REPORT AT 30 JUNE 2006

Madrid, 27 July 2006

Corporate:

- Zeltia performs 1-for-50 bonus issue
- Group revenues amounted to 42.5 million euro.
- Investment in R&D amounted to 24.4 million euro in the first half of 2006.
- The net cash position (cash + cash equivalents + current financial assets - short-term borrowings) amounted to 55.3 million euro.

PharmaMar:

- Excellent results of Yondelis in myxoid liposarcomas and ovarian carcinoma presented at ASCO 2006

NeuroPharma:

- Progress with its first clinical-phase compound

Zelnova:

- Entered the Italian market by acquiring Copyr

Isabel Lozano
CEO
PHARMAMAR, S.A.
C/ Reyes, 1. Colmenar Viejo
Madrid
Telephone 91.846.60.00

Catherine Moukheibir
Head of Capital Market Strategy
ZELTIA, S.A.
José Abascal, 2.
Madrid
Telephone 91.444.45.00

Mª Luisa de Francia
CFO
ZELTIA, S.A.
José Abascal, 2.
Madrid
Telephone 91.444.45.00

1. KEY AGGREGATES

Thousand euro	30 June 2006	30 June 2005	CHANGE (%)
Revenue	42,548	39,441	+ 7.9%
Investment in R&D	(24,417)	(20,510)	+ 19.0%
Marketing expenses	(11,448)	(7,222)	+ 59.0%
Operating expenses	(11,098)	(10,850)	+ 2.2%
Net income	(21,281)	(12,607)	+ 65.0%
Cash and cash equivalents plus current financial assets	98,018	159,000	
Current debt	42,742	43,613	
Non-current debt*	43,705	41,997	
**Approximately 50% of non-current debt is interest-free.*			

- Group net revenues totalled 42.5 million euro in 1H06, 7.9% more than in the same period of 2005 (39.4 million euro). Much of this increase in revenues was due to the inclusion of Copyr, S.p.A, acquired by Zelnova, whose effect is detailed in section 3, Business Performance.
  Revenue in the consumer chemical subsidiaries amounted to 39.3 million euro, up 15% on the 34.2 million euro registered in the first half of 2005. Those companies accounted for 92% of the Group's total revenues in 1H06 (87% in 1H05). Biotechnology revenues declined to 2.8 million euro (4.9 million euro in 1H05) since sales of active principles to Johnson&Johnson by PharmaMar in 2005 were concentrated in the first half of the year.
- R&D expenditure increased 19% year-on-year. Of the total R&D expenditure, 18.9 million euro correspond to PharmaMar (9% more than the 17.3 million euro registered in 1H05) and 4.8 million euro to NeuroPharma (90% more than the 2.5 million euro in 1H05).
- Marketing and commercial expenses increased by 59% year-on-year. Of the total in 1H06 (11.5 million euro), 92% (10.6 million euro) was spent by the Consumer Chemicals division (6.6 million euro in 1H05), which stepped up marketing and promotion efforts to support new brands and product lines, such as the Xylazel metal protectors and fillers, and the wood protection advertising campaign.
- As a result of increased R&D expenditure and higher advertising and marketing expenses, the net loss widened from 13.1 million euro in 1H05 to 21.3 million euro in 1H06 (a 62.7% increase).
- The net cash position, defined as cash plus cash equivalents plus current financial assets (98 million euro) minus short-term financial debt (42.7 million euro), totalled 55.3 million euro at 30 June 2006. The Consumer Chemicals division made major investments in 2Q06: Zelnova acquired Copyr for 2 million euro and both Zelnova and Xylazel incurred considerable advertising expenses. The foregoing, coupled with the notable increase in customer receivables (see Balance Sheet) reduced the net cash balance by proportionately more in the second quarter; this is mainly a temporary effect and the balance is expected to recover in 3Q06.

2. BASES OF PRESENTATION

The consolidated financial information at June 2006 and June 2005 was drafted under International Financial Reporting Standards (IFRS).

As stated in the **June 2005** earnings report, the data published for the first time under IFRS were not final and could be subject to changes. After drafting the financial statements at 31 December 2005 under IFRS and their interpretation in force on the closing date of the first consolidated financial statements, the differences between the information as at June 2005 published in July 2005 and the same information published on 28 July 2006 are as follows:

	Information at 30 June 2005	**Information at 30 June 2005**	
(Thousand euro)	**Published on 27 July 2006**	**Published on 28 July 2005**	Difference
Net sales	39,441	39,441	-
Income before tax from continuing operations	(13,231)	(13,705)	474
Income for the year	(13,231)	(13,705)	474
Income attributed to the parent company	(12,607)	(13,081)	474

The reconciliation of income attributed to the parent company at June 2005 is as follows:

Published in July 2005:	**(13,081)**
Depreciation	515
Financial revenues	5
Administration expenses	-46
Operating incomes	22
Other revenues	(21)
Published in July 2006:	**(12,607)**

The differences with respect to the balance sheet at 30 June 2005 are as follows:

	Released july 2006	**Released july 2005**	**Diferences**
ASSETS	**297.005**	**290.936**	**6.069**
Property, plant & equipment	43.612	43.964	-352
Investment properties	8.350	8.350	0
Intangible assets	10.949	7.976	2.973
Non-current financial assets	1.112	5.672	-4.560
Deferred tax assets	22.234	14.226	8.008
Other non-current assets	1.156	1.156	0
Non-curren assets	**87.413**	**81.344**	**6.069**
Current assets	**209.592**	**209.592**	**0**
EQUITY			
Shareholders' equity	**164.016**	**158.690**	**5.326**
Share capital	10.574	10.574	0
Other Reserves	95.759	94.184	1.575
Less: Treasury shares	-20.809	-20.809	0
Retained earnings and other reserves	76.708	72.957	3.751
Minority interest	1.784	1.784	0
Non-current liabilities	**54.593**	**53.773**	**820**
Financial debt	41.997	42.217	-220
Other financial liabilities	610	610	0
Deferred tax liabilities	3.854	2.814	1.040
Provisions for other liabilities & expenses	123	123	0
Other non-current liabilities	8.009	8.009	0
Current liabilities	**78.396**	**78.473**	**-77**
Supplier and other accounts payables	20.903	20.903	0
Financial debt	43.613	43.690	-77
Provisions for other liabilities & expenses	48	48	0
Other current liabilities	13.832	13.832	0

The main differences between the two balance sheets are:

Assets:

- Intangible assets: Elimination of the amortisation of trademarks
- Non-current financial assets: Reclassification to deferred tax assets
- Deferred tax assets: From the aforementioned reclassification plus an adjustment to the tax credit due to elimination of R&D expenses.

Liabilities:

- The adjustments from deferred tax assets were added to Retained earnings (under Equity).
- Deferred tax liabilities were increased as a result of the aforementioned adjustments (trademarks)

BUSINESS PERFORMANCE.

A. Consumer chemicals:

Xylazel

There were two distinct periods in the first half of the year: in the first 3-4 months, sales were flat or even lower than last year; then sales rebounded, particularly in May and June, offsetting the downturn of the earlier months in many cases.

Xylazel commenced 2006 selling only its own products, having terminated the distribution contracts it had held throughout its 30 years of existence.

In the first half of 2006, Xylazel launched new lines of rust-proof primers and fillers while consolidating its position in the wood protection and decoration market, which it entered three years ago.
The market's response to the Xylazel Metal - Oxirite products exceeded our expectations and the volume of orders exceeded our inventories, leading to stock breaks which were finally overcome in March.

Overall sales totalled 10.7 million euro in 1H06, 17% lower than the 12.8 million euro registered in 1H05, although we partly recovered from the accumulated decline in May and June.

Because of higher-than-expected expenditure on raw materials and packaging and the 17% increase in marketing and advertising expenses, net profit amounted to 1.1 million euro, down from 2.4 million euro in 1H05.

Zelnova:

The main event at Zelnova in 1H06 was the acquisition in May of 100% of Italian company Copyr, S.p.A. The acquisition cost 1.97 million euro and was financed entirely with Zeltia's equity. Based in Milan, Copyr has been operating in the hygiene business since 1962 and is market leader in automatic aerosol dispensers (Copyrmatic brand), a line that is similar to the Coopermatic system produced and marketed in Spain by Zelnova. Copyr also produces products for ecological farming. Copyr reported 9 million euro in revenues in 2005. Copyr was Zelnova's first acquisition outside Spain; it plans to use Copyr to sell its entire range of consumer chemical products (Casa Jardín, Kill Paff, Magic Air, Hechicera, Baldosinin, etc.) in Italy.

This acquisition greatly increased the main line-items. Consolidating Copyr boosted revenues by 7.3 million euro (35%) on 1H05 (the increase would have been 1.7 million euro, i.e. 7.9%, including Zelnova alone), as the company's own brands are performing well in Spain and exports, which commenced three years ago, are growing steadily. Sales of retailer-brand products were practically the same as in 1H05.

The table below shows the change in revenues in the various channels, Zelnova and Copyr.To facilitate comparison with the 1H05 figures, the figures in parentheses in the June 2006 column refer to Zelnova alone.

(Thousand euro)	June 2005	June 2006	Change
Own brands (Zelnova + Copyr)	15,654	21,843 (16,213)	+6,189 (+40%)
Retailer-brands in Spain	3,153	3,050 (3,050)	-103 (-3%)
Exports	2,022	3,207 (3,207)	+1,185 (+59%)
Total net sales	20,829	28,100 (22,470)	+7,271 (+35%)

Exports increased by 59% with respect to 1H05, and were double the 1H04 figure.

However, because of the change in the sales mix plus rising raw material prices, especially aerosol cans (steel), butane and solvents (oil derivatives), and aggressive promotions for the summer season, income from ordinary activities decreased to 3.9 million euro (from 4.6 million euro in 1H05).

Zelnova expects positive sales performance, promotional activities, new product launches and the synergies with Copyr to offset this effect in the remainder of the year.

B. Biotechnology:

PharmaMar:

Highlights of PharmaMar's most advanced compounds in 1H06:

Yondelis

Ten communications on Yondelis were presented at the 2006 Annual Meeting of the American Society of Clinical Oncology (ASCO), which was held in Atlanta on 2-6 June 2006: 1 paper, 4 poster discussions and 5 posters.

Sarcoma

Dr. Grosso, a researcher at the Istituto Nazionale dei Tumori in Milan, Italy, read a paper entitled "Patterns of tumour response to Trabectedin (ET743) in myxoid liposarcomas", based on a compassionate use study with 44 patients with advanced myxoid liposarcoma conducted by six researchers at centres of reference. The results provide significant evidence of antitumour activity by Yondelis since the tumour was controlled in 86% of cases, progression-free survival averaged 18 months, and average survival time was 28 months.

Posters reported on the results of a pharmacogenomic study of sarcomas that showed Yondelis to be active on specific types of advanced sarcoma, a Phase II trial with patients with ovarian cancer treated with two administration patterns, five Phase I studies with Yondelis in combination with other drugs, and two pharmacokinetic studies.

Ovarian cancer

A study with Yondelis on 107 patients with ovarian cancer was reported. The tumour control rate (complete responses + partial responses + stabilisation) was 78% in the entire population. Yondelis's activity appears to be independent of the number of previous cycles with platinum. Safety studies confirm the absence of cumulative toxicity, thus enabling multiple cycles.

On 1 June 2006, Johnson & Johnson Pharmaceutical Research & Development, L.L.C. (J&JPRD) and PharmaMar announced an update of their plans to file for registration of Yondelis® for soft-tissue sarcoma (STS).
Following meetings with the European regulatory authorities, PharmaMar confirmed that it will present an application to register Yondelis for STS in the next 2-3 months based on the STS 201 study (a comparative Phase II study).
J&JPRD plans to present to the FDA a New Drug Application for Yondelis for STS based on the data from the STS 201 trial, once confirmatory Phase III trials are under way.

Aplidin

Development of Aplidin continues as monotherapy on adult and paediatric patients with solid and/or haematological tumours; over 560 patients have been treated to date.

At the ASCO Meeting in Atlanta, PharmaMar presented preliminary positive results of Phase I-II clinical trial under way with paediatric patients. The preliminary results confirm the results obtained previously with animal modlels, supporting PharmaMar's commitment to develop Aplidin for the treatment of paediatric tumours.

In parallel, clinical trials are being conducted with Aplidin in combination with other chemotherapies.

Zalypsis

Phase I clinical trials of Zalypsis® (PM00104) have been authorised by the regulatory agencies in several European countries and, more recently, by the FDA (in late January 2006)

Four multi-centre Phase I trials are currently under way to assess the safety and tolerance of Zalypsis® (PM00104) in patients with solid tumours and lymphomas. The last of those four studies commenced in Philadelphia, USA, in March 2006.

Also, during 2006, the Phase I clinical development programme for Zalypsis® (PM00104) was expanded to include another three hospitals (two in Europe and one in the US). So far, 35 patients have been treated with this compound.

PM02734

The Phase I programme of PM02734, PharmaMar's sixth product to reach clinical development, comprises two clinical trials, in the US and the European Union. These trials are assessing various administration schedules and are designed to determine safety and tolerability and to identify the maximum tolerated dose (MTD) and recommended dose (RD) of PM02734 administered to patients with advanced malignant solid tumors.

Patient recruitment for both trials is advancing on schedule and close to 20 patients have been treated to date with this new compound, no dose-limiting toxicity having been observed in the current escalation phase.

NeuroPharma

In mid-April, NeuroPharma obtained approval to commence phase I clinical trials of its compound NP12 (a GSK-3 inhibitor) on healthy volunteers. That trial with 34 healthy volunteers has now concluded with no relevant adverse events, enabling clinical development of NeuroPharma's first compound to proceed as planned.

Also, pending completion of the studies envisaged in Phase I, the Company is advancing with non-clinical trials that will enable it to commence Phase II in order to find the most appropriate dosage and confirm the drug's efficacy on Alzheimer patients.

Regarding the second compound, NP-61 (formerly called NP0361), during the quarter a Contract Research Organisation (CRO) was engaged to commence Phase I clinical trials at its Hamburg Unit and to plan the compound's future clinical development. The filing for Investigative New Product status and the Researcher's Manual are being drafted with a view to presenting the application for the first clinical trial on healthy volunteers by the end of 2006.

In July, Neuropharma played an active role in the 10th International Conference on Alzheimer's Disease and Related Disorders (ICAD) in Madrid, where it was invited to give a lecture; it also presented four posters. The company also had a booth to enable it to establish relations with the scientific community in this field.

Other: bonus issue by Zeltia

In May, Zeltia's Board of Directors resolved to perform a bonus issue out of the share premium reserve so as to implement the decision adopted by the Shareholders' Meeting in 2005. Shareholders received one new share for every 50 existing shares, i.e. a 2% capital increase.

BALANCE SHEET *(Thousand euro)*	30 June 06	30 June 05
ASSETS		
Non-current assets	**85.846**	**88.591**
Property, plant & equipment	42.606	42.603
Investment properties	8.350	8.350
Intangible assets	10.865	11.040
Deferred tax assets	21.203	21.895
Long-term financial assets	969	4.703
Goodwill	1.853	
Current assets	**155.420**	**170.421**
Inventories	14.409	9.517
Customer and other receivables	37.221	18.714
Current financial assets	77.541	102.017
Other current assets	5.772	3.423
Cash & cash equivalents	20.477	36.750
TOTAL ASSETS	**241.266**	**259.012**

BALANCE SHEET *(Thousand euro)*	30 June 06	30 June 05
EQUITY		
Shareholders' equity	**106.018**	**127.934**
Share capital	10.574	10.574
Share premium	282.662	282.679
Treasury shares	-27.290	-27.827
Revaluation and other reserves	-80	33
Retained earnings and other reserves	-159.848	-137.525
Minority interest	**0**	**803**
TOTAL EQUITY	**106.018**	**128.737**
LIABILITIES		
Non-current liabilities	**50.461**	**50.305**
Financial debt	43.705	42.470
Derivatives	357	236
Deferred tax liabilities	4.286	3.990
Non-current deferred revenues	1.641	3.449
Other non-current liabilities	472	160
Current liabilities	**84.787**	**79.970**
Supplier and other accounts payables	28.687	21.446
Financial debt	42.742	45.648
Provisions for other liabilities & expenses	3.542	4.091
Current deferred revenues	5.658	7.352
Other current liabilities	4.158	1.433
TOTAL LIABILITIES	**135.248**	**130.275**
TOTAL LIABILITIES AND EQUITY	**241.266**	**259.012**

INCOME STATEMENT *Thousand euro*	30 June 06	30 June 05	Chg. (%)
Net revenues	42.548	39.441	8%
Cost of sales	-19.099	-15.605	22%
Gross income	**23.449**	**23.836**	**-2%**
General and administration expenses	-7.930	-7.376	8%
Research & development expenses	-24.417	-20.510	19%
Marketing & commercial organisation expenses	-11.484	-7.222	59%
Other operating expenses	-3.167	-3.474	-9%
Other operating revenues	4.255	4.712	-10%
Other revenues and (expenses)	68	-164	-141%
Depreciation, amortisation and provisions	-2.494	-2.697	-8%
Net operating profit (loss) (EBIT)	**-21.720**	**-12.895**	**68%**
Net financial results	-256	-336	-24%
Loss before taxes	**-21.976**	**-13.231**	**66%**
Corporate income tax in the period	0	0	
Loss for the year	-21.976	-13.231	66%
Attributable to minority interest	695	624	
Attributable to equity holders of the parent	**-21.281**	**-12.607**	**69%**

CASH FLOW at 30 June 2006 *Thousand euro*	
Period loss	**-21.281**
Adjustments to period loss	-2.651
Change in working capital	-11.463
CASH FLOW FROM ORDINARY ACTIVITIES	**-35.395**
Acquisitions of property, plant & equipment	-3.690
Disposals of property, plant & equipment	0
CASH FLOW FROM INVESTMENTS	**-3.690**
(Cancellation)/Granting of loans	1.235
Subsidies	7
CASH FLOW FROM FINANCING	**1.242**
TOTAL NET CASH FLOW IN THE PERIOD	**-37.843**

OPENING BALANCE (1/1/2005)*	93.119
CLOSING BALANCE (30/12/2005)*	55.276
Net (decrease)/increase in cash	-37.843

(*) Calculated as current financial assets + cash & cash equivalents - current financial debt)