# REPORT AT 30 JUNE 2010

*Madrid, 29 July 2010:*

## MILESTONES

- Consolidated revenues amounted to 78.74 million euro, a 30.8% increase over the same period of 2009.
- The Group attained positive EBITDA due to sales in the biopharmaceutical sector.
- Net income attributable to the parent company improved 54% with respect to 1H09.
- R&D expenditure amounted to 25.5 million euro.

- Net sales of Yondelis® increased by 73.9% with respect to the same period of 2009.
- The Canadian regulatory authorities granted Centocor Ortho Biotech Products (Johnson&Johnson Group) authorisation to market Yondelis® in combination with Caelyx® for treating ovarian cancer.
- A Phase III trial commenced with Aplidin in combination with dexametasone for treating recurrent multiple myeloma®.
- A Phase II trial commenced in the US and Italy with Aplidin for treating myelofibrosis®

- The Phase IIa clinical trial of Nypta® (Tideglusib) (NP-12) was completed. The drug was tolerated and produced positive effects on Alzheimer's patients in four of the five efficacy variables examined in the trial.

- The first clinical trial of SYL040012, an interference RNA drug, for treating elevated intraocular pressure has been completed.

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## FIGURES TO JUNE 2010

| Period | 1H '10 | 1H '09 | Δ% | Q2 '10 | Q2 '09 | Δ% |
|---|---|---|---|---|---|---|
| **Net Revenue (€ 000)** | | | | | | |
| Consumer Chemicals | 40,658 | 37,073 | *9.67%* | 26,387 | 24,828 | *6.28%* |
| Biopharmaceuticals | 37,584 | 22,682 | *65.70%* | 19,115 | 13,009 | *46.94%* |
| Unallocated | 495 | 443 | *11.74%* | 289 | 271 | *6.64%* |
| **Total Group** | **78,737** | **60,198** | ***30.80%*** | **45,791** | **38,108** | ***20.16%*** |
| Cost of goods sold (€ 000) | -23,858 | -20,923 | *14.03%* | -15,254 | -13,943 | *9.40%* |
| Gross Income | 54,879 | 39,275 | *39.73%* | 30,537 | 24,165 | *26.37%* |
| Gross Margin | 69.70% | 65.24% | **---** | 66.69% | 63.41% | **---** |
| **EBITDA (€ 000)** | | | | | | |
| Consumer Chemicals | 7,154 | 6,036 | *18.52%* | 5,663 | 5,660 | *0.05%* |
| Biopharmaceuticals | -1,942 | -4,853 | *-59.98%* | -2,333 | -4,961 | *-52.97%* |
| Unallocated | -3,607 | -2,950 | *22.27%* | -1,793 | -1,357 | *32.13%* |
| **Total Group** | **1,605** | **-1,767** | ***-190.83%*** | **1,537** | **-658** | ***333.59%*** |
| **R&D Expenditure** | | | | | | |
| Oncology | -17,175 | -16,700 | *2.84%* | -9,479 | -8,537 | *11.03%* |
| CNS | -6,282 | -6,942 | *-9.51%* | -3,670 | -3,620 | *1.38%* |
| Other | -2,018 | -1,851 | *9.02%* | -1,117 | -911 | *22.61%* |
| **Total Group** | **-25,475** | **-25,493** | ***-0.07%*** | **-14,266** | **-13,068** | ***9.17%*** |
| **Marketing & Commercial Expenses** | | | | | | |
| Consumer Chemicals | -10,556 | -10,169 | *3.81%* | -6,266 | -5,829 | *7.50%* |
| Biopharmaceuticals | -10,115 | -8,421 | *20.12%* | -5,353 | -4,714 | *13.56%* |
| Other | -248 | -5 | *4860.00%* | -118 | -3 | *3833.33%* |
| **Total Group** | **-20,919** | **-18,595** | ***12.50%*** | **-11,737** | **-10,546** | ***11.29%*** |

### Net revenue

Group net revenues amounted to 78.7 million euro in 1H10, 30.8% more than in the same period of 2009 (60.2 million euro).

Net sales by the consumer chemicals subsidiaries totalled 40.7 million euro (37.1 million euro in 2009). Those companies accounted for 51.6% of the Group's total revenues in the first half of 2010 (61.6% in the first half of 2009).

Net sales in the Biopharmaceutical business amounted to 37.6 million euro (22.7 million euro in 1H09): 33.6 million euro at PharmaMar for Yondelis sales (19.4 million euro in 1H09) and 3.9 million euro at Genómica (3.3 million euro in 1H09). Sales in this sector accounted for 47.7% of Group net sales (38% in 2009).

### EBITDA

Group EBITDA improved by 191% year-on-year. In the first half of 2010, the Group attained positive EBITDA amounting to 1.6 million euro, contrasting with negative 1.8 million euro in 1H09. This improvement is due to the increase in net sales by the biopharmaceutical division to 37.6 million euro (33.6 million euro of which were total sales of Yondelis), a 10% increase in chemical division sales and cost optimisation efforts.

Other operating revenues in the first half of 2009 included 7.8 million euro collected from Taiho Pharmaceutical Co. for the Yondelis licence for Japan.

(EBITDA: earnings before interest, taxes, depreciation and amortisation, provisions, and capitalised R&D expenditure).

**R&D expenditure**

R&D expenditure declined by 0.1% year-on-year. A total of 25.5 million euro was spent on research and development in the first six months of 2010, broken down as follows: PharmaMar 17.2 million euro (16.7 in 1H09), Noscira 6.3 million euro (6.9 in 1H09), Sylentis 1.4 million euro (1.4 in 1H09) and Genómica 0.6 million euro (0.4 in 1H09).

**Marketing and commercial expenses**

Marketing and commercial expenses amounted to 20.9 million euro in 1H10 (18.6 million euro in 1H09), a 12.5% increase.

The Consumer Chemicals division registered 10.6 million euro of expenses under this heading in 1H10, 5% more than in 1H09 (10.1 million euro in 1H09).

Within the Biotechnology segment, 10.1 million euro (8.4 million euro in 1H09) was spent developing the network to sell Yondelis in Europe for ovarian cancer.

**Cash**

The net cash position, defined as cash and cash equivalents plus current financial assets (63.7 million euro) minus short-term financial debt (45.4 million euro), totalled 18.2 million euro at 30 June 2010. Long-term debt amounted to 101.1 million euro, which includes 24.3 million euro in interest-free research and development loans from official bodies which are repayable over 10 years, with a three-year grace period.

| | 30-june-2010 | 31-dec-2009 |
|---|---|---|
| **Cash & cash equivalents + current financial investments** | **63,675** | **63,296** |
| **Short term interest-bearing debt** | **45,428** | **32,776** |
| **Long term interest bearing debt** | **101,071** | **91,703** |
| *Bank debt* | 72,780 | 57,449 |
| *Govt. agencies: R&D funding (interest free debt)* | 24,291 | 26,254 |
| *Others* | 4,000 | 8,000 |

**BUSINESS PERFORMANCE.**

Below is an overview of the group companies' business performance in 1H09.

**A) Consumer chemicals:**

## Xylazel

Xylazel increased sales by 5.2% year-on-year in the first half of 2010, to 9.1 million euro, as a result of actions to recover some former customers and the favourable impact on sales of the new product ranges launched in previous years plus the commercialisation of industrial products under the Finnish Tikkurila brand. Those factors offset the negative economic situation in the construction business and the effect of adverse weather in Spain in the first three months of the year, which hampered all restoration and repair work out of doors (where most of our products are applied).

Weighted average procurement prices of our component supplies increased by 1.1% in 1H10.

As a result, EBITDA amounted to 1.86 million euro in the first half of 2010, a 21% increase on the 1.52 million euro attained in 1H09.

Net profit in the first half amounted to 1.16 million euro, 15.4% more than in the same period of 2009 (1.005 million euro).

## Zelnova

Zelnova and subsidiary Copyr together reported a 3.2 million euro (11.1%) increase in sales to 31.6 million euro in the first half of 2010.

All lines of business contributed good results, particularly exports and own brands and, to a lesser extent, private label products. This performance is even more noteworthy since consumer spending is slack in both Spain and Italy.

The table below shows the change in sales in the various channels.

| (Thousand euro) | 2009 | 2010 | Change | |
|---|---|---|---|---|
| Domestic (*) | 24,056 | 25,954 | + 1,898 | + 7,9% |
| Exports | 4,346 | 5,616 | + 1,270 | + 29.2% |
| Total net sales | 28,402 | 31,570 | + 3,168 | + 11.1% |

(*) Domestic: Spain and Italy

The increase in the price of oil derivatives, such as butane and solvents, that commenced late in 2009 continued in the first half of 2010, but the other costs showed no signs of rising.

As a result, Zelnova and Copyr's combined EBITDA increased by 1.0 million euro (21%) to 5.7 million euro (4.7 million euro in 1H09).

The Company does not foresee any significant risks for the normal operation of its businesses in the second half of 2010. The most likely scenario is that business volume will be stable with respect to last year; consequently, the Company projects sales and ordinary profit slightly in excess of the 2009 figures.

**B) Biopharmaceuticals**

## PharmaMar: Oncology

Gross sales in the first half of 2010 amounted to 35.2 million euro, an 83% increase on the same period of 2009 (19.2 million euro).Net sales amounted to 33.6 million euro in the first half of 2010.

To date, Yondelis® has been approved for sale in 57 countries worldwide.

In May, the Canadian authorities authorised Centocor Ortho Biotech Products to market Yondelis® in combination with Caelyx (pegylated liposomal doxorubicin) for treating platinum-sensitive recurrent ovarian cancer in patients where platinum-based first-line treatment had failed, including adjuvant therapy, and for whom a second platinum-based treatment would not be beneficial or who are ineligible for, or are unwilling to accept„ that treatment. The approval of Yondelis® in combination with Caelyx is based on progression-free survival (PFS) data from patients with recurrent ovarian cancer.

Progress with the compounds undergoing clinical development in the first half of 2010 was as follows:

### Yondelis

Active recruitment continues on schedule for the Phase III trial as a first-line treatment for patients with sarcomas related to chromosomal translocations.

Recruitment is also continuing actively for the Phase II clinical trials on breast and lung cancer and for the Phase I trial in combination with cisplatin.

The Phase II trial being conducted in cooperation with the Spanish Sarcoma Research Group (GEIS) on doxorubicin vs. Yondelis® + doxorubicin as first-line treatment in patients with advanced and metastatic soft tissue sarcoma is also continuing on schedule. Recruitment is also progressing for the observational Phase IV trial on patients with soft tissue sarcoma.

Thirteen studies of Yondelis® were presented at the Annual Meeting of the American Society of Clinical Oncology (ASCO), held in Chicago on 4-8 June 2010. In the area of gynaecology, four studies evidence positive results against ovarian cancer based on the OVA-301 trial data; and a Phase II trial coordinated by the US Gynaecological Oncology Group (GOG) showed that a combination of Yondelis® with docetaxel in primary peritoneal cancer or recurrent or persistent ovarian cancer is well tolerated and more active than monotherapy with taxanes. And six studies were presented with new data on Yondelis® activity in sarcoma, plus recent data with regard to breast cancer and the effect of Yondelis® on the QTc interval in electrocardiograms.

### Aplidin

The development of Aplidin on different solid and haematological tumours continues. Significant activities and milestones in the second quarter include:

- Peripheral T-cell lymphoma: Recruitment of patients with Hodgkin lymphomas and with mature noncutaneous T-cell non-Hodgkin lymphomas continued in hospitals in France and the US

- Multiple Myeloma: The pivotal (registration) clinical trial of Aplidin® (plitdepsin) in combination with dexametasone was launched for patients with relapsed or refractory multiple myeloma in Austria, Belgium, France, Spain, Italy, the UK and the US.

- Myelofibrosis: A Phase II trial in Italy and the US commenced in recent months; it will be considered a registration clinical trial if the endpoints are attained.
The European Medicines Agency (EMA) has been informed that, at the end of August 2010, PharmaMar will present a request for orphan drug designation for Aplidin® in myelofibrosis.

### Zalypsis

Active recruitment of patients continued in the second quarter of 2010 for a new Phase II trial of Zalypsis® as second-line treatment in relapsed or refractory multiple myeloma, which was approved by the Spanish agency in February 2010. Two new hospitals were included in the second quarter. Currently, five hospitals in Spain are participating in this trial.

Active recruitment continued for the Phase II trial in the US with Zalypsis as monotherapy in endocervical and endometrial cancer, and in the Phase I trial in combination with carboplatin, already under way in Spain. A total of nine hospitals are participating in these trials.

At the 101 American Association for Cancer Research (AACR) meeting held in April 2010 in Washington (US), PharmaMar presented a new trial which suggests that PDGFR-α could be a useful predictive biomarker of response to Zalypsis®. The development of predictive biomarkers allows for the identification of patients that will benefit most from a new therapy.

#### Irvalec

Active recruitment for the three Phase I trials currently under way continued in the second quarter of 2010. The first is a Phase I trial with Irvalec® as monotherapy in 3-hour infusions, the second is Irvalec® + Erlotinib (Tarceva), and the third is Irvalec® + carboplatin or gemcitabine.

The protocol (IMAGE) for the Phase Ib/II trial of Irvalec® with two treatment schemes (24h every two weeks or 3h every week) in patients with unresectable, locally advanced or metastatic esophageal, gastroesophageal junction or gastric tumours has been completed, and the ten participating hospitals have been selected in England, France and Spain.

The in vitro trials presented at the AARC conference (April 2010) showed that primary and acquired resistance to Irvalec® may be associated with the expression of ErbB receptors and epithelial-mesenchymal transition markers.

#### PM01183

The Phase I trial being carried out in Spain and the US to obtain the recommended dose (RD) in patients with solid tumours continues. The data will be analysed with a view to commencing Phase II clinical trials early in 2011.

## Noscira: Central Nervous System

#### Tideglusib (NYPTA®) – Alzheimer

Noscira gave an oral presentation at the International Conference on Alzheimer's Disease (ICAD), held in the US from 10 to 15 July. The company reported on the complete results of the Phase IIa clinical trial, indicating that treatment with Nypta® was tolerated and produced positive effects on cognitive performance in patients with Alzheimer's disease in four of the five efficacy variables examined.
These results must be confirmed in a Phase IIb trial in which a larger group of patients will be treated for one year.

The Phase IIa trial, which was conducted at three centres in Germany based on advice from experts at the European Medicines Agency (EMA), is the first clinical trial of Nypta® (Tideglusib) on a group of Alzheimer's patients. The trial was designed with the primary goal of assessing the safety and tolerability of Nypta® (Tideglusib) in these patients.

The treatment was well tolerated. The drug was also observed to have a positive effect on patients' cognitive performance, though this is not statistically significant due to the small sample size and short treatment period. Nevertheless, the following findings are indicative of therapeutic benefit:

Patients treated with Nypta® (Tideglusib) in addition to an acetylcholinesterase inhibitor as base treatment showed a consistent improvement in four of the five clinical efficacy variables that were

assessed: Mini Mental State Examination (MMSE), Alzheimer's Disease Assessment Scale (ADAS-cog), Geriatric Depression State and Global Clinical Assessment. Those variables are cognitive-behavioural scales for confirming and quantifying a person's mental state.

The improvement was more appreciable in the patients who attained the highest dose: they improved in the MMSE and ADAS-cog cognitive scales, the effect being greater than when using cholinesterase inhibitors alone. Moreover, the number of patients that showed stabilisation or improvement in the MMSE scale was significantly greater in the group treated with Nypta® (Tideglusib).

The European Medicines Agency (EMA) has provided us with scientific advice on the design of the Phase IIb trial we plan to commence before year end. In the second quarter, the company commenced the process to select a CRO (Contract Research Organisation) to collaborate on the Phase II trial to test efficacy.

**Tideglusib (Zentilor™) - Progressive Supranuclear Palsy (PSP)**

Recruitment of patients for the "Tauros" Phase II multicentre trial, which will determine the compound's efficacy in patients with PSP, is advancing on schedule; moreover, US hospitals were added to the trial in the second quarter.

With regard to the Tauros trial under way, the company received the scientific opinion of the EMA with regard to the design and possibilities for early registration of the compound, considering its status as an orphan drug for SPS, which is classified as a rare disease.

The same request was submitted to the US Food and Drug Administration (FDA); an answer is expected in the coming months.

**NP-61**

The second Phase I trial with this compound has been completed at the Clinical Pharmacology unit of MDS in Belfast. We are now looking for a partner to help develop this compound, which will enable us to focus our development efforts on the two therapeutic uses of Nypta® (NP-12).

## Genómica: Diagnostics

In 1H10, Genómica revenues amounted to 3.9 million euro (3.3 million euro in 1H09), i.e. an increase of 18%.

Revenues from the Clinical Diagnostics business (which account for 73% of the total) increased 15% in the period to 2.9 million euro (2.5 million euro in 1H09). The greatest growth came in markets outside Spain, which added 848 thousand euro in revenues (643 thousand euro in June 2009), i.e. up 32%. Revenues in Spain expanded 24% to 1.9 million euro (1.5 million euro in 1H09).

Forensic Genetics ended the first six months of 2010 with 1 million euro in revenues (0.821 million euro in 1H09), i.e. an increase of 25%. Forensic Genetics now accounts for 27% of total company revenues.

Genomica's EBITDA at the end of the period was 635 thousand euro, i.e. 16% of revenues.

## Sylentis: RNAi

The company advanced its R&D lines in the first half of 2010, working to develop new structures and formulations for compounds based on RNAi technology. The company's most advanced product, SYL040012, for glaucoma, successfully completed a Phase I trial with healthy volunteers at Navarra

University Clinic. SYL040012 is currently awaiting authorisation for a Phase I/II trial in patients with ocular hypertension.

The company's second product, SYL1001, to treat eye discomfort associated with dry eye syndrome, is undergoing the regulatory preclinical trials required to prepare the investigational product dossier to be presented to the Spanish Medicines and Health Products Agency at the end of 2010.

**Risks and uncertainties in the second half of 2010:**

With respect to the Consumer Chemicals segment, which is very mature and stable, the greatest uncertainties in 2H10 are weak consumer spending, which is affecting Spain, and counterparty risk. Broadly speaking, Zelnova and Xylazel clients have good credit quality.

As regards the Biopharmaceutical segment, the main uncertainties (aside from those arising from research itself) are potential delays in pricing/reimbursement approval by the health authorities in some countries where Yondelis is already authorised, and delays in payments from health administrations in southern European countries and certain regional governments of Spain.

| BALANCE SHEET<br>*(Thousand euro)* | 30-jun-10 | 31-dec-09 |
|---|---|---|
| **ASSETS** | | |
| **Non-current assets** | **84,808** | **84,928** |
| Property, plant & equipment | 37,786 | 39,062 |
| Investment properties | 6,014 | 6,014 |
| Intangible assets | 13,232 | 12,528 |
| Deferred tax assets | 22,924 | 22,379 |
| Long-term financial assets | 2,304 | 2,397 |
| Goodwill | 2,548 | 2,548 |
| **Current assets** | **157,917** | **126,386** |
| Inventories | 27,205 | 24,039 |
| Customer and other receivables | 60,414 | 33,857 |
| Other current assets | 2,295 | 2,055 |
| Receivable from public authorities | 4,328 | 3,139 |
| Current financial assets | 43,205 | 26,050 |
| Cash & cash equivalents | 20,470 | 37,246 |
| **Non-current assets held for sale** | **0** | **0** |
| **TOTAL ASSETS** | **242,725** | **211,314** |

| BALANCE SHEET<br>*(Thousand euro)* | 30-jun-10 | 31-dec-09 |
|---|---|---|
| **EQUITY** | | |
| **Shareholders' equity** | **39,094** | **41,136** |
| Share capital | 11,110 | 11,110 |
| Share premium | 323,286 | 323,286 |
| Treasury shares | (10,464) | (11,993) |
| Revaluation and other reserves | 0 | 5 |
| Retained earnings and other reserves | (284,838) | (281,272) |
| **Minority interest** | **0** | **0** |
| **TOTAL EQUITY** | **39,094** | **41,136** |
| **LIABILITIES** | | |
| **Non-current liabilities** | **107,972** | **98,272** |
| Financial debt | 101,071 | 91,703 |
| Deferred tax liabilities | 5,962 | 5,459 |
| Non-current deferred revenues | 562 | 833 |
| Other non-current liabilities | 377 | 277 |
| **Current liabilities** | **95,659** | **71,906** |
| Supplier and other accounts payables | 40,403 | 30,183 |
| Financial debt | 45,428 | 32,776 |
| Provisions for other liabilities & expenses | 4,257 | 4,939 |
| Current deferred revenues | 1,295 | 1,896 |
| Other current liabilities | 4,276 | 2,112 |
| **TOTAL LIABILITIES** | **203,631** | **170,178** |
| **TOTAL LIABILITIES AND EQUITY** | **242,725** | **211,314** |

| INCOME STATEMENT | | | |
|---|---|---|---|
| *Thousand euro* | **30-june-2010** | **30-june-2009** | **Chg. (%)** |
| Net revenues | 78,737 | 60,198 | 30.8% |
| Cost of sales | (23,858) | (20,923) | 14.0% |
| **Gross income** | **54,879** | **39,275** | 39.7% |
| | | | |
| Other operating revenues | 3,048 | 13,824 | -78.0% |
| Marketing & commercial organisation expenses | (20,919) | (18,595) | 12.5% |
| General and administration expenses | (8,853) | (9,239) | -4.2% |
| Research & development expenses | (25,475) | (25,493) | -0.1% |
| Capitalised in-house work | 610 | 369 | 65.3% |
| Other operating expenses | (3,866) | (4,488) | -13.9% |
| | | | |
| **Net operating profit (loss) (EBIT)** | **(576)** | **(4,347)** | -86.7% |
| | | | |
| Net financial results | (2,153) | (2,647) | -18.7% |
| | | | |
| **Profit (Loss) before taxes** | **(2,729)** | **(6,994)** | -61.0% |
| Corporate income tax in the period | (445) | (2,143) | |
| **Profit (Loss) for the year** | **(3,174)** | **(9,137)** | -65.3% |
| **Attributable to minority interest** | 0 | 2,238 | |
| **Attributable to equity holders of the parent** | **(3,174)** | **(6,899)** | -54.0% |

| | | | |
|---|---|---|---|
| **Net operating profit (loss) (EBIT)** | (576) | (4,347) | -86.7% |
| **Amortisation and depreciation** | 2,793 | 2,949 | |
| **Capitalised in-house work** | (610) | (369) | |
| **EBITDA** | **1,607** | **(1,767)** | -190.9% |

| CONSOLIDATED CASH FLOW STATEMENT | 30-june-2010 |
|---|---|
| **NET CASH FLOW FROM ORDINARY ACTIVITIES** | **(20,365)** |
| **Profit/(loss) before tax** | **(2,729)** |
| **Adjustements for:** | **4,705** |
| Amortisation and depreciation | **2,793** |
| Other adjustements | **1,912** |
| **Variation in working capital** | **(20,202)** |
| **Other net cash flow** | **(2,139)** |
| Financial expenses | (2,426) |
| Financial revenues | 287 |
| **NET INVESTMENT CASH FLOW** | **(18,797)** |
| Purchases of property, plant & equipment and intangible assets | (1,436) |
| Other financial assets | (17,361) |
| **CASH FLOW IN FINANCING ACTIVITIES** | **22,386** |
| Sales of treasury shares | 258 |
| Debt with credit entities (+) | 28,987 |
| Repayment from debt with credit entities (-) | (4,416) |
| Other net financing activities cash flow | (2,443) |
| **NET DECREASE/INCREASE IN CASH AND CAHS EQUIVALENTS** | **(16,776)** |
| **STARTING BALANCE OF CASH AND CASH EQUIVALENTS** | **37,246** |
| **ENDING BALANCE OF CASH AND CAHS EQUIVALENTS** | **20,470** |

| NET CASH POSITION | |
|---|---|
| CASH AND CASH EQUIVALENTS | 20,470 |
| CURRENT FINANCIAL ASSETS | 43,205 |
| FINANCIAL DEBT | (45,428) |
| **TOTAL NET CASH POSITION** | **18,247** |