REPORT AT 30 JUNE 2018

Madrid, 26 July 2018

1H18 HIGHLIGHTS

Corporate

- Group revenues amounted to €107 million in the first half of 2018 (€96.9 million in the same period of 2017).

- The Group's EBITDA amounted to 7 million euros (0.1 million euros in June 2017).

Oncology

- In April, Chugai Pharmaceutical Co. Ltd. gave notice to PharmaMar that it was exercising its right to terminate, without cause and with one year's advance notice, the licensing agreement signed in 2016 covering Zepsyre for Japan. In June, PharmaMar reached an early termination agreement with Chugai, after which PharmaMar recovered all rights to Zepsyre for Japan and will collect, in 2018, a payment of €3 million for early termination of the licensing agreement. All amounts collected by PharmaMar from Chugai during the term of the contract are non-repayable and, consequently, are unaffected by the early termination.
- PharmaMar has applied to the FDA and other competent authorities where it is conducting the ATLANTIS registration trial in order to change the primary endpoint from Progression Free Survival to Overall Survival. ATLANTIS is a pivotal Phase III trial with Zepsyre in small cell lung cancer. This change was requested on the basis of recent Overall Survival data in Phase II trials with Zepsyre (lurbinectedin) as monotherapy against small cell lung cancer, which were presented at the recent American Society of Clinical Oncology (ASCO) meeting in Chicago in June and the cohort B data in combination with doxorubicin
- Pharma Mar, S.A. announced that the Independent Data Monitoring Committee (IDMC) recommended continuing with the ongoing Phase III (ATLANTIS) trial with Zepsyre® in combination with doxorubicin in patients with small cell lung cancer as planned. The IDMC's recommendation came after an analysis of the safety data obtained from the over 500 patients treated to date in the trial.

Diagnostics

- In June, an agreement was signed with NingboMedicore Technology Co., Ltd and Beijing Clear Meid-tech Co., Ltd to register autoclart® plus, CLART ® PneumoVir, CLART® EnteroBac and CLART® SeptiBac with the Chinese authorities (CFDA).

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1. FIGURES TO JUNE 2018

REVENUES	06/30/2018	06/30/2017	
Sales	**82,218**	**88,697**	**-7.3%**
Biopharmaceutical Area	41,670	46,527	-10.4%
Oncology Segment	*38,750*	*43,297*	*-10.5%*
Diagnostic Segment	*2,920*	*3,230*	*-9.6%*
Consumer Chemicals Segment	40,548	42,170	-3.8%
Royalties			
Oncology Segment	**2,250**	**2,773**	**-18.9%**
Licenses and co-developement agreements			
Oncology Segment	**22,357**	**5,412**	**313.1%**
Services Rendered			
Diagnostic Segment	**132**	**41**	**222.0%**
TOTAL REVENUES	**106,957**	**96,923**	**10.4%**

(Thousand euro)

Total Group revenues

Net revenues in the Biopharmaceutical segment amounted to €41.7 million in the first half of 2018, 10.4% less than the €46.5 million figure booked in the same period of 2017. The inter-year difference in Yondelis sales (€38.7 million in 1H18 vs. €43.3 million in 1H17) is due to a number of factors: sales of the raw material to Yondelis partners Janssen Products and Taiho Pharmaceutical amounted to €1.4 million in 2017 but to just €0.2 million in 2018; moreover, prices were eroded in some European countries and new competitors have appeared in both soft tissue sarcoma and platinum-sensitive relapsed ovarian cancer. Diagnostics sales (€2.9 million in 1H18 vs. €3.2 million in 1H17) reflect a setback in sales in Latin America which is expected to revert in the coming quarters.

Revenues in the Consumer Chemicals division amounted to €40.5 million in 1H18, i.e. 3.8% less than in the same period of 2017 (€42.2 million). This decline was concentrated basically in domestic insecticides as a result of unusual weather conditions in the spring; 50% of that decline in sales has been recovered in July.

Royalty revenues, which arise in the Oncology segment from partners 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 €2.3 million in 1H18 (€2.8 million in 1H17), i.e. a reduction of €0.5 million due to commercialization of new products in the United States that compete with Yondelis®.

Revenues from licensing and other co-development agreements, which also correspond entirely to the Oncology segment, amounted to €22.4 million in 1H18, compared with €5.4 million in 1H17.

As a result of the early termination by Chugai Pharmaceutical Co. of the licensing agreement for Zepsyre in Japan, which was signed with PharmaMar in December 2016, the obligations assumed by PharmaMar under that agreement are considered to have concluded.Accordingly, the part of the upfront payment received from Chugai when the contract was signed in December 2016 (€30 million) whose recognition as revenue had been deferred on the basis of progress with the clinical trials that the Company had undertaken to conduct, which amounted to €12.7 million as of the date of early termination (€2.4 million had been recognized in the first quarter of 2018), was recognized as revenue on the date of termination of the agreement since the payment by Chugai in the past was not repayable under any circumstances. As a result of the early termination of the licensing agreement, PharmaMar will collect €3 million in additional revenues.

In the first quarter of 2018, the company signed a licensing agreement with Seattle Genetics Inc. under which the latter receives exclusive worldwide rights over certain molecules and conjugated antibodies (ADCs) owned by Pharma Mar, S.A. for the development, production and commercialization of the conjugated antibodies. The Company received an upfront payment of 5 million dollars (€4.1 million) and may receive other payments if Seattle Genetics carries out clinical development of the conjugated antibodies.

Consequently, **total revenues** amounted to €107 million in the first half of 2018, compared with €96.9 million in the same period of 2017 (+10.4%).

Gross margin and EBITDA

The group's gross margin was 69% in the first half of 2018 (71% in the same period of 2017). (Calculated with respect to sales only, not including royalties or licensing revenues).

Group EBITDA amounted to €5.3 million in the first half of 2018.

	06/30/2018	06/30/2017
Net Result	3,042	(7,453)
Income Tax	(1,974)	709
Net Financial Income	2,224	2,389
Depreciation and Amortization	2,033	3,588
TOTAL	**5,325**	**(767)**
Indemnities	1,723	850
EBITDA	**7,048**	**83**

(Thousand euro)

(EBITDA: earnings before interest, taxes, depreciation and amortization).

The EBITDA contribution by the business segments is as follows:

	06/30/2018	06/30/2017
Oncology	11,009	2,118
Diagnostic	(1,606)	(303)
RNAI	(2,653)	(2,629)
QGC	4,184	4,872
Not asigned	(3,886)	(3,975)
EBITDA	**7,048**	**83**

(Thousand euro)

R&D expenditure

R&D expenditure increased from €36.9 million in the first half of 2017 to €40.5 million in the first half of 2018.

The breakdown of R&D expenditure is shown in the next table:

R & D	06/30/2018	06/30/2017
Oncology Segment	(36,198)	(33,889)
Diagnostic Segment	(1,581)	(825)
RNAi Segment	(2,613)	(2,397)
Consumer Chemicals Segment	(97)	(311)
- Capitalization R&D	0	497
TOTAL R & D	**(40,489)**	**(36,925)**

(Thousand euro)

The increase in the oncology segment is due basically to clinical trials with Zepsyre: Atlantis trial, Phase I trial in Japan (+€1.4 million), and Phase IV trials with Yondelis (+€0.8 million).

The increase in the diagnostics area was due to investment in point-of-care diagnostics by Genómica.

Other operating expenses

As a result of the European Medicines Agency's non-approval of Aplidin and the fact that the results of the CORAIL trial (Zepsyre in platinum-resistant ovarian cancer) were insufficient, the Company implemented a cost-cutting programme whose impact is not visible in the financial statements for the first half, which reflect the cost of activities that cannot be halted immediately and also certain indemnities arising as a result of those cuts. As a result, those expenses declined by 0.5% year-on-year. The effect of the cost-cutting programme will be more visible in the coming quarters.

Cash and Debt

As of 30 June 2018, the net cash position (cash + cash equivalents + current financial assets) amounted to €18.9 million (vs. €31.8 million as of 2017 year-end). Including non-current financial assets, the total was €19.9 million as of 30 June 2018 (vs. €32.7 million as of 2017 year-end).

For the purpose of comparing the balance sheet figures, the Group's total net interest-bearing debt at amortized cost is detailed below:

	06/30/2018	12/31/2017
Long term interest bearing debt	**67,243**	**73,607**
Bank debt	28,835	33,394
Govt. agencies: R&D funding (interest free debt)	16,478	16,350
Obligations and bonds	21,930	23,863
Short term interest-bearing debt	**42,620**	**26,395**
Credit facilities	24,353	9,974
Effects and certifications	3,583	2,203
Bank loan	8,715	8,676
Govt. agencies: R&D funding (interest free debt)	4,930	4,730
Interest and others	1,039	812
Total financial debt	**109,863**	**100,002**
Cash & cash equivalents + no current and current financial investments	**19,910**	**32,736**
TOTAL NET DEBT	**(89,953)**	**(67,266)**

(Thousand euro)

The Group' net debt as of 30 June 2018 was €22.7 million higher than at 2017 year-end, due to a number of factors: indemnities related to the reduction in operating costs, the cash flow effect in the consumer chemicals companies, whose net cash flow is negative in the first half of the year and positive in the second half, and the repayment of interest-bearing debt.

The Group is confident of maintaining revenues close to the 2017 figure and it is also working actively to obtain new licensing agreements and additional funding from a range of sources in order to end the year with net debt closer to last year's figure.

2. BUSINESS PERFORMANCE.

Below is an overview of the group companies' business performance in the first half of 2018.

A) Biopharmaceutical area:

1.- Oncology segment: PharmaMar

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

a) YONDELIS®

Sarcoma

In the first half of 2018, Yondelis was involved in 21 Investigator Initiated Studies in Europe for treating soft tissue sarcoma. Sixteen of those studies are actively recruiting.

Ovarian cancer

There are currently nine post-authorization trials under way in this indication, seven of which are actively recruiting.

Other indications

Data is being analysed from 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), to evaluate the activity and safety of Yondelis® in malignant pleural mesothelioma (MPM).

b) ZEPSYRE® (Lurbinectedin)

Small-cell lung cancer

Recruitment is continuing at a good pace for the ATLANTIS pivotal Phase III trial that compares the activity and safety of the combination of PM1183 (lurbinectedin), a drug of marine origin, plus doxorubicin, vs. 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. To date, 565 of the planned 600 patients have been recruited.

The Independent Data Monitoring Committee (IDMC) has recommended continuing with the trial unchanged after an analysis of the safety data obtained from the 500 patients treated to date in the trial.

In connection with this trial, PharmaMar has applied to the FDA and other competent authorities where it is conducting the ATLANTIS registration trial in order to change the primary endpoint from Progression Free Survival to Overall Survival. This change was requested on the basis of recent Overall Survival data in Phase II trials with Zepsyre (lurbinectedin) as monotherapy against small cell lung cancer, which were presented at the recent American Society of Clinical Oncology (ASCO) meeting in Chicago in June and cohort B of the combination trial with doxorubicin.

Basket trial in advanced solid tumors

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 previous combination trials. Those indications are small cell lung cancer, neuroendocrine tumors, carcinoma of the head and neck, germ cell cancer, endometrial cancer, bile duct cancer, cancer of unknown primary, Ewing sarcoma and breast cancer with BRCA 1/2 mutation.

Recruitment is ongoing for the small cell lung cancer cohort and the breast cancer with the BRCA 1/2 mutation cohort. The trial is being conducted in Spain, France, Belgium, the United States, Germany, Italy, Switzerland and the United

Kingdom. Efficacy data in small cell lung cancer and Ewing sarcoma were presented at the annual meeting of the American Society of Clinical Oncology (ASCO), held in Chicago on 1-5 June 2018.

Combination trials

As regards Phase I combination trials, recruitment was completed for the combinations with doxorubicin, cisplatin, capecitabine and paclitaxel with or without bevacizumab.

A communication with updated efficacy data in breast cancer in combination with capecitabine was presented at the annual meeting of the American Society of Clinical Oncology (ASCO), held in Chicago on 1-5 June 2018.

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

Phase I trial in Japan

This trial, designed to ascertain the dosage for Zepsyre™ in Japanese patients, is still in the active enrollment phase. The preliminary results of this trial were presented at the annual meeting of the American Society of Clinical Oncology (ASCO), held in Chicago on 1-5 June 2018.

c) 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. Enrollment will be focused on specific diseases where clinical benefit has been observed, such as non-small cell lung cancer, breast cancer, and head and neck tumors.

Colorectal cancer

This Phase II trial in colorectal cancer enrolled its first patient on 5 February 2018 and has enrolled 12 patients to date.

d) PM14

Recruitment continues for the clinical development program with this new molecule. The main endpoint of this trial is to identify the optimal dose for administration of PM14 in patients with advanced solid tumors, and to define the compound's safety profile and assess its pharmacokinetics and pharmacogenetics in treated patients. The trial is being conducted at Vall d'Hebron hospital (Barcelona), Doce de Octubre hospital (Madrid) and Institut Gustave Roussy (Paris); it is expected to enroll approximately 50 patients with a confirmed diagnosis of advanced solid tumor for which there is no standard treatment available.

2.- Diagnostics Genómica

Genomica reported €3.1 million in revenues in the first half of 2018, compared with €3.3 million in the same period of 2017, due to the decline in sales in Latin America, which the company expects will reverse by year-end.

In contrast, sales in the Middle East and Asia increased by 39% to €238 thousand after the distributors in that region obtained the pertinent registrations. Sales increased by 3% in Europe.

As a result, exports amounted to €1.24 million in 1H18, compared with €1.29 million in the same period of 2017, and accounted for 42% of total revenues.

In Spain, adjusting for the effect of the Castilla-La Mancha Regional Government's campaign for prevention and early detection of cervical cancer, revenues increased by 9% to €1.47 million (€1.34 million in the first half of 2017).

The company's strategy of focusing R&D on point-of-care diagnostics is advancing as expected, resulting in an increase in R&D expenditure to €1.6 million in the first half of 2018 (from €0.8 million in the same period of 2017).

In June, an agreement was signed with NingboMedicore Technology Co., Ltd and Beijing Clear Meid-tech Co., Ltd to initiate the registration of autoclart® plus, CLART ® PneumoVir, CLART® EnteroBac and CLART® SeptiBac with the Chinese authorities (CFDA).

3.- RNA interference: Sylentis

During the first half of 2018, research and development continued on existing lines of RNA interference (RNAi), and new lines of research are being pursued in topical treatment of diseases of the retina, such as age-related macular degeneration and diabetic retinopathy.

Enrollment continues for the HELIX Phase III trial with Sylentis product Tivanisiran for treating dry-eye syndrome; the trial is designed for 300 patients and is being conducted in six European countries: Spain, Germany, Italy, Estonia, Slovakia and Portugal. A total of 241 patients (i.e. 80% of the total) had been enrolled in the various participating countries at the end of June.

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)

Net revenues in the first half amounted to €11.3 million, in line with the same period of the previous year.

Average prices of raw materials (oil and titanium dioxide) increased by 3.8% year-on-year, which increased the cost of sales and reduced margins; margins were also affected by the 16.2% year-on-year increase in exports (which have lower margins).

Xylazel reported €0.9 million in net profit and €1.4 million in EBITDA.

With a view to the fourth quarter, negotiations are under way to place products directly in individual big box retailers and also to have our products included in chain-wide catalogs. Final preparations are being made to launch innovative products that will expand our range and offset the seasonal pattern of sales. They are expected to be available in the fourth quarter.

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

Zelnova-Copyr's combined sales declined by 5.3% in the first half of 2018, to €29.2 million (from €30.8 million in the same period of 2017). Sales of insecticides, both own-brand and white-label, were negatively impacted by anomalous weather conditions in the spring, which was Spain's wettest spring since 1965 and the fourth-wettest since the beginning of the 19th century, according to Spain's national weather agency, AEMET. Other product lines performed well, particularly the OTC pharmaceutical products launched early in the year, which registered 53% growth in the domestic market. This line of business has been enhanced by expanding the portfolio and restyling the ZZ brand image. The air freshener segment also performed well: +10%. Both lines are important for the company's future.

In particular, Copyr increased revenues by 4.0% year-on-year. Recent organizational and business changes made at this subsidiary resulted in a significant increase in sales, particularly in the Ecological Agriculture division, which attained €3.3 million (+12% year-on-year) and has doubled sales in the last five years to account for 25% of Copyr's revenues.

Prices of the main raw materials (butane, solvents, metal) show slightly rising trends. The Company is actively seeking more competitive sources worldwide, and productivity improvements in all areas have made it possible to keep costs in line with previous years.

The overall outcome as positive: €1.57 million profit from €1.21 million in the same period of the previous year.

The Company is confident that insecticide sales will recover in the remainder of the summer and that the launch of a new line of air fresheners in the fourth quarter will considerably enhance sales in the second half in year-on-year terms, with the result that it will attain its revenue and earnings targets by year-end. In July, it had already recovered 50% of the aforementioned decline in sales.

BALANCE SHEET *(Thousand euro)*	06/30/2018	12/31/2017
ASSETS		
Non-current assets	**92,688**	**94,543**
Property, plant & equipment	31,333	31,207
Investment properties	6,071	6,119
Intangible assets	18,382	20,212
Goodwill	2,548	2,548
Long-term financial assets	963	977
Deferred tax assets	33,393	33,482
Current assets	**97,930**	**93,178**
Inventories	25,901	23,904
Customer and other receivables	48,249	31,388
Current financial assets	4,270	7,671
Other current assets	4,833	6,126
Cash & cash equivalents	14,677	24,089
TOTAL ASSETS	**190,618**	**187,721**

BALANCE SHEET *(Thousand euro)*	06/30/2018	12/31/2017
EQUITY		
Shareholders' equity	**30,024**	**26,866**
Share capital	11,132	11,132
Share premium	71,278	71,278
Treasury shares	(3,413)	(4,470)
Revaluation and other reserves	11	13
Retained earnings and other reserves	(48,985)	(51,087)
Minority interest	**(3,890)**	**(3,881)**
TOTAL EQUITY	**26,134**	**22,985**
LIABILITIES		
Non-current liabilities	**69,908**	**81,626**
Financial debt	67,243	73,607
Non-current deferred revenues	1,911	7,234
Other non-current liabilities	754	785
Current liabilities	**94,577**	**83,111**
Supplier and other accounts payables	41,097	37,436
Financial debt	42,620	26,395
Provisions for other liabilities & expenses	6,129	6,232
Current deferred revenues	57	10,221
Other current liabilities	4,674	2,826
TOTAL LIABILITIES	**164,485**	**164,736**
TOTAL LIABILITIES AND EQUITY	**190,618**	**187,721**

INCOME STATEMENT		
Thousand euro	**06/30/2018**	**06/30/2017**
Revenues:		
Product Sales	82,218	88,697
Co-development	22,357	5,412
Licensing agreements	2,250	2,773
Other income	132	41
	106,957	**96,923**
Cost of sales	(25,429)	(26,049)
Marketing & commercial organisation expenses	(23,393)	(23,088)
General and administration expenses	(10,568)	(10,344)
Research & development expenses	(40,489)	(36,925)
Other operating expenses	(4,665)	(5,370)
Other operating revenues	879	498
Net operating profit (loss) (EBIT)	**3,292**	**(4,355)**
Net financial results	**(2,224)**	**(2,389)**
Result from continuing operations	**1,068**	**(6,744)**
Corporate income tax in the period	1,974	(709)
Profit (Loss) for the year	**3,042**	**(7,453)**
Profit for the year	3,042	(7,453)
Attributable to owners of the parent	**3,050**	**(7,443)**
Attributable to minority interest	(8)	(10)

CONSOLIDATED CASH FLOW STATEMENT	06/30/2018
TOTAL NET OPERATING CASH FLOW	**(20,303)**
Income before taxes	**1,069**
Profit before tax from continuing operations	1,069
Adjustments for:	**6,179**
Amortisation and depreciation	3,557
Other adjustements	2,622
Changes in working capital:	**(28,135)**
Other cash flow from operations:	**585**
Financial expenses	34
Financial revenues	(2,368)
Income tax received	2,919
TOTAL NET INVESTING CASH FLOW	**1,485**
Investments payments:	**(1,955)**
Purchases of property, plant & equipment and intangible assets	(1,951)
Other financial assets	(4)
Disvestment receipts:	**3,440**
Purchases of property, plant & equipment and intangible assets	118
Other financial assets	3,322
TOTAL NET FINANCING CASH FLOW	**9,406**
Collections and (payments) in connection with equity instruments:	**(428)**
Acquisition	(586)
Disposal	159
Collections and (payments) in connection with financial liabilities:	**(6,434)**
Issue	508
Refund and amortization	(6,942)
Other financing cash flow:	**16,268**
Other financing receipts / (payments)	16,268
TOTAL NET CASH FLOW	**(9,412)**
Net increase / (decrease) in cash and cash equivalents	(9,412)
Beginning balance of cahs and cash equivalents	24,089
ENDING BALANCE OF CASH AND CAHS EQUIVALENTS	**14,677**

EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS OF PHARMA MAR, S.A. FOR THE FIRST HALF OF 2018.

1.- Basis of presentation and accounting policies

A.- The interim separate financial statements for the first half of 2018 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 2017.

B.- The interim consolidated financial statements for the first half of 2018 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 2017.

These abridged interim financial statements were approved by the Board of Directors of PharmaMar on 26 July 2018.

C.- New accounting standards

IFRS 9 - "Financial instruments"

The PharmaMar Group adopted the new standard on the required application date and will not re-state the comparative information. There was not a material impact on the statement of financial position or statement of equity, except for the effect of applying the requirements to determine impairment under IFRS 9.

(a) Classification and measurement

The Group did not recognize major changes in its statements of financial position or equity due to the application of the classification and measurement requirements of IFRS 9. All financial assets are currently measured at fair value. Listed shares classified as financial assets available for sale are valued against other comprehensive income, which will not cause an increase in the volatility of the results.

Shares in unlisted undertakings are expected to be held for the foreseeable future. The PharmaMar Group will apply the option to present changes in fair value through other comprehensive income and, therefore, considers that the application of IFRS 9 will not have a significant impact.

Loans and trade accounts receivable are held in order to receive the contractual cash flows and are expected to comprise only principal and interest payments. The PharmaMar group analyzed the characteristics of the cash flows from these instruments and concluded that they meet the criteria to be valued at amortized cost in accordance with IFRS 9. Consequently, it is not necessary to reclassify these instruments.

(b) Impairment

IFRS 9 requires the PharmaMar group to recognize expected credit losses on all its debt securities, loans and trade accounts receivable, either on a 12-month or lifetime basis. The PharmaMar Group applied the simplified model and recognized expected losses in the lifetime of all trade

debtors. The impact of impairing loans and receivables as of 31 December 2017 amounted to €113 thousand, with a corresponding decrease of €28 thousand in deferred tax liabilities.

The impact of recognizing impairment for expected losses on loans and receivables in the first half of 2018 amounted to €363 thousand, with a decrease of €91 thousand in deferred tax liabilities. The table below shows the total impact on each item:

	2017 Amount	2018 Amount	Total Amount
Assets			
Other financial assets	(96)	92	(5)
Trade and other accounts receivable	(17)	(454)	(471)
Total Assets	**(113)**	**(363)**	**(476)**
Liabilities			
Deferred tax liabilities	(28)	(91)	(119)
Total Liabilities	**(28)**	**(91)**	**(119)**
Impact on equity	**(85)**	**0**	**(85)**
Impact on June 2018 Result	**0**	**(272)**	**(272)**

(Thousand euro)

(c) Hedge accounting

The PharmaMar Group did not recognize any impact from hedge accounting since it did not have any designated hedges at the end of the period.

(d) Debt restructuring

The PharmaMar Group has not carried out debt restructurings in the past; consequently, the application of IFRS 9 has no effect on PharmaMar in this regard.

-IFRS 15 - "Revenues from customer contracts"

IFRS 15 supersedes all previous standards for revenue recognition, IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations. Applies to all revenues arising from customer contracts, unless they are within the scope of another standard. It establishes a new five-step model for the accounting of revenue from customer contracts. In accordance with IFRS 15, income is recognised for an amount that reflects the consideration an entity expects to be entitled to receive in exchange for transferring goods or services to a customer.

The Group has adopted the new standard using the partial retroactive method.

-IFRS 16 - "Leases"

IFRS 16 was issued in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating leases - Incentives, and SIC-27 Evaluating the Substance of Transactions in the Legal Form of a Lease. IFRS 16 establishes the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single balance sheet model similar to the current accounting approach for finance leases in accordance with IAS 17. The standard includes two exemptions for the recognition of leases by lessees: leases of low value assets (e.g. personal computers) and short-

term leases (i.e. with term of 12 months or less). On the start date of a lease, the lessee must recognize a liability for the lease payments to be made (i.e. the liability for the lease) and an asset that represents the right to use the underlying asset during the term of the lease (i.e. the asset for the right of use). Lessees must recognize separately the interest expense corresponding to the lease liability and the amortization expense of the right of use.

Lessees will also be required to remeasure the lease liability when certain events occur (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognize the amount by which the lease liability has been remeasured as an adjustment to the asset for the right of use.

The lessor's accounting under IFRS 16 does not differ substantially from that currently applied under IAS 17. Lessees will continue to classify leases with the same classification principles as in IAS 17 and will recognize two types of leases: operating leases and finance leases.
IFRS 16 also requires lessees and lessors to present more extensive disclosures than those stipulated in IAS 17.

IFRS 16 applies for annual periods beginning on or after 1 January 2019, and early adoption is allowed but not before an undertaking applies IFRS 15. A lessee may choose to apply the rule retroactively, either wholly or partly, through a modified retroactive transition. The transitory provisions of the standard allow certain exemptions.

In 2018, the Group continues to evaluate the potential effect of IFRS 16 on its consolidated financial statements.

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

The Consumer Chemicals segment, which represents 49% of the Group's total net sales as of 30 June 2018, 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 62% 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 54% of total annual sales.

The Biopharmaceutical area, which represents 51% of the Group's total net sales as of 30 June 2018, markets basically anti-tumor 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 vary 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 recognized for a decline in the carrying amount of inventories to their realizable net value, nor was any such impairment reversed.

b) No impairment was recognized for property, plant and equipment, and there were no reversals of previously recognized impairment of this type.

c) No provisions were recognized for restructuring costs nor were previously recognized provisions modified or reversed.

d) PharmaMar has decided to concentrate its current financial resources on developing Zepsyre (lurbinectedin), the molecule that is most advanced and, therefore, the one closest to the market (if approved by the regulatory authorities). Consequently, it wrote off €27 million, the amount capitalized to date for PM184, whose development for treating colorectal cancer is advancing satisfactorily in technical terms, until it is considered that full development of that compound (currently in Phase II) is financially feasible.

   The amount impaired as of 31 December 2017 for Aplidin, €97 million, was derecognized when it became known in March that the European Medicines Agency's CHMP had issued a negative opinion with regard to approving Aplidin for treating multiple myeloma. Additionally, €9 million were derecognized for a number of clinical trials with Aplidin in other indications that were ongoing in December 2017.

e) Property, plant and equipment were acquired in the amount of €0.7 million for the packaging and serialization room. No items of property, plant and equipment were disposed of.
   No items of property, plant and equipment were derecognized.
   Some of the expenses incurred on R&D, in the amount of €10.5 million, were capitalized as intangible assets; they relate mainly to the clinical trials with Zepsyre for small cell lung cancer.

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

g) There were no receipts arising from litigation.

h) No corrections were recognized for errors made in previous years.

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

j) Significant items for understanding the interim financial statements:

   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 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. In the first half of 2018, PharmaMar recognized €22.4 million in revenues from licensing and co-development agreements for its oncology products (€5.4 million in the first half of 2017). Of the €22.4 million recognized, €18.1 million were as a result of the early termination by Chugai Pharmaceutical Co. of the licensing agreement for Zepsyre for the Japan territory that was signed with PharmaMar in December 2016. That termination put an end to the obligations that PharmaMar had assumed under that agreement. Accordingly, the part of the upfront payment received from Chugai when the contract was signed in December 2016 (€30 million) whose recognition as revenues has been deferred on the basis of progress with the clinical trials that the Company had undertaken to conduct, which amounted to €15.1 million as of 1 January 2018, was recognized as revenue since the payment by Chugai was not repayable under any circumstances. PharmaMar also recognized €3 million in revenues agreed upon with Chugai for early termination.
In January 2018, PharmaMar signed a licensing agreement with Seattle Genetics Inc. under which Seattle Genetics receives exclusive worldwide rights over certain molecules and conjugated antibodies (ADCs) owned by Pharma Mar, S.A. for the development, production and commercialization of conjugated antibodies. Under the terms of the agreement, the Company received an upfront payment of 5 million dollars (€4.1 million) and may receive other payments if Seattle Genetics carries out clinical development of conjugated antibodies.

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

As a result of the suspension of certain research projects (Aplidin) and clinical trials (CORAIL) and the slowdown of other ongoing clinical trials, PharmaMar eliminated some of the related employment positions. At the closing date of these financial statements, the indemnities arising from this decision amounted to €1.7 million

Material changes in the items comprising the assets and liabilities of Pharma Mar, S.A. are detailed in Note 11.A of these Explanatory Notes.

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

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

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

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

d) Acquisitions of property, plant and equipment by the Group amounted to €1.9 million and were mainly in the oncology segment, for the packaging and serialization room, and in the

consumer chemicals segment, which acquired production machinery and upgraded storage and fire-fighting facilities.
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.

g) No corrections were recognized 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 assets and liabilities are detailed in Note 11.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 judgments are detailed in Note 2.2 to the financial statements of Pharma Mar, S.A. for the year ended 31 December 2017 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 PharmaMar Group

There were no changes in estimates with respect to previous accounting periods. These accounting estimates and judgments are detailed in Note 4 to the consolidated financial statements for the year ended 31 December 2017 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

No debt or capital instruments were issued in the first half of 2018.

6.- Dividends paid

No dividends were paid in the period.

7.- Segment revenues and income

30/06/2018	Oncology	Diagnostics	RNAi	Consumer chemicals	Unallocated	Consolidated
Total revenues	63.357	3.052	-	40.548	-	106.957
Income before taxes	6.643	-2.193	-2.879	3.383	-3.885	1.069

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

For more information, see item 14 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. Risks and uncertainties in the second half of the year

In the consumer chemicals segment, the greatest uncertainties are connected with consumer spending and also the possibility that adverse weather conditions might impact the insecticide market, particularly in the months of July, August and September. The recent concentration among large retailers, which result in lower inventories and, consequently, lower sales, is also a source of uncertainty.

In the biopharmaceutical segment, there is the risk of failure that is inherent to research and development processes, and also the risk that, upon completion, a project may fail to receive approval from the regulatory authorities; there is also the pressure on drug prices and discounts in Europe arising from adjustment measures being adopted in the countries where our product is marketed, and the possibility that rival products may be approved that result in a reduction in net sales of our product.

There is also the possibility that the funds obtained in the second half of the year from the Company's operations and from new funding agreements may prove insufficient to cover the

Group's ordinary expenses and loan repayments, resulting in the need to implement additional expenditure customers or disposals of non-strategic assets.

10.- Changes in Group composition: acquisitions/sales (business combinations), restructuring or discontinued operations

There were no changes in the Group's composition in the period to which these Explanatory Notes refer (first half of 2018).

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

A. Separate financial statements

Non-current assets amount to €249.3 million (€280.8 million at 2017 year-end), of which €135 million (€171.1 million at 2017 year-end) are net investment by PharmaMar in R&D. Property, plant and equipment amount to €20.7 million and did not undergo any material variation since December 2017. Investments in Group undertakings amount to €70.5 million, €4.1 million more than at 2017 year-end, as a result of new contributions to subsidiaries in the form of long-term loans.

The breakdown of PharmaMar's R&D expenditure and the changes recognized in the separate financial statements in the first half of 2018 is as follows:

	Yondelis®	Aplidin®	Zepsyre®	PM184	PM14	Total
Beginning balance 12/31/17	**51,378**	**8,950**	**82,616**	**26,663**	**356**	**169,962**
Recognitions	0	0	10,484	0	0	10,484
Derecognitions	0	-8,950	0	0	0	-8,941
Impairment	0	0	0	-26,663	-356	-27,028
Depreciation and amortization	-10,481	0	0	0	0	-10,481
Ending balance 06/30/18	**40,896**	**0**	**93,100**	**0**	**0**	**133,996**

(Thousand euro)

Current assets amount to €37.9 million, (€46.2 in December 2017), inventories and accounts receivable were similar to December 2017, and the reduction was due to cash and cash equivalents, which declined by €8.6 million overall.

Equity amounts to €154.3 million (€180.1 million at 2017 year-end). The difference is due to the loss in the period (€-24.8 million), affected mainly by the impairments and derecognitions referred to in section 3.1.d) of this document.

Non-current liabilities amount to €62.8 million (€73.6 million at 2017 year-end). The main inter-year variations were the reduction in long-term debt (by €6 million) and the recognition of the deferred revenue under the agreement with Chugai relating to Zepsyre as a result of the early termination by Chugai Pharmaceutical Co. of the licensing agreement for Zepsyre in Japan that it signed with PharmaMar in December 2016, which eliminated PharmaMar's obligations under that agreement. Accordingly, the part of the upfront payment received from Chugai when the contract was signed in December 2016 (€30 million) whose recognition as revenues had been deferred over the long term as a function of the progress with the clinical trials that the Company had undertaken to conduct, which amounted to €5.1 million as of 31 December 2017, was recognized

as revenue on the contract termination date since the payment received from Chugai in the past was not repayable under any circumstances.

Current liabilities amount to €70.1 million (€73.2 million in December 2017); the variation is due mainly to the increased use of credit lines (+€14 million) and the reduction in accounts receivable from group undertakings (-€3 million) together with the reduction in trade accounts payable (-€4 million), plus recognition of the short-term part of the deferred revenue under the agreement with Chugai for Zepsyre referred to in the preceding paragraph which, as a result of the early termination of the contract, was recognized entirely as revenue in the period. The balance outstanding as of 31 December 2017 was €10.2 million.

B. Consolidated financial statements

Non-current assets amount to €92.7 million (€94.5 million at 2017 year-end); the variation with respect to December 2017 is due to amortization of intangible assets. These non-current assets consist mainly of €31.3 million of property, plant and equipment (€31.2 at 2017 year-end), €20.9 million of intangible assets (€22.8 at 2017 year-end) and €33.4 million of deferred tax assets (€33.5 at 2017 year-end).

Intangible assets include investments in R&D, the composition and changes in which during the first half of 2018 in the consolidated financial statements are as follows:

	Yondelis®	Aplidin®	Zepsyre®	PM184	PM14	Total
Beginning balance 12/31/17	**8,834**	**0**	**0**	**0**	**0**	**8,834**
Recognitions	0	0	0	0	0	0
Derecognitions	0	0	0	0	0	0
Impairment	0	0	0	0	0	0
Depreciation and amortization	-1,676	0	0	0	0	-1,676
Ending balance 06/30/18	**7,158**	**0**	**0**	**0**	**0**	**7,158**

(Thousand euro)

With respect to current assets:
Inventories increased by €2 million with respect to December 2017, mainly in the Consumer Chemicals segment, which accumulated stocks of finished products for the summer season (€+0.9 million), and also in the oncology segment, which increased inventories by €0.9 million.

The €16.8 million increase in customer receivables is due almost entirely to the consumer chemicals segment where, as usual, customer receivables increased by €16.3 million with respect to 2017 year-end since the second and third quarters account for 62% of its sales on average.

Current financial assets plus cash and cash equivalents amounted to €18.9 million (€31.8 at 2017 year-end), partly reflecting the aforementioned revenue under the Zepsyre licensing agreement.

Equity amounted to €26.1 million (€23 million at 2017 year-end), reflecting in net profit for the period (+€3.1 million).

Non-current liabilities evidence the decrease in long-term debt in the first half of 2018, from €73.6 million at 2017 year-end to €67.2 million at 30 June 2018, as no new funding agreements were signed in the period and €6.4 million were transferred to short-term. Non-current deferred revenues refer to the part of the upfront payment from Chugai under the Zepsyre (PM1183)

licensing agreement that had not yet been recognized as revenues in the P&L and which, as a result of the early termination of that agreement, were recognized as revenue (see section 10.A).

As for current liabilities, the balance of the supplier and other accounts payable item increased by €3.7 million, basically due to normal seasonal fluctuations in the Consumer Chemicals segment, since most of its sales are made in the two central quarters of the year (from April to September) and, consequently, the supplier accounts payable balance increased due to procurements.
Short-term interest-bearing debt increased €16 million with respect to 2017 year-end. In the first half of 2018, €24.4 million were drawn against credit lines, compared with €10 million as of December 2017. Additionally, the balance of invoices that had been discounted with recourse was €1.4 million higher than at 2017 year-end.

12.- 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 PharmaMar Group elects to classify expenses by function. For this reason, this section contains a consolidated income statement as of 30 June 2018 by function of expense, with comparative figures as of 30 June 2017. There is also a table reconciling expenses by nature from chapter IV with the expenses by function in the income statement used by the Company to draw up its financial statements.

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

INCOME STATEMENT			
Thousand euro	**06/30/2018**	**06/30/2017**	**Chg. (%)**
Revenues:			
Product Sales	82,218	88,697	
Co-development	22,357	5,412	
Licensing agreements	2,250	2,773	
Other income	132	41	
	106,957	**96,923**	**10.4%**
Cost of sales	(25,429)	(26,049)	
Marketing & commercial organisation expenses	(23,393)	(23,088)	
General and administration expenses	(10,568)	(10,344)	
Research & development expenses	(40,489)	(36,925)	
Other operating expenses	(4,665)	(5,370)	
Other operating revenues	879	498	
Net operating profit (loss) (EBIT)	**3,292**	**(4,355)**	**-175.6%**
Net financial results	**(2,224)**	**(2,389)**	
Result from continuing operations	**1,068**	**(6,744)**	**-115.8%**
Corporate income tax in the period	1,974	(709)	
Profit (Loss) for the year	**3,042**	**(7,453)**	**-140.8%**
Profit for the year	3,042	(7,453)	
Attributable to owners of the parent	**3,050**	**(7,443)**	**-141.0%**
Attributable to minority interest	(8)	(10)	

Reconciliation of expenses by function with expenses by nature:

	Cost of sales	Marketing & commercial organisation expenses	General and administration expenses	Research & development expenses	Other operating expenses	Other operating revenues	Total
(+/-) Change in inventories of finished products and work in progress	208	0	2,361	(605)	0	0	1,963
(-) Supplies	(23,167)	(36)	(720)	(3,142)	0	0	(27,065)
(+) Other operating income	0	56	14	17	6	265	359
(-) Personnel expenses	(1,282)	(8,295)	(6,903)	(10,703)	(1,876)	0	(29,058)
(-) Other operating expenses	(776)	(14,899)	(4,638)	(23,700)	(2,773)	77	(46,709)
(-) Depreciation and amortization	(411)	(220)	(681)	(2,347)	(0)	0	(3,659)
(+) Allocation of grants for non-financial and other investments	0	0	0	0	0	462	462
(+/-) Impairment and gains or losses on disposal of fixed assets	0	0	0	0	0	74	74
(+/-) Other income	0	0	0	(9)	(23)	1	(31)
Total	**(25,429)**	**(23,393)**	**(10,568)**	**(40,489)**	**(4,665)**	**879**	**(103,664)**