

Quarterly Report as of September 30, 2008



MolMed operates in the field of medical biotechnology, with a main focus on research, development and clinical validation of innovative therapies for the treatment of cancer. MolMed's pipeline includes three novel anticancer therapeutics in clinical development: TK, a cell therapy that enables bone marrow transplant from partially compatible donors, in Phase III for the treatment of high-risk acute leukaemias; NGR-hTNF (ARENEGYR), a novel vascular targeting agent, currently in Phase II in four different types of solid tumours (colorectal carcinoma, hepatocellular carcinoma, small-cell lung carcinoma and malignant pleural mesothelioma); M3TK, a cancer therapeutic vaccine. In addition to products in clinical development, MolMed has a range of therapeutic candidates in its research pipeline. MolMed is headquartered at the San Raffaele Biomedical Science Park in Milan, Italy. MolMed is a public company listed on the Milan Stock Exchange (Milan: MLM), on the Standard segment (class I) of the MTA managed by Borsa Italiana.

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General company information

Registered office:	Via Olgettina, 58 - 20132 MILAN (MI)
Tax Identification Number:	11887610159
VAT Number:	IT 11887610159
Milan Register of Companies:	no. 11887610159
REA:	1506630

Corporate governance summary

Board of Directors

Chairman and Chief Executive Officer	Claudio Bordignon
Directors	Francesco M. Bongiovanni Renato Botti Maurizio Carfagna Riccardo Cortese (independent) Marina Del Bue Alessandro De Nicola (independent) Massimiliano Frank Sabina Grossi Alfredo Messina Fabio Scoyni Ferdinando Superti Furga (independent) Maurizio Tassi

The Board of Directors will remain in office until the date of the General Shareholders' Meeting called to approve the financial statements as at 31 December, 2009.

Board of Statutory Auditors

Chairman	Gianfranco Zanda
Statutory Auditors	Oliviero Eric Cimaz Enrico Scio
Substitute Statutory Auditors	Luigi Bianchi Antonio Marchesi

The Board of Statutory Auditors will remain in office until the date of the General Shareholders' Meeting called to approve the financial statements as at 31 December, 2009.

The composition of the board of auditors reflects the integrations resolved upon by the shareholders' meeting of April 22, 2008 following the resignation of the statutory auditor Mr. Marco Lori, who resigned on January 22, 2008 and of the substitute statutory auditor Ms. Gaia Balp, who resigned on April 17, 2008.

Internal Control Committee

Chairman	Ferdinando Superti Furga (ind. director)
Members	Alessandro De Nicola (independent director) Maurizio Tassi (director)

Remuneration Committee

Chairman	Alessandro De Nicola (independent director)
Members	Riccardo Cortese (independent director) Sabina Grossi (director)

External auditors

Deloitte & Touche S.p.A

Summary data

Economic data

(amounts in thousands of Euro)	3 rd Quarter 2008	3 rd Quarter 2007	9 mnts to 9/30/2008 (a)	9 mnts to 9/30/2007 (b)	Change (a-b) %	
Revenues and other income	2,311	558	3,223	1,997	1,226	61.4%
Operating Costs	(5,358)	(3,798)	(16,865)	(12,347)	(4,518)	36.6%
Operating loss	(3,047)	(3,240)	(13,641)	(10,350)	(3,291)	31.8%
Net finance income (loss)	484	50	1,207	164	1,043	635.9%
Loss of the period	(2,563)	(3,190)	(12,435)	(10,186)	(2,249)	22.1%

Investments

(amounts in thousands of Euro)	9 mnts to 9/30/2008	9 mnts to 9/30/2007	Change
Investments	523	426	22.8%

Net Financial Position

(amounts in thousands of Euro)	September 30, 2008 (a)	June 30, 2008 (b)	December 31, 2007 (a-b)	Change %
Net financial position	37,653	44,061	5,666	(6,408) (14.5%)

Number of employees

	September 30, 2008	June 30, 2008	December 31, 2007
Number of employees	88	81	77

Company overview

MolMed operates in the field of medical biotechnology, with a main focus on research, development and clinical validation of innovative therapies for the treatment of cancer. MolMed's approach is characterised by an integrated therapeutic strategy, based on different biotech-derived products, and providing on one side bio-pharmaceuticals targeting the growing tumour mass in the acute stage of the disease, and on the other side highly selective therapies to eliminate residual tumour cells.

MolMed is based in Milan, at the San Raffaele Biomedical Science Park, one of the most important biomedical parks in Europe, with around 4,000 people working for various companies and institutions devoted to medical science and clinical practice. The park includes the San Raffaele Hospital, the largest private Italian research hospital, and the San Raffaele Scientific Institute, and also hosts six independent biotechnology companies. The San Raffaele Scientific Institute is one of the leading biomedical research institutions in Europe, hosting more than 500 scientists, many of them internationally renowned, with more than 600 publications in 2006. The company managing the park, Science Park Raf, is also very active in the development and transfer of intellectual property in the field of biotechnology.

MolMed was established as an academic spin-off of the San Raffaele Scientific Institute, and based on its core knowledge in the field of gene and cell therapy applied to rare genetic diseases and to haematological malignancies, including the first clinical trials in leukaemia patients. The strong and continuous relationship with the San Raffaele Scientific Institute represents a major resource for MolMed, that enjoys preferential access to cutting-edge technological and clinical resources of the Institute through a number of research and license agreements: this strategic position gives MolMed a unique chance to integrate its own internal research and development resources with those of the Institute. Moreover, the privileged relationship with the San Raffaele Hospital, a clinical centre with status of Research Hospital of National Interest (*Istituto di Ricovero e Cura a Carattere Scientifico*, IRCCS) in Italy, allows MolMed to carry out the clinical validation of its products at a primary level in a very cost-effective way, while also allowing the Company to directly manage trial monitoring, and permitting close interaction with clinical investigators.

At international level, since 2003 MolMed has entered into a strategic alliance with Takara Bio Inc. ("Takara Bio"), an important Japanese biotechnology company listed on the Tokyo Stock Exchange, through a co-development and out-licensing agreement for MolMed's cell-based therapies in Japan and in selected Asian markets.

Since March 5, 2008, MolMed is listed on the Milan Stock Exchange (Milan:MLM), on the Standard segment (class I) of the MTA managed by Borsa Italiana.

Product pipeline

MolMed's pipeline includes five innovative oncological products, three of which are in clinical trials: TK, NGR-hTNF (ARENEGYR) and M3TK. In addition to these, MolMed is developing two candidate vascular targeting agents: NGR-IFN γ (in preclinical development), and NGR-IL12 (at discovery stage).

MolMed's products aim at cancer therapy innovation by ensuring a better specificity, and an increase in the quality of life of patients through a considerable reduction of the negative side effects. Moreover, MolMed's products may be employed both as novel single agent options and in synergic combination with other groundbreaking or conventional therapies, due to their absence of overlapping toxicities.

TK

TK is a cell therapy that enables the transplant of haematopoietic stem cells (HSCT) derived from the bone marrow of partially compatible (i.e. "haplo-identical") donors. This offers a valid means of identifying a readily available donor for all patients: at present, patients without a fully compatible donor represent around 60% of all of those who could benefit from a HSCT. MolMed has started in Italy a Phase III trial of TK for high-risk leukaemias, following authorisation by the AIFA on January 17, 2008. This study follows the successful completion of a Phase I/II study in Europe, conducted on more than 50 patients with high risk leukaemias. TK has been granted Orphan Drug status in both the European Union and the US: upon marketing authorisation, Orphan Drug status gives a product exclusive marketing rights for ten years in the European Union, and for seven years in the US.

NGR-hTNF (ARENEGYR)

Is a novel vascular targeting agent (VTA) for the treatment of solid tumours. In particular, it is a recombinant fusion protein combining a tumour-homing peptide, NGR, that selectively binds to a receptor present only on endothelial cells of newly formed tumour blood vessels, with the human cytokine TNF. The resulting molecule has unique properties against tumour vessels: it induces both a biological anti-tumour effect and an increase in vascular permeability, thus increasing the effectiveness and therapeutic index of cytotoxic drugs administered in combination. These unique properties make NGR-hTNF particularly attractive both as a novel single agent therapy, and in synergistic combination with most current chemotherapeutic regimens. NGR-hTNF is currently in Phase II for colorectal cancer, small-cell lung cancer, liver cancer and mesothelioma. More than 250 patients have been treated so far, in ongoing and completed clinical trials. The results confirm the excellent safety profile of ARENEGYR, with encouraging preliminary results in terms of anti-tumour activity.

M3TK

Is a cancer therapeutic vaccine based on a unique *in vivo* dendritic cell targeting system. It relies on the use of a patient's own T-cells, genetically modified to express a tumour antigen, MAGE-3, acting as carriers for the efficient *in vivo* loading of dendritic cells with large amounts of the whole antigen, and thereby mimicking the physiological mechanism that elicits a specific and effective T-cell-mediated immune response against tumour cells. The modified T-cells also express the viral antigen HSV-TK, acting as a tracer in order to monitor the immune status of the patients to be treated. This vaccination strategy has been shown to induce protective immunity and long-term memory, ultimately correlating with clinical benefit.

Other ongoing projects

Vascular Targeting Agent (VTA) programme: NGR-IFN γ and NGR-IL12

The VTA programme includes two additional anti-tumour candidate drugs, consisting of cytokines combined with the NGR peptide. At present, interferon- γ combined with NGR (NGR-IFN γ) is at the preclinical stage, while interleukin-12, also combined with NGR (NGR-IL12) is at discovery stage. Both candidates are based on the therapeutic properties against solid tumours of the molecules resulting from each specific peptide-cytokine combination.

AIDS gene therapy programme: project MM-F12

MM-F12 is MolMed's second-generation gene therapy project for the treatment of AIDS. MM-F12 is based on the use of lentiviral vectors to introduce genes aimed at interfering with HIV replication into patient's stem cells, to make their immune system permanently resistant to HIV. This project is

developed with Takara Bio, under a research collaboration and licensing agreement entered into in April 2005. A Phase I/II study of a first generation approach, referred to as REV and based on retroviral vectors, was completed in 2003 and confirmed the safety and feasibility of the approach as a whole, providing also crucial information about the key-variables for a successful therapeutic approach. On the basis of the data obtained, MolMed gave origin to a new vector platform based on lentiviruses.

GMP facility and GMP services provided to third parties

MolMed has the status of pharmaceutical company (*officina farmaceutica*) granted by the AIFA. It has a Good Manufacturing Practices (“GMP”) facility formally authorised by the AIFA for the production of cell-based medicinal products for use in clinical trials. The facility includes six sterile chambers and a dedicated fermentor area, as well as a separate research laboratory area, for a total surface of approximately 1,400 square meters: it was completely redesigned in 2006, and successfully audited by the AIFA in July 2007. At present, the Company also satisfies FDA requirements for the production of clinical-grade bulk drug substances. Besides manufacturing TK and M3TK for its own clinical trials, MolMed’s GMP-compliant facility provides revenue-generating gene and cell therapy services to selected partners: these services are regulated by specific contracts, and often include assistance for regulatory matters. Service activities enable the Company to optimise its GMP production capability, and to build and develop strategic partnerships. Of particular importance is a framework agreement with the Telethon Foundation, entered into in 2005, for the co-development and manufacture of lentiviral vectors for the treatment of rare genetic diseases. Another important agreement is with the San Raffaele Foundation, for which MolMed principally provides retroviral supernatants, peptides and dendritic cells, as well as clinical-grade genetically modified patient cells, and services related to cell manipulation.

In the future, the Company also plans to invest in enhancing its production capability by developing a new GMP facility, mainly in order to upgrade to the production requirements following the launch of TK therapy.

Grants and reliefs for research and development investments

In 2004, MolMed was awarded by the Regional Authority of Lombardy a grant for the “Study into the therapeutic potential of an IFN γ (NGR-IFN γ) variant with selective action on tumours”, a project submitted in the context of the promotion of excellence in the industrial areas of Lombardy. The project started in January 2005, and will continue until March 31, 2008. It has been awarded a non refundable grant.

MolMed is also involved in the “CONSERT” gene therapy project, funded under the EU VI Research and Development Framework Programme (FP-6). This project started at the end of 2004, and is scheduled to last around four years. It has received non refundable grant.

Still under FP-6, the Company has continued its work on the “SKINTHERAPY” project. This is a three-year project with a total non-refundable grant.

MolMed has also taken part, together with several industrial and academic partners, in an application for funding from the Italian Ministry of Research under the “National Research Programme (PNR) Project Ideas 2005- 2007” in relation to Theme 1 among Major Strategic Projects, to identify innovative anticancer treatments from genomics to therapy. The project submitted has passed several approval stages, and started in 2007. It will last around three years. The Company is waiting for final approval of the funding, which would involve a low-interest loan of 90% of admissible costs.

Again in the framework of the identification of innovative anti-tumour drugs, the Company is continuing the activities connected to the project FIRB GPS DM24528, started in July 2007, which also has three-year duration. It provides for a non refundable grant by the Italian Ministry of University and Research.

The Company also benefits of tax credit related to costs for research & development activities according to 2007 Financial Bill number 296/06 (“Legge Finanziaria 2007”), modified by 2008 Financial Bill number 244/07 (“Legge Finanziaria 2008”), from the period subsequent the one in progress at 31 December 2006 and until the period ending 31 December 2009.

Report on operations as of September 30, 2008

In the first nine months of 2008, MolMed completed a successful listing of its shares on the Milan Stock Exchange. Trading of MolMed's shares started on 5 March 2008 on the class I Standard segment of the Milan screen-based equity market (*Mercato Telematico Azionario*, MTA) managed by *Borsa Italiana*. The listing was achieved through a Global Offer of 26,116,952 shares without nominal value, representing 25% of post-IPO corporate capitalisation, at the price of Euro 2.15 per share. Gross financial resources issued amounted to Euro 56,151 thousand.

In the first nine months of 2008 significant progress was achieved, with particular emphasis on the expansion of the clinical development of MolMed's most advanced investigational new anticancer therapeutics TK and NGR-hTNF (ARENEGYR):

- MolMed started a Phase III trial of its TK therapy in high-risk leukaemia patients, following authorisation from the Italian drug agency AIFA (*Agenzia Italiana del Farmaco*) obtained on January 17, 2008. TK is a cell therapy enabling bone marrow transplants from partially compatible donors. MolMed's partner in cell and gene therapy, Takara Bio Inc., has recently initiated TK's clinical development in Japan with a Phase I trial in leukaemia patients.
- Final and preliminary results of five clinical trials of NGR-hTNF - MolMed's vascular targeting agent for the treatment of solid tumours - were presented in June at ASCO 2008 (the annual meeting of the American Society of Clinical Oncology), and in September at ESMO 2008 (the annual meeting of the European Society of Medical Oncology). Of particular interest were key data of three Phase II trials in hepatocellular carcinoma, in malignant pleural mesothelioma and in colorectal cancer, showing early evidence of clinical activity of NGR-hTNF, with survival data clearly superior to those reported in literature for best supportive care, and evidence of substantial clinical benefit in terms of long-lasting disease control:
 - in **hepatocellular carcinoma** (trial NGR008), a first complete response was observed, with total necrosis of the tumour lesion, along with a disease control rate of approximately 30%;
 - in refractory **malignant pleural mesothelioma** (trial NGR010), median overall survival has not yet been reached, but is already evaluable to be more than 12 months;
 - in multi-refractory **colorectal carcinoma** (trial NGR006), the definitive median overall survival is 13.1 months considering the entire study population, i.e. more than doubled with respect to the result reported in literature for best supportive care (6 months); considering patients achieving disease stabilisations or partial responses, median overall survival is further increased to 15.4 months.

An additional benefit of NGR-hTNF is the confirmation of the very good safety profile, with adverse events limited to reversible and easily manageable side effects, such as chills during the administration of the first infusion.

- Thanks to the promising results obtained in mesothelioma, NGR-hTNF was granted Orphan Drug designation for this indication, in June by the European Commission, and in August by the FDA.
- MolMed signed in June a drug development and production agreement for NGR-hTNF with Avecia Biologics, focused on optimisation and industrial scale-up of the drug manufacturing process, and on cGMP manufacturing of the drug by Avecia for the forthcoming Phase III trials. This optimised production process will match the requirements of adequate supply for the drug commercialisation.
- Patient enrollment in the ongoing trials of NGR-hTNF was continued and a new Phase II trial was started, exploring combination with the standard chemotherapeutic regimen Xelox (capecitabine + oxaliplatin) in colorectal cancer. New Phase II trial protocols have been defined for the exploration of NGR-hTNF in combination with chemotherapeutics in two more oncology indications: with cisplatin in non small-lung cancer, and with doxorubicin in ovarian cancer. Moreover, a new Phase I trial protocol was defined, aimed at exploring administration of NGR-hTNF at high doses. MolMed also started the design of new protocols for randomised Phase II trials of NGR-hTNF, in the indications already explored in single-arm Phase II trials with positive results.

- Given the ever growing commitment implied by the continuous progress of MolMed's strategic projects TK and NGR-hTNF, the Company decided to interrupt the development of its project on the cancer therapeutic vaccine M3TK. Therefore, patient enrollment in the Phase I/II trial for advanced melanoma will no longer continue and the clinical results of the trial will be assessed on the patient population enrolled so far.

Net result in the first nine months of 2008 shows a loss of Euro 12,435 thousand, in line with expectations and a direct consequence of the business model typical of biotech drug development company, for which an economic return is expected in future fiscal years.

In the third quarter of 2008, net result shows a loss of Euro 2,563 thousand, compared to the net loss of Euro 3,190 thousand in the third quarter of 2007.

Revenues and other income in the first nine months of 2008 amount to Euro 3,223 thousand, with an increase equal to 61,4% compared to the same period of the prior year. The income related to tax credit for research & development activities according to 2007 Financial Bill ("Legge Finanziaria 2007") offset lower revenues for services to third parties, due to focus on the development of the Company's pipeline.

In the third quarter of 2008, revenues and other income amount to Euro 2,311 thousand compared to Euro 558 thousand in the third quarter of 2007. The increase was affected by the effects mentioned above.

Operating costs in the first nine of 2008 total Euro 16,865 thousand, up 36.6% compared to the same period of 2007. This increase is a direct consequence of the expansion and strong acceleration of research and development activities, as well as of organisation strengthening and staff hirings associated with both intensified activities and the Company's listing.

The main changes in operating costs concern costs for services, increased by 43.3% compared to the same period of the prior year, and personnel cost, which shows an increase of 61.8% compared to the same period of the prior year.

In the third quarter of 2008, operating costs total Euro 5,358 thousand (Euro 3,798 thousand in the third quarter of 2007), with an increase of 41.1% compared to the same period of 2007.

The financial resources obtained through the listing process provide MolMed with a strong position to manage its development plan, with cash, cash equivalents and other current financial assets for Euro 37,653 thousand as of September 30, 2008.

Accounting statements

Income statement

(amounts in thousands of Euro)	Notes	3 rd Quarter 2008	3 rd Quarter 2007	9 months to 9/30/2008 (a)	9 months to 9/30/2007 (b)	Change	
						(a-b)	%
Revenues		430	460	949	1,568	(619)	(39.5%)
Other income		1,881	99	2,274	429	1,845	430.1%
Total operating revenues	2	2,311	558	3,223	1,997	1,226	61.4%
Purchases of materials and consumables	3	(438)	(487)	(1,465)	(1,336)	(129)	9.6%
Services costs	4	(2,808)	(1,625)	(8,545)	(5,961)	(2,584)	43.3%
Costs for use of third-party assets	5	(319)	(280)	(945)	(829)	(116)	14.0%
Personnel costs	6	(1,330)	(929)	(4,511)	(2,788)	(1,723)	61.8%
Other operating costs	7	(39)	(48)	(167)	(160)	(7)	4.3%
Depreciation and amortization	8	(424)	(429)	(1,233)	(1,273)	40	(3.2%)
Total operating costs		(5,358)	(3,798)	(16,865)	(12,347)	(4,518)	36.6%
Operating income (loss)		(3,047)	(3,240)	(13,641)	(10,350)	(3,291)	31.8%
Financial income		504	57	1,239	183	1,056	576.8%
Financial charges		(20)	(7)	(32)	(19)	(13)	67.1%
Net financial income (charges)	9	484	50	1,207	164	1,043	635.9%
Pre-tax profit (loss)		(2,563)	(3,190)	(12,435)	(10,186)	(2,249)	22.1%
Income taxes		-	-	-	-	-	-
Profit (loss) for the period		(2,563)	(3,190)	(12,435)	(10,186)	(2,249)	22.1%

Net financial position

(amounts in thousands of Euro)	Notes	September 30, 2008 (a)	June 30, 2008 (b)	December 31, 2007	Change	
					(a-b)	%
Cash and cash equivalents		35,112	44,061	5,591	(8,949)	(20.3%)
Other current financial assets		2,541	-	75	2,541	100.0%
Financial debt		-	-	-	-	-
Current financial position		37,653	44,061	5,666	(6,408)	(14.5%)
Non current financial position		-	-	-	-	-
Net financial position	10	37,653	44,061	5,666	(6,408)	(14.5%)

Notes

1. ACCOUNTING PRINCIPLES

This quarterly report was prepared in compliance with the International Accounting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and validated by the European Union.

The applied accounting principles are the same used for the preparation of the annual financial statement.

This quarterly report has been prepared pursuant to Art. 154-ter of Finance Consolidated Act, introduced by Legislative Decree 195/2007, in accordance with CONSOB Communication n. DEM/8041082 dated 30 April 2008.

Economic data are presented for the quarter ended September 30, 2008 and for the period from January 1, 2008 and September 31, 2008. Such data are compared to the data of the same period of the previous year.

Balance sheet and net financial position data are shown as of September 30, 2008 and compared to the data of the previous quarter and to the data of the year ended December 31, 2007.

The values shown in this quarterly report are expressed in thousands of euro, unless otherwise specified.

2. REVENUES

Revenues amount to Euro 949 thousand as of September 30, 2008 with a decrease of 39.5% compared to the same period of prior year. This decrease is mainly related to a lower activity for gene and cell therapy services provided to third parties and necessary for focusing the activities of the productive structure on the development of the Company’s products. The decrease is also affected by lower revenues from upfront payments and milestones due to an upfront payment received in prior years, the spreading of which throughout next years ended on December 31, 2007.

The decrease in revenues was offset by an increase in other income, from Euro 429 thousand as of September 30, 2007 to Euro 2,274 thousand as of September 30, 2008, mainly connected to the income for tax credit related to research & development activities according to 2008 Financial Bill (“Legge Finanziaria 2007”) and to public grants obtained by Lombardy Region for promoting excellence in the industrial areas of Lombardy.

3. PURCHASES OF RAW MATERIALS AND CONSUMABLES

The trend of costs for raw materials and consumables, mainly represented by materials and reagents used in research and development activities, is in line with the increase in activities for the development of Company’s products. The costs amount as of September 30, 2008 to Euro 1,465 thousand, compared to Euro 1,336 thousand in the first nine months of prior year.

4. SERVICES COSTS

Services costs increased from Euro 5,961 thousand as of September 30, 2007 to Euro 8,545 thousand as of September 30, 2008, with a change of 43.3%. The increase is mainly due to the strong acceleration of development activities, and to a substantial organisational enhancement required by increased operations and to the listing of the Company on the Milan Stock Exchange.

(amounts in thousands of Euro)	9 mnts to 9/30/2008	9 mnts to 9/30/2007	Change
Maintenance and utilities	483	397	86
Consulting fees and outsourced research & development	4,176	3,258	918
License fees	474	187	287
Option rights	301	0	301
Legal and administrative fees	688	504	185
Patent costs	288	365	(77)
Communications agency fees	258	48	211
Other general and admin costs	249	148	101
IT assistance	205	82	123
Directors and statutory auditors' fees	864	573	291
Surveillance and control board fees	66	0	66
Staff training and other personnel costs	172	121	51
Travel expenses and participation at conventions and meetings	321	279	42
Total services costs	8,545	5,961	2,584

The strong impulse to clinical development activities related to NGR-hTNF, that led to sign a development and production agreement concerning NGR-hTNF with Avecia Biologics, driven the costs increase related to consulting fees and research and development activities.

License fees increase is due to the acquisition in sub-license, from the related party Science Park Raf S.p.A., of the rights on the patent ISO-DGR, related to a molecule with promising development possibilities in oncology. The acquisition took place through the grant of an upfront fee equal to Euro 250 thousand, in addition to royalties on possible future sales related to the exploitation of the patent.

The costs for option rights include the share of the cost connected to the option agreement for the purchase of research projects from the San Raffaele Scientific Institute. Under this agreement, entered into in December 2001 by the Company and its shareholder Science Park Raf S.p.A. along with Science Park Raf's holding *Fondazione Centro San Raffaele del Monte Tabor*, MolMed is entitled to purchase from the contracting entities the research projects conducted by these in the field of gene and molecular therapies for cancer and AIDS. The validity of the option agreement, for which a consideration is provided in the amount of Euro 4,131 thousand, was subject to the admission of the Company's shares trading on a regulated market, that occurred on March 5, 2008. The agreement is valid for eight years after such date, with a renewal possibility every four years.

The increase in service costs is also due to a larger number of legal and administrative consultancy services, and to higher fees paid to communication agencies. A part of such costs, amounting to Euro 306 thousand, is linked to the preliminary works in preparation of the Company's IPO. Such works have also contributed to the increase in fees paid to communication agencies and other overhead and administrative costs and expenses.

The costs for electronic data processing and computer assistance increase mainly due to the setting up of appropriate infrastructures for the new administrative offices, located at the *Centro Direzionale Milano 2* in Segrate, as well as to implementing the related connectivity services.

The increase in service costs is also connected to higher fees granted to directors, auditors and surveillance board, on the basis of the resolution adopted by the shareholders' meeting.

In the period, costs directly related to the listing of the Company on the Milan Stock Exchange have been recorded for an overall amount of Euro 5,062 thousand. Such costs are related to the fees granted to banks that coordinated the transaction, to the services rendered by law firms that assisted the Company and the banks, to fees granted to the firm appointed for statutory audit, as well as to the

fees granted to several advisors and operators for activities directly linked to the listing process. The above-mentioned costs are not shown in the profit and loss account as of September 30, 2008, since they were directly deducted from equity, in reduction of the premium share reserve constitute from the positive conclusion of such financial transaction.

5. COSTS FOR USE OF THIRD PARTY ASSETS

The cost for use of third party's assets, equal to Euro 945 thousand and to Euro 829 thousand respectively as of September 30, 2008 and as of September 30, 2007, show an increase of 14%, due to the rent of new administrative offices at *Centro Direzionale Milano 2* in Segrate.

6. PERSONNEL COSTS

Personnel costs show an increase of 61.8%, from Euro 2,788 thousand as of September 30, 2007 to Euro 4,511 thousand as of September 30, 2008. This increase is due to the hiring of 20 new employees, as well as salary increases granted to the employees in previous year and to the recognition of bonus paid in the period.

The increase in the number of employees was necessary in order to supplement the personnel in the operational areas following the increase in clinical development activities of the Company's products and structural organization related to the listing of the Company on the Stock Exchange. The number of employees is summarized in the table below:

	September 30, 2008	June 30, 2008	December 31, 2007	September 30, 2007
Number of employees	88	81	77	68

7. OTHER OPERATING COSTS

Other operating costs increased from Euro 160 thousand in the first nine months of 2007 to Euro 167 thousand in the first nine months of 2008 showing an increase of 4.3%, mainly related to the higher stationery and entertainment expenses consistently with the increase in number of employees.

8. DEPRECIATION AND AMORTIZATION

Depreciation and amortization, amounting to Euro 1,233 thousand, with an increase of Euro 40 thousand compared to the first nine months of 2007, do not show significant changes. Investments made in the period, equal to Euro 523 thousand, are mainly related to costs capitalized for new administrative offices at *Centro Direzionale Milano 2* in Segrate and to the upgrade and renewal of equipment for laboratories and pharmaceutical workshop.

9. NET FINANCIAL INCOME

The net financial income, increased from Euro 164 thousand as of September 30, 2007 to Euro 1,207 thousand as of September 30, 2008, was affected by financial incomes from management of cash and cash equivalent obtained from the listing of the Company on the Stock Exchange.

The other financial expenses refers to interest cost related to the actuarial valuation of the leaving staff indemnity.

10. NET FINANCIAL POSITION

Net financial position is positive for Euro 37,653 thousand. The absorption of cash and cash equivalent in the first nine months of 2008 was affected by the payment of expenses related to the Company's listing on the Italian Stock Exchange for an amount of Euro 5,279 thousand, deducted from share premium reserve recorded from such transaction, and by the payment of the debt equal to Euro 4,131 thousand relating to the option contract entered into with the Shareholder Science Park Raf S.p.A. and its holding Fondazione Centro San Raffaele del Monte Tabor for the purchase of research projects. The effectiveness of the option contract and the payment were contractually defined at the time of the listing of the Company's on a regulated market.

The trend of net financial position of the Company is also affected by the absorption of cash and cash equivalent connected to costs for development activities of products that result higher than revenues.

CHANGES IN SHAREHOLDERS' EQUITY

Changes in shareholders' equity occurred in the first nine months of 2008 include movements linked to the subscription of the share capital for the listing of the Company on the Milan Stock Exchange. The transaction gave rise to an increase in share capital equal to Euro 5,410 thousand and a share premium reserve, inclusive of the costs for the listing, equal to Euro 50,742 thousand. Costs directly related to the listing on the Stock Exchange, have been deducted from share premium reserve, for an amount of Euro 5,279 thousand as of 30 September 2008.

The table below shows a breakdown of the movements in the period, including the allocation of the net result of 2007, following shareholders' meeting of April 22, 2008 resolution.

(amounts in thousands of Euro)	Share capital	Share premium reserve	Other reserve	Stock option plan reserve	Actuarial valuation reserve	Retained earnings (losses carried forward)	Profit (loss) for the period	Total shareholders' equity
Balance as at January 1, 2008	16,228	-	9,606	1,152	21	(3,232)	(12,696)	11,080
Allocation of prior year loss	-	-	(9,606)	-	-	(3,090)	12,696	-
Share capital increase	5,410	50,742	-	-	-	-	-	56,152
Deduction of listing costs	-	(5,279)	-	-	-	-	-	(5,279)
Personnel cost for stock options	-	-	-	528	-	-	-	528
Profit (Loss) for the period	-	-	-	-	-	-	(12,435)	(12,435)
Balance as at September 30, 2008	21,638	45,463	-	1,680	21	(6,322)	(12,435)	50,046

TRANSACTIONS WITH RELATED PARTIES

MolMed is not subject to any management and coordination activities. MolMed's corporate shareholding structure is such as no shareholder holds the majority of votes to be exercised in the shareholders' meeting or sufficient votes for exercising a dominant influence over the Company, and no obligation exists for the Shareholders to consolidate MolMed's financial statements.

The agreements between MolMed and some of its Shareholders are aimed at governing relationships of an operational type, and were entered into according to business logics.

Related party transactions are neither unusual nor exceptional but fall under the normal business operations of the company. Such transactions are concluded at standard and market conditions, and are in any case conducted at arm's length.

SHARE BASED PAYMENTS

Pursuant to the powers granted by the Shareholders' Meeting, on January 7, 2008, the Board of Directors approved the adoption of an incentive scheme, subject to the start of trading in MolMed's shares on the Milan Stock Exchange that took place on March 5, 2008. The scheme provides for two different types of options that may be granted to beneficiaries to be identified by the Board of Directors - or the Shareholders' Meeting where required by law - from among the Executive Directors, consultants and employees of the Company (and of any subsidiary and parent companies):

- Type A options: they will be maturing at the end of the third year from the start of trading of the Company's shares; they may be exercised in a single instalment as from the maturity date, and by a deadline of seven years from the maturity date;
- Type B options: maturity is subject to achievement of objectives identified by the Board of Directors and, in any case, not before the end of the third year from the date of allocation. They may be allocated in one or more instalments as from the maturity date, and by a deadline of seven years from the maturity date.

The Board of Directors has approved an initial allocation of options to the Company management, in accordance with the stock option plan and in compliance with regulations. It has granted a total of 2,400,000 options, each giving the right to subscribe one ordinary share, for a total nominal value of Euro 497,106.24 at a price per share equal to the Offering Price, and distributed as follows:

- 1) Type A options: a total of 600,000 options;
- 2) Type B options: a total of 1,800,000 options;

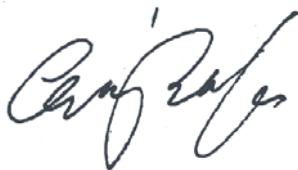
The Board of Directors has established that Type B options will mature in several instalments, depending on achievement of business objectives, after three and five years.

Options are allocated free of charge. They are registered, personal and non-transferable except upon death. They cannot be made subject to any restrictions - specifically with regard to pledges and guarantees - and will cease to be valid in the case of dismissal for due cause or reason of any option holder who is a manager of the Company, or removal from office of any option holder who is a Director of the Company; they shall also cease to be valid if the option holder resigns.

EVENTS OCCURRED SUBSEQUENT THE DATE OF SEPTEMBER 30, 2008

No significant events occurred after the date of September 30, 2008.

Milan, November 12, 2008

A handwritten signature in black ink, appearing to read "Claudio Bordignon".

Claudio Bordignon
Chairman of the Board of Directors and
Chief Executive Officer

Statement pursuant to Article 154-bis, second paragraph of Legislative Decree no. 58 of February 24, 1998

I, the undersigned Manager responsible for the preparation of the Company's accounting documents and records, do hereby declare that, in compliance with the provision of the second paragraph of Article 154bis, part IV, title III, chapter II, section V-bis, of legislative decree no. 58 of February 24, 1998, the economic and financial information contained in the foregoing document fully reflects the documentary results and the accounting books and records.

Milan, November 12 2008

A handwritten signature in black ink, appearing to read 'E. Cappelli', is written over a light blue horizontal line.

Enrico Cappelli
Manager responsible for the preparation
of the company's accounting documents

This quarterly report has been translated into English language solely for the convenience of international readers.
