



REPORT AS AT 31 MARCH 2004

Madrid, 29 April 2004

- Revised Business Plan presented at business review day in January
- Yondelis: patient recruitment for randomized Phase II STS study in US progressing ahead of schedule
- Aplidin: commencement of paediatric Phase I trials in solid and haematologic tumours in Europe
- Proceeds from the sale of Group assets totaled 11.5 million euros
- Net cash position: 98 million euros.

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

M^a Luisa de Francia
CFO
ZELTIA, S.A.
José Abascal, 2.
Madrid
Telephone: 91.444.45.00

1. KEY AGGREGATES.

	31 March 2004	31 March 2003	CHANGE (%)
<i>Thousands of euros</i>			
Net revenues	17,739	17,171	3%
Capitalized R&D	9,899	12,649	-22%
EBITDA	-1,575	-162	
Extraordinary items (net)	4,318	1,819	
PROFIT ATTRIBUTED TO THE CONTROLLING COMPANY	1,792	1,258	42%

An analysis of the 1Q04 Consolidated Income Statement shows that revenues rose 3% on 1Q03. The contributions from subsidiaries Zelnova and Xylazel account for 95% of total Group revenues. In considering the percentage increase in revenues, it should be noted that Zeltia will not contribute any rental revenues in 2004, given that it has sold its rented properties in the last 9 months. At March 2003, rent revenues stood at 1.1 million euros.

At the end of January 2004 PharmaMar announced that it would be implementing a revised Business Plan. According to the Plan, investment in clinical development in 2004 will be 38% greater than in 2003, and investment in advanced pre-clinical development will be maintained. There will also be a 46% reduction in expenditure on early stage research and drug discovery. Furthermore, the expenses capitalized in 2003 relating to the natural production of Yondelis and the improvement of the semisynthetic production of Yondelis (which have now been completed), will be reduced practically to zero in 2004.

Following implementation of these measures, there has been an overall 30% increase with respect to 2003 in investment in clinical development and advanced pre-clinical development in 1Q04, although it should be noted that the latter has benefited from the euro/dollar exchange rate since pre-clinical activities are carried out in the US. Preliminary R&D expenditure fell 20% on 1Q03 and there was a 92% reduction in capitalized expenses relating to the natural and semisynthetic production of Yondelis.

There was 44% reduction in non-capitalizable operating costs at PharmaMar, from 3.1 million euros to 1.7 million euros at 31 March 2004.

Depreciation and amortization rose 88% on 1Q03, from 1.76 million euros in March 2003 to 3.32 million euros in March 2004.

Net extraordinary gains amounted to 4.3 million euros due to the sale of a building by Zeltia, the sale of PharmaMar's former facilities and the sale of land in Porriño belonging to Zelnova.

Accordingly, profit attributed to the Controlling Company amounted to 1.79 million euros, compared to 1.26 million euros at March 2003, a 42% increase year-on-year.

2. BUSINESS PERFORMANCE.

A. Consumer chemicals:

Xylazel increased revenues by 2% year-on-year, from 6.16 million euros in March 2003 to 6.29 million euros in March 2004.

Net profit stood at 1.11 million euros, up 3.8% on 1Q03 (1.07 million euros).

Zelnova increased net revenues by 18.1% to 10.5 million euros (vs. 8.9 million euros in 2003), mainly due to good performance in the Spanish market (up 1.8 million euros, 22% from 8.2 million euros in 2003 to 10.0 million euros in 2004).

Accordingly, income from ordinary activities rose 33% on 2003, from 1.8 million euros to 2.4 million euros.

In January 2004, the Company sold 15,140 m² of land for a total of 2.2 million euros, generating capital gains of 1.8 million euros. Earnings before tax rose 133% (2.4 million euros) year-on-year to 4.2 million euros (from 1.8 million euros at March 2003), and income for the year increased by 181% (2 million euros) from 1.1 million euros to 3.1 million euros.

B. Biotechnology:

PharmaMar held its Business Review day in January, at which it gave a detailed presentation of its revised Business Plan. The plan is based on greater investment in clinical and advanced pre-clinical development programs, and cost savings in early stage discovery. PharmaMar will be able to make these cost savings without impairing its research activity due to the sustained effort made in early stage discovery in the last three years, which will ensure a steady supply of products in the pipeline. The Company's strategy remains unchanged.

Marine farming and aquaculture activities were discontinued.

The most significant events in 1Q04 regarding PharmaMar's most advanced compounds were as follows:

Yondelis™

- Patient recruitment for the randomized trial led by Ortho Biotech (Johnson&Johnson) in STS in the US is progressing ahead of schedule.
- Two Ovarian cancer studies using different administration patterns were completed in the quarter. Both studies are pending final analysis.
- Data regarding Yondelis's mechanism of action and a study by the Spanish National Center for Oncological Research (CNIO) showing the lack of cross-resistance between doxorubicin and Yondelis were presented at the American Association for Cancer Research (AACR) meeting held in Orlando in March, together with other pre-clinical data.
- Satisfactory progress was made in Phase I trials of Yondelis in combination with other chemotherapy agents currently available on the market.

Aplidin®

- Paediatric Phase I trials on leukemia and solid tumors commenced in 1Q04, based on the promising results obtained in adult Phase I trials on advanced solid tumors and non-Hodgkin's lymphoma and on pre-clinical data evidencing Aplidin's potential in the treatment of malign haematologic neoplasia. In pre-clinical trials, Aplidin was 3-10 times more selective on leukemia and lymphoma cells than on normal haematopoietic cells.

- A poster was presented at the AACR meeting on the effect of Aplidin on *in vitro* myeloid leukemia cell lines, confirming the cytotoxic capability of Aplidin to induce apoptosis. A further presentation demonstrated the therapeutic potential of Aplidin in an Acute Lymphoblastic Leukemia model.

Kahalalide-F:

- Under the four clinical trials conducted to date, over 100 patients have been treated with Kahalalide-F. A further two Phase II trials are expected to commence this year in different indications.
- A presentation at the AACR meeting showed that Kahalalide-F appears to rapidly promote cell death of hepatoma cell lines via necrosis, together with a poster demonstrating a new mechanism of action for this compound.

ES-285:

- Patient recruitment continues ahead of schedule. Almost half of the target number of patients for 2004 were recruited in the first quarter. Studies are being conducted at eight centers in Europe to assess the infusion pattern in patients with solid tumors. No cases of limiting toxicity have been detected to date.

CONSOLIDATED BALANCE SHEET

(in thousand euros)

Assets	March 2004	Dec. 2003	Changes %	Liabilities	March 2004	Dec. 2003	Changes %
Intangible fixed assets	193.310,62	185.526,00	4,20%	Share capital	10.036,33	10.036,00	0,00%
Tangible fixed assets	47.870,05	55.905,00	-14,37%	Share premium account	224.377,69	224.378,00	0,00%
Financial fixed assets	8.643,81	8.315,00	3,95%	Other reserves	82.181,61	79.037,00	3,98%
Total fixed assets	249.824,49	249.746,00	0,03%	Profit and loss account	1.791,68	2.854,00	-37,22%
Goodwill in consolidation	4.964,39	5.225,00	-4,99%	Total Capital & Reserves	318.387,31	316.305,00	0,66%
Deferred expenses	40,81	51,00	-19,98%	Minorities	0,05	0,05	0,00%
Stocks	9.626,61	9.280,00	3,74%	Negative difference in consolidation	438,99	439,00	0,00%
Receivables	40.654,97	35.540,00	14,39%	Deferred income	999,27	456,00	119,14%
Current asset investments	121.320,24	120.348,00	0,81%	Provisions for liabilities and charges	120,85	46,00	162,71%
Controlling company shares held at short term	3.863,99	3.864,00	0,00%	Total creditors falling due after one year	54.169,32	50.320,00	7,65%
Cash at bank and in hand	7.144,64	7.033,00	1,59%	Banks loan	33.783,82	34.718,00	-2,69%
Deferred expenses	449,54	255,00	76,29%	Trade account payable	21.353,94	22.365,00	-4,52%
Total current assets	183.059,99	176.320,00	3,82%	Other liabilities	8.632,42	6.680,00	29,23%
				Accruals and deferred income	3,71	13,00	-71,43%
				Total creditors falling due in less than one year	63.773,90	63.776,00	0,00%
Total Assets	437.889,67	431.342,00	1,52%	Total liabilities	437.889,68	431.342,05	1,52%

CONSOLIDATED PROFIT & LOSS ACCOUNT

<i>(in thousand euros)</i>	March 04	March 03	Change %
Net turnover	17.739	17.171	3%
Cost of sales	-7.320	-6.746	9%
Gross margin	10.419	10.425	0%
Research and development expenses	-10.085	-12.936	-22%
Capitalized in-house work on R & D	9.899	12.649	-22%
Profit before other operating items	10.233	10.138	1%
General and administration	-3.812	-4.296	-11%
Marketing expenses	-3.412	-4.044	-16%
Depreciation	-3.320	-1.762	88%
Other operating expenses	-1.340	-1.131	18%
Other operating income	76	933	-92%
Operating profits	-1.575	-162	872%
Financial items net	-94	137	-169%
Amortization on goodwill in consolidation	-260	-388	-33%
Equity in income of equity-accounted affiliates	0	0	
Profit before exceptionals	-1.929	-413	
Extraordinary items net	4.318	1.818	138%
Profit before tax	2.389	1.405	70%
Tax on the profit period	597	147	
Profit for the period before minority interest	1.792	1.258	42%
Minority interest's share of the profit	0	0	
Profit for the period	1.792	1.258	42%

CASH FLOW MARCH 2004

Operating profit	-1.574,45
Depreciation & Provisions	3.320,51
Capitalized in-house work on R & D	-9.898,78
(Increase) in Stocks	-346,61
(Increase) decrease in debtors	-5.114,89
Increase in creditors	-1.012,47
Other items	1.749,06
Net cash inflow from operating activities	-12.877,64

Returns on investments and servicing of finance

Interest received	734,85
Deferred interest	-124,00
Interest paid	-829,46
	-218,61

Tax paid	0,00
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Capital expenditure and financial investment

Purchase of fixed assets	-13,74
Purchase of tangible fixed assets	-1.080,91
Sale of tangible fixed assets	11.417,57
	10.322,92

Acquisitions and disposals

Acquisitions and purchases of minority interests	0,00
Disposal of investments	382,48
	382,48

Equity dividends paid	0,00
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Net cash flow before financing activities	-2.390,84
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Financing

Treasury stock marking to theoretical value	0,00
Increase in long term debts	4.409,78

Net debt	2.018,94
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<i>Opening net cash</i>	<i>96.526,10</i>
<i>Closing net cash</i>	<i>98.545,04</i>