALACIO VALLELERSUNDI	0	31	32	0	0	14	0	0	77	52
JAIME ZURITA SÁENZ DE NAVARRETE	0	23	25	0	0	3	0	3	54	0
CARLOS SOLCHAGA CATALÁN	0	19	12	0	0	4	0	0	35	0

ii) Share-Based Compensation Systems

iii) Long-Term Savings Systems

Name	Contribution for the year made by the company (thousands €)		Amount of Accumulated Funds (thousands €)	
	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2015	Fiscal Year 2014
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	12	12	282	259
PEDRO FRANCISCO FERNÁNDEZ PUENTES	12	12	311	290

b) Compensation earned by the company's directors for their membership on the boards of other group companies:

i) Payment in cash (in thousands of €)

Name	Salaries	Fixed Compensation	Allowances	Short-Term Variable Compensation	Long-Term Variable Compensation	Compensation for membership on Board committees	Indemnities	Other Items	2015 Total	2014 Total
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	562	62	23	354	0	50	0	1,126	2,177	1,267
PEDRO FRANCISCO FERNÁNDEZ PUENTES	212	67	21	0	0	50	0	0	350	441
JEFPO, S.L.	0	82	60	0	0	64	0	0	206	227
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	0	52	14	0	0	0	0	0	66	76
EDUARDO SERRA Y ASOCIADOS, S.L.	0	52	29	0	0	15	0	0	96	121
CARLOS SOLCHAGA CATALÁN	0	52	24	0	0	18	0	0	94	90
MONTSERRAT ANDRADE DETRELL	0	52	21	0	0	0	0	0	73	83
JAIME ZURITA SÁENZ DE NAVARRETE	0	52	25	0	0	11	0	13	101	83

ii) Share-Based Compensation Systems

iii) Long-Term Savings Systems

c) Summary of compensation (in thousands of €):

The summary must include the amounts of all compensation items included in this report that have been earned by the director, in thousands of euros.

Contributions or allocations made to long-term savings systems must be included:

Name	Compensation earned in the Company				Compensation earned in group companies				Total		
	Total Cash Payment	Amount of the shares granted	Gross profit on options exercised	Total 2015 (Company)	Total Cash Payment	Amount of the shares granted	Gross profit on options exercised	Total 2015 (Group)	Total 2015	Total 2014	Contribution to the savings system during the year
JOSÉ MARÍA FERNÁNDEZ SOUSA-FARO	294	0	0	294	2,177	0	0	2,177	2,471	1,329	12
PEDRO FRANCISCO FERNÁNDEZ PUENTES	124	0	0	124	350	0	0	350	474	503	12
JEFPO, S.L.	93	0	0	93	206	0	0	206	299	289	0
ROSP CORUNNA PARTICIPACIONES EMPRESARIALES, S.L.	66	0	0	66	66	0	0	66	132	128	0
EDUARDO SERRA Y ASOCIADOS, S.L.	35	0	0	35	96	0	0	96	131	121	0
CARLOS SOLCHAGA CATALÁN	35	0	0	35	94	0	0	94	129	90	0
MONTSERRAT ANDRADE DETRELL	34	0	0	34	73	0	0	73	107	83	0
ANA PALACIO VALLELERSUNDI	77	0	0	77	0	0	0	0	77	52	0
JAIME ZURITA SÁENZ DE NAVARRETE	54	0	0	54	101	0	0	101	155	83	0
TOTAL	812	0	0	812	3,163	0	0	3,163	3,975	2,678	24

D.2 Report on the relationship between the compensation obtained by the directors and the company's results or other performance-related measurements, explaining, where appropriate, how variations in the performance of the company are able to impact variation in the compensation of directors.

Variable compensation for the performance of the Executive Chairman in 2015 was calculated using criteria that measured, from the financial perspective, sales figures and other income and, from the business development perspective, investment in R&D, pipeline performance and attendance at international and oncology conventions.

Group income surpassed income from the two prior fiscal years; in addition, important advances in R&D in the Group were made, resulting in evolution of the pipeline for the compounds being researched, which is evidenced by the inclusion thereof at the most important international oncology conventions. The Board of Directors, at the proposal of the Appointments and Compensation Committee, concluded that the targets established for variable compensation of the Executive Chairman had an achievement rate of 97%.

D.3 Report on the result of the general meeting's advisory vote on the annual report on the previous year's compensation, indicating where appropriate the number of votes against:

	Number	% of Total
Votes Cast	84,721,380	38.13%

	Number	% of Total
Against	1,554,521	0.70%
In favor	83,166,859	37.43%
Abstentions	0	0.00%

E

OTHER INFORMATION OF INTEREST

If there is any other relevant information on director compensation that has not been included in the rest of the sections of this report, but which should be included in order to gather more complete and reasoned information on the structure and compensation practices of the company with regard to its directors, please briefly describe such information below.

*CONTINUATION FROM SECTION A1 "COMPENSATION POLICY FOR CURRENT FISCAL YEAR"

D.2. Short-term variable compensation

Only the Executive Chairman shall receive short-term variable compensation in 2016, 2017 and 2018, in accordance with the provisions of the aforesaid contract for the provision of executive services executed with the Company.

Variable compensation, when based on indicators that directly reflect the positive performance of the company, ensures that compensation of top executives is aligned to the company's success.

In 2016, in accordance with the provisions of said contract executed with the Executive Chairman, maximum short-term variable compensation for the Executive Chairman is 30% of the fixed compensation established for 2016 (see D.1.), whereby said variable compensation could potentially reach a maximum of 256.8 thousand euros. In 2017 and 2018, maximum variable compensation will maintain the same potential maximum percentage of 30%, which will be applied to the fixed salary for the relevant fiscal year.

Variable compensation in each fiscal year is calculated based on quantitative and qualitative indicators, which are assigned a specific weighting. Said annual variable compensation includes two tranches. The first tranche is regulated and includes quantitative targets that refer to sales figures, income, etc. The second tranche is discretionary and will be determined by the Board of Directors in view of criteria referring to strategic momentum, focus of R&D investments, attendance at international conferences, presentations and roadshows,

creating shareholder value and/or other criteria that may be considered indicative of their individual performance and of the Company's performance.

On an annual basis, the Board of Directors, at the proposal of the Appointments and Compensation Committee, establishes the indicators to be applied in the fiscal year and the weighting of each indicator in the overall calculation of variable compensation. Likewise, at the end of the fiscal year, the Appointments and Compensation Committee assesses achievement of the previously established targets. This assessment is submitted to the approval of the Company's Board of Directors.

In accordance with the provisions of said contract executed with the Executive Chairman, in 2016, 2017 and 2018, 12% of the total variable compensation percentage (30%) will pertain to the tranche of quantitative indicators and 18% to the qualitative indicators.

D.3. Other compensation elements (see sections A3 and A5 of this report).

The Executive Chairman and Executive Vice Chairman are the beneficiaries of a defined contribution life insurance-savings insurance scheme. The Company makes an annual contribution of €12,000 for each one of the Executive Directors. The contingencies covered include retirement and death.

Furthermore, the Executive Chairman and Executive Vice Chairman received the following benefits as welfare compensation:

- Accident insurance, under the collective policy for Company employees.
- Health insurance, under the collective policy for Company employees.
- Full annual medical check-up (only for the Executive Chairman).

On the other hand, the Company provides the Executive Chairman with a representative office at the operating headquarters, communications equipment, payment instruments, support staff, and a company vehicle sufficient for the duties performed thereby.

"On the other hand, the Company's Bylaws expressly state that compensation of directors, including executive directors, may include the delivery of shares in the Company or of share option rights, or may be linked to share value, if so determined by the General Meeting, which shall set the maximum number of shares that may be allocated to this scheme in each fiscal year; the exercise price or method for calculating the exercise price of the share options; the share value that, as the case may be, is used as a benchmark; and the term of the plan. It is worth noting that the compensation policy that will be submitted to the approval of the 2016 Annual General Shareholders Meeting does not provide for the application to any executive director of a compensation system linked to share value or that involves the delivery of shares or share option rights for the 2016-2018 period.

D.4. Contract conditions of the Executive Chairman (see section A7 of this report).

Thus, the only significant changes to the new compensation policy that will be submitted to the 2016 Annual General Meeting with respect to that approved by the Universal General Meeting of Pharma Mar on 30 June 2015 (which corresponds to the policy approved by Zeltia at its General Meeting on the same date) include, on the one hand, the €16,000 reduction in the maximum annual compensation amount for the Directors as a whole in their condition as such and, on the other hand, the fact that the new compensation policy does not set specific amounts for compensation that the Directors will receive in their condition as such (fixed compensation and attendance allowances), such that the Board shall set said amounts taking into consideration the duties and responsibilities attributed to each Director, whether they are part of any Board Committees as well as other objective circumstances deemed relevant, at all times complying with the compensation system provided for in the bylaws and the maximum annual compensation limit for the Directors as a whole in their condition as such, established in the compensation policy. It is worth noting, in any case, that the specific amounts for fixed compensation for membership on the Board and its Committees, attendance allowances and compensation for the office of Coordinating Director shall apply in 2016 and will match those amounts established in the compensation policy approved by the Universal General Meeting of Pharma Mar on 30 June 2015, excluding as relates to fixed compensation of the members of the Executive Committee, the Board having resolved in such regard to increase compensation by an annual gross amount of 62 thousand euros for each member of said Committee, resulting in a final amount of 122,284.79 euros. The grounds for this increase resolved by the Board of Directors at its meeting on 26 January 2016 is based on the increased number of activities assumed by the Executive Committee of Pharma Mar as compared to the Executive Committee of Zeltia prior to its merger with Pharma Mar, which was compensated in the amount of 60,284.79 euros per year. According to said resolution of the Board, the aforementioned increase shall only apply –with retroactive effect from 1 January 2015– if the new aforementioned compensation policy for the period from 2016-2018 is approved by the 2016 Annual General Meeting.

*As regards sections D.1.a i), D.1.b i) and D.1.c of this Report, it is hereby stated that as regards the different compensation items and amounts earned during fiscal year 2015 by JEFPO, S.L. in its condition as a Director of Pharma Mar, S.A., for the purposes of drafting this Report, the following were considered on a joint and aggregate basis: (i) compensation accrued by José Félix Pérez-Orive Carceller (natural representative of JEFPO, S.L.) as Director of Pharma Mar, S.A. since 1 January 2015 up until his removal by resolution of the General Meeting on 30 June 2015; and (ii) compensation accrued by JEFPO, S.L. as Director of Pharma Mar, S.A. since its appointment by resolution of the General Meeting on 30 June 2015 up until the close of the fiscal year on 31 December 2015.

* In relation to section D.3, it is worth noting that information on the advisory voting on the annual compensation report refers to the General Shareholders Meeting of Zeltia, S.A. held on 30 June 2015, taking into account the takeover merger of Zeltia, S.A. (absorbed company) by Pharma Mar, S.A. (absorbing company).

* As a supplement to section D, it is worth noting that José Luis Fernández Puentes, after he ceased performing his duties a member of the Board of Directors of Zeltia, S.A., was appointed as an Honorary Director of said company by resolution of the General Meeting held on 12 June 2013. On this same date, the Board of Directors of Zeltia, S.A., resolved to set compensation for José Luis Fernández Puentes as an Honorary Director at €61,963.58 (gross) for each twelve-month period from the date of his appointment as an Honorary Director, for a period of four years. This obligation has been assumed by Pharma Mar, S.A., by virtue of universal succession resulting from the takeover merger of Zeltia, S.A. by Pharma Mar, S.A. The amount earned by José Luis Fernández Puentes in fiscal year 2015 totaled €61,963.58 (gross). As from the date of Mr. Fernández Puentes' death, on 10 January 2016, said compensation obligation was expressly extinguished, such that at the close of fiscal year 2016 only the prorated amount of his compensation equivalent to 10 days shall have accrued.

This annual compensation report was approved by the Board of Directors of the company at its meeting on 29/2/2016.

Please indicate whether any directors have voted against or abstained from the approval of this report.

Yes

No