REPORT AT 30 JUNE 2017

Madrid, 26 July 2017

1H17 HIGHLIGHTS

Corporate

- The Group's total revenues increased 5.2% with respect to the same period last year.
- In relation to the licensing agreement with Specialised Therapeutics Asia PTE., Ltd, described in the second point under Oncology, PharmaMar increased its share capital by issuing new shares representing 0.2% of the share capital, at a subscription price equivalent to 130% of the simple average of the weighted average share price of PharmaMar in the 20 sessions prior to the signature of the licensing agreement.

Oncology

- PharmaMar held an R&D Day in New York in April.
- PharmaMar entered into a licensing and marketing agreement with Singapore-based Specialised Therapeutics Asia PTE., Ltd. in connection with marketing the company's antitumour drug of marine origin, lurbinectedin (PM1183), for the treatment of platinum-resistant ovarian cancer, small cell lung cancer, metastatic BRCA 1/2-related breast cancer and other potential therapeutic indications in Australia, New Zealand and 12 other Asian countries.
- At the Annual Meeting of the American Society of Clinical Oncology (ASCO), PharmaMar presented the results of the clinical trial with lurbinectedin (PM1183) in advanced endometrial cancer.
- PM1183 (lurbinectedin) now has a registered trademark: Zepsyre™.

Diagnostics

- Korea's Food and Drug Administration has approved marketing of the CLART® HPV (Human Papillomavirus) diagnostic kit.
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RNAi

- The HELIX Phase III clinical trial with SYL1001 in treating dry-eye syndrome has commenced.

Consumer Chemicals

- The Consumer Chemicals division increased revenues by 7% in the period.

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FIGURES TO JUNE 2017

REVENUES	June 2017	June 2016	
Sales	**88.697**	**88.671**	**0,0%**
Biopharmaceutical Area	46.527	49.356	-5,7%
Oncology Segment	*43.297*	*45.721*	*-5,3%*
Diagnostic Segment	*3.230*	*3.635*	*-11,1%*
Consumer Chemicals Segment	42.170	39.315	7,3%
Royalties			
Oncology Segment	**2.773**	**3.181**	**-12,8%**
Licenses and co-developement agreements			
Oncology Segment	**5.412**	**229**	**2263,3%**
Services Rendered			
Not asigned	**41**	**49**	**-16,3%**
TOTAL REVENUES	**96.923**	**92.130**	**5,2%**

(Thousand euro)

Total Group revenues

Net sales in the Biopharmaceutical segment amounted to €46.5 million, compared with €49.4 million in the same period of 2016. Of this area's total sales, €43.3 million relate to Oncology (PharmaMar) for Yondelis® sales (€45.7 million in 2016). Sales in the Diagnostic segment (Genómica) totaled €3.2 million, compared with €3.6 million in the same period of 2016.

Net sales by the Consumer Chemicals companies totalled €42.2 million (€39.3 million in 1H16), a 7.3% increase year-on-year.

Revenues from royalties, licensing and other co-development agreements relate entirely to the Oncology segment. Royalties received from Janssen Products and Taiho Pharmaceutical Co for sales of Yondelis® in the United States, Japan and the rest of the world except the European Union amounted to €2.8 million in the first half of 2017. Revenues from licensing and other agreements amounted to €5.4 million in the first half of 2017, mainly from the recognition of the progress in the first quarter with the clinical trials covered by the licensing, development and marketing agreement signed in December 2016 with Chugai Pharma Marketing Ltd for Zepsyre (PM1183). This agreement included an upfront payment of €30 million (collected on 17 January 2017), which will be recognised as revenues in the income statement on the basis of progress with the clinical trials that PharmaMar has undertaken to perform, in the amount of €4.7 million. There is also the new licensing contract for Aplidin in Turkey with Eczacibasi, signed in 2016 for €0.5 million, and the new licensing agreement signed with Specialized Therapeutics Asia Pte Ltd (STA) with respect to Zepsyre for New Zealand and twelve other Asian countries for an amount of €0.2 million. Milestone payments under licensing agreements amounting to €229 thousand were recognised in the first half of 2016.

EBITDA

The Group's adjusted EBITDA amounted to €0.083 million in the first half of 2017 (-€5.6 million in the same period of 2016), as follows:

	31/03/17	31/03/16
Net Income (Loss)	**(7.453)**	**(13.191)**
Tax	709	780
Interest expense	2.389	3.167
Amortización expense	3.588	3.630
EBITDA	**(767)**	**(5.614)**
One-off compensation	850	0
ADJUSTED EBITDA	**83**	**(5.614)**

(Thousand euro)

This variation was due mainly to two operational factors: 1) a 5.2% increase in total revenues, from €92.1 million in 1H16 to €96.9 million in 1H17, and 2) a reduction in commercial expenses due to cost improvements through in-sourcing logistics for Yondelis distribution plus the delay in marketing-oriented conferences, which took place in the first quarter of 2016, as well as the temporary decline in R&D expenses since the Phase III trials that were under way in 1H16 have been completed.

The adjustment to EBITDA is the indemnity for termination of an executive's contract in the Consumer Chemicals segment.

(EBITDA: earnings before interest, taxes, depreciation and amortisation).Adjusted EBITDA includes the adjustment referred to in the preceding paragraph.

R&D expenditure

R&D expenditure declined by 4.6% year-on-year (€-1.2 million). The Oncology area has spent €33.9 million so far in 2017 (€35.05 million in 1H16), while the Diagnostics and RNA interference areas have spent €3.2 million (€3.4 million in 1H16). In 2017, the Oncology area capitalised €0.5 million of R&D expenses incurred.

R & D	June 2017	June 2016	
Oncology Segment	-33.889	-35.047	-3,3%
Diagnostic Segment	-825	-1.394	-40,8%
RNAi Segment	-2.397	-1.985	20,8%
Consumer Chemicals Segment	-311	-286	8,7%
- Capitalization R&D	497	0	
TOTAL R & D	**-36.925**	**-38.712**	**-4,6%**

(Thousand euro)

The slight decrease in the Oncology segment is mainly due to the completion of two of the Phase III trials that were under way in the first half of last year.

Marketing and commercial expenses

Marketing and commercial expenses amounted to €23.1 million in 1H17 (€23.4 million in 1H16). The biopharmaceutical segment accounted for €13.5 million (€13.9 in 1H16). Commercial expenses in the consumer chemicals segment amounted to €9.6 million in 1H17 (€9.6 million in 1H16). The decrease in commercial expenses in the Biopharmaceutical area is due to the cost improvement achieved by in-sourcing Yondelis® distribution logistics.

Income attributable to the parent company

Income attributable to the parent company amounted to a loss of €7.4 million in the first half of 2017, compared with a loss of €13.2 million in the same period of 2016.

This difference is a consequence of the above-mentioned increase in total revenues (+€3.3 million) and the containment and reduction of operating expenses in general (€1.8 million).

Cash and Debt

Cash and cash equivalents plus current and non-current financial assets amounted to €42.1 million (€33.5 million at 2016 year-end). The Group's total interest-bearing debt (current and non-current) amounted to €103.7 million (€95.5 million at 31 December 2016). In the first half of 2017, the Company arranged €13 million in new long-term loans and repaid €8.3 million in loans from banks and official agencies.

The breakdown of total debt, at amortised cost, classified as current and non-current, together with current and non-current financial assets and cash and cash equivalents, is shown in the table below:

	30/06/2017	12/31/2016
Long term debt	**73.908**	**67.583**
Bank debt	32.903	25.351
Govt. agencies: R&D funding (interest free debt)	24.655	25.882
Obligations and bonds	16.350	16.350
Short term debt	**29.825**	**27.906**
Credit facilities	11.700	10.958
Effects and certifications	4.190	1.238
Bank loan	8.037	10.685
Govt. agencies: R&D funding (interest free debt)	4.688	4.438
Interest and others	1.210	587
Total financial debt	**103.733**	**95.489**
Cash & cash equivalents + no current and current financial investments	**42.120**	**33.505**
TOTAL NET DEBT	**-61.613**	**-61.984**

(Thousand euro)

BUSINESS PERFORMANCE.

Below is an overview of the group companies' business performance in the first half of 2017.

A) Biopharmaceutical area:

1.- Oncology segment: PharmaMar

1.1. Strategic licensing and marketing agreements

Pharma Mar has signed a licensing and marketing agreement with Singapore-based Specialised Therapeutics Asia Pte Ltd (STA) to market the Company's marine-based antitumour compound, Zepsyre (PM1183), for the treatment of platinum-resistant ovarian cancer, small cell lung cancer, metastatic BRCA 1/2-related breast cancer and other future indications, in Australia, New Zealand and 12 Asian countries. Under the terms of the agreement, PharmaMar will collect an upfront payment (USD 200,000) for signing the agreement, plus payments for achieving regulatory milestones and for sales of lurbinectedin.
Additionally, under that licensing agreement, STA Trust (an entity controlled by STA) signed a contract under which STA Trust subscribed for 444,400 new common shares of PharmaMar, representing 0.2% of its share capital, at a price of €4.75 per share, equivalent to 130% of the simple average of the weighted average daily market prices of PharmaMar shares during the 20 business days prior to the signature of the licensing agreement. Accordingly, capital was increased by €2,110,900.

1.2. The current status of compounds in the clinical development pipeline is described below.

a) YONDELIS®:

Soft-tissue sarcoma

During the second quarter of 2017, there were a total of 17 ongoing post-authorisation trials in collaboration with a number of European cooperatives, 11 of which were actively enrolling patients at a satisfactory pace.

They include the trial in collaboration with EORTC (European Organization for Research and Treatment of Cancer) in soft tissue sarcoma and bone sarcoma with Yondelis® as maintenance treatment vs. observation following first-line treatment with doxorubicin in patients with advanced or metastatic soft tissue sarcoma.Another four new studies are in the preparation and activation phase.

Ovarian cancer

Recruitment continues on schedule for the pivotal clinical trial in ovarian cancer in the US, sponsored by Janssen. This trial will form the basis of a potential registration for this indication in the US and other countries where Yondelis® is not yet approved for ovarian cancer.

At present, eight post-approval trials are under way in this indication, six of which are actively recruiting, and there are seven new trials in the preparation and activation phase.

The INOVATYON Phase III clinical trial headed by MaNGO (Mario Negri Gynecologic Oncology Group), which is under way in 11 European countries, is recruiting satisfactorily, as is the NIMES-ROC international prospective observational trial on the efficacy and safety of the Yondelis® + PLD combination in real life in patients previously treated, or not, with antiangiogenics.

Other indications

Recruitment concluded in the ATREUS Phase II trial promoted by the Mario Negri Institute for Pharmacological Research (IRCCS) in cooperation with the Department of Medical Oncology at San Gerardo Hospital (Monza, Italy), whose aim is to evaluate the activity and safety of Yondelis® in malignant pleural mesothelioma (MPM).

b) APLIDIN®

Multiple Myeloma

In September 2016, PharmaMar filed an application with the European Medicines Agency (EMA) for authorisation to market Aplidin® (plitidepsin) in combination with dexamethasone for treating relapsed or refractory multiple myeloma on the basis of the ADMYRE pivotal Phase III trial. The patients are currently under observation to determine survival. The company anticipates a response from the EMA by the end of this year.

The Phase II trial with Aplidin® in combination with bortezomib and dexamethasone in patients with double-refractory multiple myeloma has opened centres in France, Italy and Spain and has begun enrolment.

The Phase I trial with Aplidin® in combination with bortezomib and dexamethasone in patients with relapsed or refractory multiple myeloma continues recruiting in the expansion phase.

The new Phase I trial with Aplidin® in combination with bortezomib, pomalidomide and dexamethasone in patients with multiple myeloma exposed to proteasome inhibitors and refractory to lenalidomide will be launched shortly, having obtained approval from the regulators and ethics committees.

T cell lymphoma

The registration trial with Aplidin® as monotherapy in patients with angioimmunoblastic T-cell lymphoma continues recruiting at centres in Spain, the Czech Republic, Italy and the United States. The trial will include 60 patients at approximately 25 centres in Europe and the US.

c) ZEPSYRE (PM1183)

Platinum-resistant ovarian cancer

The CORAIL Phase III pivotal trial in patients with platinum-resistant ovarian cancer to assess Zepsyre™ as monotherapy vs. topotecan or pegylated liposomal doxorubicin completed recruitment in October 2016. The patients are currently under observation to determine progression-free survival and the trial's secondary end-points. The company anticipates reporting results by early 2018.

Advanced breast cancer

In the Phase II clinical trial in advanced breast cancer, the A1 arm, consisting of breast cancer patients with BRCA 1 or 2 mutations who had been pre-treated with PARP inhibitors, is currently recruiting.

The Zepsyre ™ registration strategy for BRCA2-related breast cancer was agreed upon with the FDA in December 2016. The selection of the CRO for the trial is currently under way.

Small-cell lung cancer

Recruitment is continuing satisfactorily for the ATLANTIS pivotal Phase III trial that compares the activity and safety of the combination of Zepsyre (PM1183) plus doxorubicin with topotecan or CAV (cyclophosphamide, adriamycin and vincristine) for treating patients with small cell lung cancer who have relapsed after a first round of platinum treatment. Recruitment is currently ongoing in Europe, the United States, Latin America and the Middle East.

Combination trials

As regards Phase I combination trials, recruitment was completed for the combinations with doxorubicin, cisplatin, capecitabine and paclitaxel with or without bevacizumab. The latter two trials produced promising preliminary results in a range of breast cancer types, among others; consequently, the next stages of development for this indication are still being assessed. The efficacy data from the combined trials in endometrial cancer were presented at the annual meeting of the American Society of Clinical Oncology (ASCO) in Chicago (2-6 June 2017).

Recruitment continues on schedule for the Phase I trial in combination with irinotecan.

Basket trial in advanced solid tumours

Recruitment is continuing for the Phase II trial with Zepsyre as monotherapy in indications chosen on the basis of the drug's action mechanism or on the basis of its activity as observed in combination trials. Those indications are small cell lung cancer, neuroendocrine tumours, carcinoma of the head and neck, germ cell cancer, endometrial cancer, bile duct cancer, cancer of unknown primary, and Ewing sarcoma. Recruitment is ongoing for the small cell lung cancer and Ewing sarcoma cohorts. The trial is being conducted in Spain, France, Belgium, the United States, Germany, Italy, Switzerland and the United Kingdom.

The efficacy data from this trial in endometrial cancer were presented at the annual meeting of the American Society of Clinical Oncology (ASCO) in Chicago (2-6 June 2017).

d) PM184

The Phase I dose escalation trial assessing the combination of PM184 with gemcitabine continues recruitment on schedule. This trial is being conducted at two centers: one in Spain and the other in the United States. Enrolment is expected to be focused on specific diseases where clinical benefit has been observed, such as non-small cell cell lung cancer, breast cancer, and head and neck tumours.

1.3. Attendance at conferences

At the annual meeting of the American Society of Clinical Oncology (ASCO), PharmaMar presented new results for Zepsyre (PM1183), an RNA polymerase II inhibitor undergoing clinical research in advanced endometrial cancer, concluding that this molecule is effective both as monotherapy and in combination with doxorubicin. The results obtained in endometrial cancer with Zepsyre, both as monotherapy and in combination with doxorubicin, support continuing with clinical development to conduct a Phase III registration trial. The design of this trial is finalized and has already been discussed with the FDA.
The results were presented of a Phase I dose-seeking trial assessing the safety, tolerability, pharmacokinetics and pharmacodynamics of the combination of lurbinectedin and olaparib in advanced solid tumours where synergistic activity was observed between the two molecules.
PharmaMar also presented a comparison of two clinical trials which concluded that Yondelis® and lurbinectedin are most active in metastatic BRCA2-related breast cancer.

2.- Diagnostics Genómica

Genómica's 1H17 revenues amounted to €3.2 million (€3.6 million euro in 1H16). This decline is attributable mainly to lower sales in Brazil in the second quarter. However, the company expect to reverse this trend by year-end.

In contrast, sales in the Middle East and Asia increased by 44% to €171 thousand (€119 thousand in 1H16) as a direct result of the agreements signed for the distribution of our products in India and Thailand. Sales in Europe increased by 9%.

Exports accounted for 39% of total revenues in the period.

Domestic sales in the diagnostic segment amounted to €1.775 million in the first half, up 5% with respect to the €1.691 million booked in 1H16. This growth in domestic sales has been reinforced by the renewal of the contract with the Castilla y León regional government for the supply of the material required to carry out high-oncogenic risk Human Papillomavirus (HPV) assays.

3.- RNA interference: Sylentis

In the first half of 2017, the company advanced with the research and development of new products based on RNAi and formulations for treating eye diseases. Specifically, a new line of research is being pursued to develop RNAi candidates for treating diseases of the retina, such as age-related macular degeneration.

Sylentis product SYL1001 for treating dry-eye syndrome has commenced a Phase III clinical trial (Helix trial). Applications for authorisation to conduct the trial were filed with the medicines agencies in Spain, Germany, Portugal, Estonia and Italy in the first quarter of 2017. Authorisation was granted in Spain, Portugal and Estonia in the second

quarter and recruitment commenced; the first patient was enrolled at the Navarra University Clinic on 30 May. By the end of the second quarter, recruitment continues as scheduled.

Clinical development of Bamosiran for treating glaucoma continued in combination with commercial drug latanoprost.

B) Consumer chemicals:

1.- Xylazel (varnishes and paints for protecting wood and metal)

Xylazel reported €11.3 million in sales in the first half of 2017, an 8% increase on the same period of 2016 (€10.5 million).

The co-branded Rust-Oleum-Xylazel line of paints, which was launched in May 2015, played a fundamental role in achieving that level of sales growth.

Exports accounted for 12% of Xylazel's total revenues.

As a result, EBITDA in the first half of 2017 amounted to €1.8 million, 12% more than in the same period of last year (€1.6 million).

At this time, no risk or uncertainty is envisaged in the second half of the year that might produce a significant change in the budgeted figures for the full year, and the company is on track so far.

2.- ZelnovaZeltia and Copyr (household insecticides, air fresheners and other household cleaning products)

In the first half of 2017, combined sales by Zelnova-Copyr amounted to €30.8 million, i.e. €2 million (+7.2%) more than in the same period of 2016. This increase is attributable to good sales performance by Copyr in its Ecological Agriculture (sales in Italy and the rest of Europe of ecological products based on natural pyrethrins), Large Retailers and Home & Garden lines. This sizeable change confirms the superb prospects for natural pyrethrin, Copyr's star product for ecological farming.The rest of the variation in overseas sales is due to the recovery in Algeria and the launch of new retailer-branded air fresheners in the European market. Sales in the domestic market also expanded significantly, particularly in the Large Retailers channel.

The prices of the main raw materials had a varied performance in the period: metal prices (aerosol cans) increased, and petroleum derivatives (butane and solvents) were volatile: the price increase at the beginning of the year has been partially corrected, and prices are now slightly higher than last year. Prices of other components (active ingredients, paper, cardboard, plastic, etc.) were stable.

Normalised EBITDA was in line with 2016: €3.1 million. The termination of the previous General Manager's contract resulted in an extraordinary expense with a significant impact on period income.

BALANCE SHEET *(Thousand euro)*	06/30/2017	12/31/2016
ASSETS		
Non-current assets	**98.548**	**100.145**
Property, plant & equipment	30.863	31.141
Investment properties	6.119	6.119
Intangible assets	23.659	24.900
Goodwill	2.548	2.548
Long-term financial assets	1.021	1.138
Deferred tax assets	34.338	34.299
Assets classified as held for sale and discontinued operations	**0**	**0**
Current assets	**123.647**	**120.992**
Inventories	24.662	22.158
Customer and other receivables	51.717	62.652
Current financial assets	21.471	18.077
Other current assets	6.169	3.815
Cash & cash equivalents	19.628	14.290
TOTAL ASSETS	**222.195**	**221.137**

BALANCE SHEET *(Thousand euro)*	06/30/2017	12/31/2016
EQUITY		
Shareholders' equity	**47.064**	**52.358**
Share capital	11.132	11.110
Share premium	71.278	69.189
Treasury shares	(3.403)	(3.247)
Revaluation and other reserves	13	11
Retained earnings and other reserves	(31.956)	(24.705)
Minority interest	**(3.872)**	**(3.863)**
TOTAL EQUITY	**43.192**	**48.495**
LIABILITIES		
Non-current liabilities	**87.507**	**85.478**
Financial debt	73.908	67.583
Non-current deferred revenues	12.756	16.790
Other non-current liabilities	843	1.105
Current liabilities	**91.496**	**87.164**
Supplier and other accounts payables	42.617	39.175
Financial debt	29.826	27.906
Provisions for other liabilities & expenses	5.276	6.988
Current deferred revenues	9.587	10.012
Other current liabilities	4.190	3.083
TOTAL LIABILITIES	**179.003**	**172.642**
TOTAL LIABILITIES AND EQUITY	**222.195**	**221.137**

INCOME STATEMENT		
Thousand euro	**06/30/2017**	**06/30/2016**
Revenues:		
Product Sales	88.697	88.671
Licensing agreements	5.412	229
Royalties	2.773	3.181
Other income	41	49
	96.923	**92.130**
Cost of sales	(26.049)	(24.375)
Other operating revenues	498	532
Marketing & commercial organisation expenses	(23.088)	(23.445)
General and administration expenses	(10.344)	(10.071)
Research & development expenses	(36.925)	(38.712)
Other operating expenses	(5.370)	(5.303)
Net operating profit (loss) (EBIT)	**(4.355)**	**(9.244)**
Net financial results	(2.389)	(3.167)
Result from continuing operations	**(6.744)**	**(12.411)**
Corporate income tax in the period	(709)	(780)
Profit (Loss) for the year	**(7.453)**	**(13.191)**
Profit for the year	(7.453)	(13.191)
Attributable to owners of the parent	**(7.443)**	**(13.181)**
Attributable to minority interest	(10)	(10)

CONSOLIDATED CASH FLOW STATEMENT	06/30/2017
TOTAL NET OPERATING CASH FLOW	**368**
Income before taxes	**(6.744)**
Adjustments for:	**(228)**
Amortisation and depreciation	3.524
Other adjustements	(3.752)
Changes in working capital:	**9.617**
Other cash flow from operations:	**(2.277)**
Financial expenses	90
Financial revenues	(2.367)
TOTAL NET INVESTING CASH FLOW	**(5.378)**
Investments payments:	**(18.678)**
Purchases of property, plant & equipment and intangible assets	(2.081)
Other financial assets	(16.597)
Disvestment receipts:	**13.396**
Purchases of property, plant & equipment and intangible assets	76
Other financial assets	13.320
Other investing cash flow:	**(96)**
Other investment receipts / (payments)	(96)
TOTAL NET FINANCING CASH FLOW	**10.348**
Collections and (payments) in connection with equity instruments:	**2.136**
Issuance of equity instruments	2.111
Acquisition	(4.358)
Disposal	4.383
Collections and (payments) in connection with financial liabilities:	**4.016**
Issue	13.015
Refund and amortization	(8.999)
Other financing cash flow:	**4.196**
Other financing receipts / (payments)	4.196
TOTAL NET CASH FLOW	**5.338**
Beginning balance of cahs and cash equivalents	14.290
ENDING BALANCE OF CASH AND CAHS EQUIVALENTS	**19.628**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF PHARMA MAR, S.A. FOR THE FIRST HALF OF 2017.

1.- Basis of presentation and accounting policies

A.- The interim separate financial statements for the first half of 2017 were prepared in accordance with Spain's New General Accounting Plan (NPGC), which came into force on 1 January 2008, and the same accounting principles and standards were applied as in the financial statements for the year ended 31 December 2016.

B.- The interim consolidated financial statements for the first half of 2017 were prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS). The accounting standards were applied on a uniform basis with respect to the year ended 31 December 2016.

These abridged interim financial statements were approved by the Board of Directors of PharmaMar on 26 July 2017.

C.- New accounting standards

Standards, amendments and interpretations that have not yet entered into force but which may be adopted before annual periods commencing on or after 1 January 2016

-IFRS 9 "Financial instruments" - Not expected to have a material impact.

-IFRS 15 "Revenue from contracts with customers". - IFRS 15 applies for annual periods beginning on or after 1 January 2018, but early adoption is allowed. The Group, particularly the Oncology segment, has signed certain licensing and co-development agreements containing multiple components in connection with its compounds that are in development or already in the market (Note 27). The adoption of IFRS 15 will not have a material impact on the Group's financial statements.

Standards, amendments and interpretations of existing standards that cannot be adopted early or have not been adopted by the European Union

-IFRS 16 “Leases” - The Group has certain operating lease agreements, mainly leases of offices and vehicles (Note 40). These agreements grant the right to use an asset for a period of time in exchange for a consideration. The Group has to recognize the present value of the lease payments and present them as assets, and to recognise a financial liability for its future payment obligations. A quantification of the effect on the financial statements for 2019, the year in which this standard will come into force, is not available at this time.

2. Seasonal or cyclical nature of the Pharma Mar Group's transactions

The Consumer Chemicals segment, which represents 47% of the Group's total net sales as of 30 June 2017, on a half-yearly basis, does not present a significant degree of seasonality. The seasonality in this business line occurs in the two central quarters of the year, i.e. from April to September, which concentrate an average of 63% of the year's sales. However, considering sales by calendar half-years and based on the average of

the last three financial years, the first half of the year usually represents around 55% of total annual sales.

The Biopharmaceutical area, which represents 53% of the Group's total net sales as of 30 June 2017, markets basically anti-tumour drugs and diagnostic kits for a range of diseases of viral or bacterial origin; it is not a cyclical business.

However, the Biopharmaceutical area — specifically the Oncology segment — has another type of revenues apart from sales, namely revenues from licensing and/or co-development agreements for its products. These licensing agreements involve payments on a schedule that is not uniform and normally depends on milestones that are defined in the agreement itself and can very considerably in terms of type and amount.

3.1- Nature and amount of certain items affecting the separate financial statements of Pharma Mar, S.A.

In the period to which these interim financial statements refer:

a) No impairment was recognised for a decline in the carrying amount of inventories to their realizable net value, nor was any such impairment reversed.
b) No impairment was recognised for property, plant and equipment, and there were no reversals of previously recognised impairment of this type.
c) No provisions were recognised for restructuring costs nor were previously recognised provisions modified or reversed.
d) Property, plant and equipment were acquired in the amount of €0.6 million to expand the R&D facility and its equipment. No items of property, plant and equipment were disposed of.
   Property, plant and equipment in the amount of €1 million which was fully depreciated was derecognised.
   A part of the expenses incurred in R&D, in the amount of €17.9 million, was capitalised as intangible assets.
e) At the date of this report, the Company did not have any commitment to repurchase property, plant and equipment.
f) There were no receipts arising from litigation.
   As a result of the tax audit that concluded in September 2016, PharmaMar paid €0.18 million for tax assessments with which it concurred and paid €0.7 million for tax assessments with which it is in disagreement and which it is appealing (the amounts include tax and interest).
g) No corrections were recognised for errors made in previous years.
h) There was no case of default on loans on or before the balance sheet date.
i) Significant items for understanding the interim financial statements:
   Material changes in the items comprising the balance sheet are detailed in Note 10.A of these Explanatory Notes.

   Pharma Mar, S.A. sells its oncology products in some European countries (Italy, Germany, France, Switzerland, United Kingdom, Belgium and Austria) through subsidiaries created specifically for this purpose. In the other European countries, Pharma Mar, S.A. sells those products directly or through distributors. Pharma Mar, S.A.'s revenues are comprised of three revenue sources: (i) the sale of products in Europe (Yondelis); (ii) royalties from firms which have licensed

its products for sale outside Europe; and (iii) revenues from licensing or co-development agreements for its oncology products. The first two sources are recurrent and uniform, while the latter depends on the specific agreements and their conditions. The contracts normally provide for payments for attaining product development, regulatory or marketing milestones. An amount of €5.4 million was recognised under the latter heading in the first half of 2017 (€0.22 million in the first half of 2016).

Capitalised in-house work on assets refers to the Company's R&D expenses that qualify for recognition as intangible assets.

3.2- Nature and amount of certain items that affect the Pharma Mar Group's consolidated financial statements

a) No impairment was recognised for inventories, nor was any previous impairment reversed.

b) No impairment was recognised for property, plant and equipment, intangible assets or other current assets, and there were no reversals of previously recognised impairment.

c) No provisions were recognised for restructuring costs. No previously recognised provisions for restructuring were modified or reversed.

d) Acquisitions of property, plant and equipment by the Group amounted to €1.4 million and were mainly in the Biopharmaceutical area (oncology, diagnostics and RNAi), which acquired laboratory equipment amounting to €1.1 million, and in the Consumer Chemicals segment, which acquired machinery and upgraded facilities for an amount of €0.3 million.

Disposals of property, plant and equipment were not material.

e) At the date of this report, the Company did not have any commitment to repurchase property, plant and equipment.

f) There were no receipts arising from litigation.

As a result of the tax audit that concluded in September 2016, the Tax Group paid €0.2 million in 2017 for tax assessments with which it concurred and paid or posted bonds in the amount of €0.8 million for tax assessments with which it is in disagreement and which it is appealing (the amounts include tax and interest).

The termination of a general manager in the Consumer Chemicals segment resulted in the payment of €0.85 million in indemnities.

g) No corrections were recognised for errors made in previous years.

h) There was no case of default on loans on or before the balance sheet date.

i) Significant items for understanding the interim consolidated financial statements:

Material changes in the items comprising the consolidated balance sheet are detailed in Note 10.B of these Explanatory Notes.

4.1 Material changes in estimates of previous accounting periods in the separate financial statements of Pharma Mar, S.A.

There were no changes in estimates with respect to previous accounting periods. These accounting estimates and judgements are detailed in Note 2.2 to the financial statements of Pharma Mar, S.A. for the year ended 31 December 2016 and refer to:

a) Deferred tax assets
b) Recognition of revenue under licensing agreements
c) Capitalization of R&D expenses
d) Useful life of property, plant and equipment
e) Fair value of financial instruments

4.2 Material changes in estimates of previous accounting periods in the consolidated financial statements of the Pharma Mar Group

There were no changes in estimates with respect to previous accounting periods. These accounting estimates and judgements are detailed in Note 4 to the consolidated financial statements for the year ended 31 December 2016 and refer to:

a) Recognition of revenue under licensing and/or co-development agreements
b) Deferred tax assets
c) Capitalized development expenses
d) Goodwill and intangible assets (trademarks) having an indefinite useful life

5. Issuance of debt or equity

In the first half of 2017 and in the context of a licensing and marketing agreement, Pharma Mar, S.A. and STA Trust (an entity controlled by Specialised Therapeutics Investments Pty LTD ATF) signed a contract under which STA Trust undertook to subscribe for 444,400 new common shares of Pharma Mar, S.A., representing 0.2% of its share capital, at a price of €4.75 per share (€0.05 par value plus €4.70 issue premium), equivalent to 130% of the simple average of the weighted average daily market prices of PharmaMar shares during the 20 business days prior to the signature of the licensing agreement (the "Subscription Agreement"). As a result, the total amount of the capital increase (par value plus issue premium) was €2,110,900, i.e. a par value of €22,220 and a total issue premium of €2,088,680 (the "Capital Increase").

6.- Dividends paid

No dividends were paid in the period.

7.- Segment revenues and income

30/06/2017	Oncology	Diagnostics	RNAi	Consumer chemicals	Unallocated	Consolidated
Total revenues	51,523	3,230	-	42,170	-	96,923
Income before taxes	-2,381	-767	-2,982	3,362	-3,975	-6,743

30/06/2016	Oncology	Diagnostics	RNAi	Consumer chemicals	Unallocated	Consolidated
Total revenues	49,180	3,635	-	39,315	-	92,130
Income before taxes	-8,682	-995	-1,981	3,971	-4,724	-12,411

For more information, see item 15 in Chapter IV of the selected financial information and the interim directors' report contained in Chapter VI of this document.

8.- Subsequent events.

No material events have occurred that might affect the content of the financial statements and require disclosure.

9.- Changes in Group composition: acquisitions/sales (business combinations) restructuring or discontinued activities

There were no changes in the Group's composition in the period to which these Explanatory Notes refer (first half of 2017).

10.- Qualitative and quantitative information on changes in assets and liabilities

A. Separate financial statements

Non-current assets amount to €405.7 million (€397.4 million at 2016 year-end), of which €302.6 million (€297.5 million at 2016 year-end) are net investment by PharmaMar in R&D. Property, plant and equipment amount to €20.4 million and did not undergo any material variation since December 2016. Investments in Group undertakings amount to €60.6 million, €3.4 million more than at 2016 year-end, as a result of new contributions to subsidiaries in the form of equity or long-term loans.

Current assets amount to €63.6 million (€80.8 at 2016 year-end). The difference is due mainly to a decline in customer receivables (€-27.8 million) as the upfront payment under the licensing agreement with Chugai for Zepsyre, amounting to €30 million, was recognised as an account receivable as of 2016 year-end; it was collected in January 2017. Consequently, financial assets and cash and cash equivalents increased by a total of €10.6 million with respect to 2016 year-end.

Equity amounts to €322.2 million (€321.5 million at 2016 year-end). The difference is due to the loss in the period (€-1.4 million) and the issuance of 444,400 new shares (2.1).

Non-current assets amount to €81.5 million (€79.2 million at 2016 year-end). The main variation between periods is due to the process of reorganising the debt in order to extend the maturity of bank loans. A total of €12 million in bank loans were obtained, and €1 million in loans from official agencies.

Current liabilities amount to €65.5 million (€77.6 million at 2016 year-end); the variation is due to the reduction in debts to group undertakings (€-4.7 million), in trade accounts payable (€-6.4 million) and in bank debt (€-1 million).

B. Consolidated financial statements

Non-current assets amount to €98.5 million (€100.1 million at 2016 year-end); there were no material variations with respect to 2016 year-end. These non-current assets consist mainly of €30.9 million of property, plant and equipment (€31.1 at 2016 year-end), €23.7 million of intangible assets (€24.9 at 2016 year-end) and €34.3 million of deferred tax assets (€34.3 at 2016 year-end).

With respect to current assets:
Inventories increased by €2.6 million with respect to December 2016, mainly in the Consumer Chemicals segment, which accumulated stocks of finished products for the summer season (€+2.3 million). The Biopharmaceutical segment reduced inventories by €0.3 million in the first half.

The variation of €-10.9 million in accounts receivable is due, on the one hand, to the €27.7 million reduction in the Biopharmaceutical segment, basically as a result of the receipt in January of the €30 million upfront payment under the Zepsyre licensing agreement with Chugai. Additionally, in the Consumer Chemicals segment, customer receivables increased by €16.8 million with respect to 2016 year-end, in line with normal trends.

Current financial assets plus cash and cash equivalents amounted to €41 million (€32.3 at 2016 year-end), partly reflecting the aforementioned receipt under the Zepsyre licensing agreement.

Equity amounted to €43.2 million (€48.5 million at 2016 year-end). This variation is reflects period income (€-7.4 million) and the capital increase in May in the amount of €2.1 million through the issuance of new shares representing 0.2% of the share capital, subscribed entirely by Specialised Therapeutics Asia PTE, at a subscription price equivalent to 130% of the simple average of the weighted average share price of PharmaMar in the previous 20 sessions. The subscription of this equity issue was related to the signature of a licensing and marketing agreement for Pharma Mar's antitumour drug of marine origin, Zepsyre (PM1183), for the treatment of platinum-resistant ovarian cancer, small cell lung cancer, metastatic BRCA 1/2-related breast

cancer and other potential therapeutic indications in Australia, New Zealand and 12 Asian countries.

Non-current liabilities evidence the increase in long-term debt in the first half of 2017, from €67.6 million at 2016 year-end to €73.9 million at 30 June 2017, as all of the debt maturities in 2016 had been refinanced as of that date. New banks loans were arranged in the amount of €12 million at 5 years, and €1.3 million in loans at 10 years were received from official agencies. An amount of €7 million was transferred to short term. Non-current deferred revenues were reduced by €4 million due to the transfer to short-term accounts. Deferred revenues refer to the part of the upfront payment from Chugai under the Zepsyre (PM1183) licensing agreement that has not yet been recognised as revenues in the P&L.

As for current liabilities, the balance of the supplier and other accounts payable item increased by €3.4 million, basically due to normal seasonal fluctuations in the Consumer Chemicals segment, since most of its sales are made in the central quarters of the year (from April to September) and, consequently, the supplier accounts payable account increased due to procurements, specifically in the amount of €8.5 million. The Biopharmaceutical segment reduced accounts payable by €4.9 million.

Short-term interest-bearing debt increased by €1.9 million with respect to 2016 year-end. During the first half of the year, the balance of invoices that had been discounted with recourse was €2.9 million higher than at 2016 year-end.

Amounts drawn against credit lines amounted to €9.8 million at 30 June 2017 (€10.9 million at 2016 year-end). At 30 June 2017, the Group had credit lines with a total limit of €31.4 million.

11.- Related-party disclosures

See section 18 of Chapter IV selected financial information.

INCOME STATEMENT BY FUNCTION

As provided in IAS 1.88, expenses in the income statement may be classified on the basis of their nature or function. In its consolidated financial statements, the Pharma Mar Group elects to classify expenses by function. For this reason, this section of the abridged financial statements contains a consolidated income statement as of 30 June 2017 by function of expense, with comparative figures as of 30 June 2016.

The other financial statements in the consolidated financial statements drawn up by the Group conform to the forms presented in Chapter IV of this report.

INCOME STATEMENT		
Thousand euro	**06/30/2017**	**06/30/2016**
Revenues:		
Product Sales	88.697	88.671
Licensing agreements	5.412	229
Royalties	2.773	3.181
Other income	41	49
	96.923	**92.130**
Cost of sales	(26.049)	(24.375)
Other operating revenues	498	532
Marketing & commercial organisation expenses	(23.088)	(23.445)
General and administration expenses	(10.344)	(10.071)
Research & development expenses	(36.925)	(38.712)
Other operating expenses	(5.370)	(5.303)
Net operating profit (loss) (EBIT)	**(4.355)**	**(9.244)**
Net financial results	(2.389)	(3.167)
Result from continuing operations	**(6.744)**	**(12.411)**
Corporate income tax in the period	(709)	(780)
Profit (Loss) for the year	**(7.453)**	**(13.191)**
Profit for the year	(7.453)	(13.191)
Attributable to owners of the parent	**(7.443)**	**(13.181)**
Attributable to minority interest	(10)	(10)