

# Quarterly Report as of March 31, 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 therapeutic vaccine, in Phase I/II in advanced melanoma. 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)	1° Q 2008	1° Q 2007	Change
Revenues	526	558	-5.7%
Operating Costs	(5,412)	(3,798)	42.5%
Operating loss	(4,886)	(3,240)	50.8%
Net finance income (loss)	205	50	310.3%
Loss of the period	(4,681)	(3,190)	46.7%

### Investments

(amounts in thousands of Euro)	1° Q 2008	1° Q 2007	Change
Investments	347	97	257.7%

### Net Financial Position

(amounts in thousands of Euro)	March 31, 2008	March 31, 2007	Change
Net financial position	56,014	5,666	888.6%

### Number of employees

	March 31, 2008	December 31, 2007	March 31, 2007
Number of employees	81	77	65

## 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, with a total of 1,400 beds and 250 clinical trials underway in 2006, 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 $\gamma$  (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. MolMed is currently conducting a Phase I/II clinical trial for the treatment of advanced melanoma.

### Other ongoing projects

#### Vascular Targeting Agent (VTA) programme: NGR-IFN $\gamma$ and NGR-IL12

The VTA programme includes two additional anti-tumour candidate drugs, consisting of cytokines combined with the NGR peptide. At present, interferon- $\gamma$  combined with NGR (NGR-IFN $\gamma$ ) 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.

## Report on operations for the first quarter 2008

In the first quarter 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.

As far as development activities are concerned, in the first quarter of 2008 MolMed obtained from the Italian Drug Agency (AIFA) the necessary authorisations for starting a Phase III trial of the TK cell-based therapy, enabling bone marrow transplant from partially compatible donors, in patients affected by high risk leukaemia. The Phase III study follows the successful completion of a Phase I/II trial, conducted on more than 50 patients affected by high risk leukaemia.

MolMed continued patient enrollment in the ongoing trials of its vascular targeting agent NGR-hTNF. In the first quarter of 2008, a new Phase II trial was started, exploring combination with Xelox regimen (capecitabine + oxaliplatin) in colorectal cancer, and definition of new trial protocols was carried on, aimed at the exploration of NGR-hTNF at high doses and in new indications.

The bottom-line result in the first quarter of 2008 closes with a loss of Euro 4,681 thousand, in line with expectations and a direct consequence of the business model typical of biotech drug development, for which an economic return is expected in future fiscal years.

Operating revenues as of March 31, 2008, amount to Euro 526 thousand, with a decrease equal to 5.7% compared with the first quarter of 2007. Such decrease is mainly the result of increased company focus on advancing its development pipeline, with a shift away from its gene therapy service activities to third parties. The decrease in revenues from services was partially compensated by higher revenues from public grants, particularly by the Lombardy Region for the promotion of excellence in its industrial areas.

Operating costs in the first quarter of 2008 totalled Euro 5,412 thousand, up 42.5% compared to the first quarter 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 variations in operating costs concern costs for services, increased as of March 31, 2008, by 70.1% compared with the first quarter of 2007, and cost of staff, which shows an increase of 49.6% with respect to the first quarter of 2007.

The financial resources obtained through the listing process provide MolMed with a strong position to manage its development plan, with cash on hand of Euro 56,012 thousand as of 31 March 2008. This is sufficient to support MolMed's development plans, as well as the establishment of new production facilities related to pharmaceutical development and future marketing of the Company's products.

## Accounting statements

### Profit and loss account as of March 31, 2008

(amounts in thousands of Euro)	Notes	March 31, 2008	March 31, 2007	Change
Revenues		220	460	-52.1%
Other income		306	99	210.8%
<b>Total operating revenues</b>	<b>2</b>	<b>526</b>	<b>558</b>	<b>-5.7%</b>
Purchases of materials and consumables	3	(488)	(487)	0.1%
Service costs	4	(2,765)	(1,625)	70.1%
Costs for use of third-party assets	5	(311)	(280)	11.1%
Staff costs	6	(1,389)	(929)	49.6%
Other operating costs	7	(58)	(48)	22.0%
Depreciation, amortisation, and write-downs	8	(401)	(429)	-6.4%
<b>Total operating costs</b>		<b>(5,412)</b>	<b>(3,798)</b>	<b>42.5%</b>
<b>Operating income (loss)</b>		<b>(4,886)</b>	<b>(3,240)</b>	<b>50.8%</b>
Financial income		210	57	267.8%
Financial charges		(5)	(7)	-28.8%
<b>Net financial income (charges)</b>	<b>9</b>	<b>205</b>	<b>50</b>	<b>310.3%</b>
<b>Pre-tax profit (loss)</b>		<b>(4,681)</b>	<b>(3,190)</b>	<b>46.7%</b>
Income taxes		-	-	
<b>Net profit (loss) of continuing operations</b>		<b>(4,681)</b>	<b>(3,190)</b>	<b>46.7%</b>
Profit (loss) of discontinued operations		-	-	
<b>Profit (loss) of the period</b>		<b>(4,681)</b>	<b>(3,190)</b>	<b>46.7%</b>

### Net financial position as of March 31, 2008

(amounts in thousands of Euro)	Notes	Mar 31, 2008	Dec 31, 2007	Change
Cash and cash equivalents		56,012	5,591	901.9%
Other current financial assets		2	75	-97.1%
Financial debt		-	-	
<b>Current financial position</b>		<b>56,014</b>	<b>5,666</b>	<b>888.6%</b>
<b>Non current financial position</b>		<b>-</b>	<b>-</b>	
<b>Net financial position</b>	<b>10</b>	<b>56,014</b>	<b>5,666</b>	<b>888.6%</b>

## Comments to the quarterly report as of March 31, 2008

### 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 as those adopted for the preparation of the annual balance sheet.

This quarterly report as March 31, 2008 (Interim Report pursuant to Article 154-*ter* of legislative decree no. 58/1998) is prepared in compliance with the above-mentioned Legislative Decree as amended, as well as of the Issuers’ Regulations issued by Consob.

The accounting statements shown herein are represented by the profit and loss account as of March 31, 2008 compared with the profit and loss account as of March 31, 2007. A statement is also included showing the Company’s net financial position as of March 31, 2008, analysed on the basis of due dates and compared with the Company’s net financial position as of December 31, 2007.

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

### REVENUES

Revenues amount in the aggregate to Euro 526 thousand as of March 31, 2008 and shows a decrease equal to 5.7% compared with the first quarter of the preceding fiscal year. Such a decrease is mainly due to a reduction in revenues from Euro 460 thousand in the first quarter of 2007 to Euro 220 thousand in the first quarter of 2008. Such reduction derives from a decrease in revenues from services, due to a reduced activity of 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, as well as from lower revenues from upfront payments and milestones due to an upfront payment received in the preceding fiscal years, the spreading of which throughout succeeding fiscal years ended on December 31, 2007.

The reduction in revenues was offset for a good part by an increase in other income, from Euro 99 thousand to Euro 306 thousand, mainly represented by public subsidies relating to the call for tender by Lombardy Region for promoting excellence in the industrial areas of Lombardy.

### PURCHASES OF RAW MATERIALS AND CONSUMABLES

There were no significant changes in the costs for raw materials and consumables, mainly represented by materials and reagents used in the research and development activities. Said costs amount to Euro 488 thousand as of March 31, 2008.

## COSTS FOR SERVICES

The costs for services increased from Euro 1,625 thousand as of March 31, 2007 to Euro 2,765 thousand as of March 31, 2008. The increase is mainly due to the strong expansion and acceleration of development activities, and to a substantial organisational enhancement required by increased operations and the listing of the Company on the Milan Stock Exchange.

(amounts in thousands of Euro)	March 31, 2008	March 31, 2007	Change
Maintenance and utilities	162	139	23
Consulting fees and outsourced research & development	1,117	981	135
License fees	311	70	241
Option rights	43	0	43
Legal and administrative fees	234	54	179
Patent costs	105	18	87
Communications agency fees	36	8	29
Other general and admin costs	148	45	103
IT assistance	106	37	69
Directors and statutory auditors' fees	337	161	176
Surveillance and control board fees	16	0	16
Staff training and other personnel costs	51	33	18
Travel expenses and participation at conventions and meetings	100	79	21
<b>Total costs for services</b>	<b>2,765</b>	<b>1,625</b>	<b>1,140</b>

The start of a Phase III trial of TK therapy, and the strong impulse to clinical development activities related to NGR-hTNF, have led to a cost increase linked to direct costs of clinical trials, including activities conducted by third parties. In particular, the most significant increase is related to the manufacture and validation of drug batches to be used in clinical trials, outsourced to specialised contract manufacturing organisations.

The costs for license fees had a significant increase, due to the acquisition in sub-license 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 costs for services is also due to a larger number of legal and administrative consultancy services, and higher fees paid to communication agencies. A part of such costs 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 increase in patent costs is due to the extension of international patent protection for MolMed's products.

The costs for electronic data processing and computer assistance had an 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 the costs for services is also due to the increase in the fees granted to directors, on the basis of the resolution adopted by the shareholders' meeting.

In the period considered, costs directly related to the listing of the Company on the Milan Stock Exchange had an overall amount of Euro 5,062 thousand. Such costs are related to the fees granted to the 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 June 30, 2008, since they were directly deducted from the equity, in reduction of the premium share reserve deriving from the positive conclusion of such financial transaction.

### COSTS FOR USE OF THIRD PARTY ASSETS

The cost for use of third party's property, equal to Euro 311 thousand as of March 31, 2008, compared to Euro 281 thousand as of March 31, 2007, has increased by 10.6% due to the lease of new spaces devoted to administrative offices at the *Centro Direzionale Milano 2* in Segrate.

### PERSONNEL COSTS

Personnel costs show an increase of 49.6%, from Euro 929 thousand as of March 31, 2007 to Euro 1,389 thousand as of March 31, 2008. This increase is due to the hiring of 16 new employees, as well as salary increases granted to the employees in the previous fiscal year.

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 adjustments related to the listing of the Company on the Stock Exchange. An update of the number of employees as of March 31, 2008 is shown in the table below:

	March 31, 2008	December 31, 2007	March 31, 2007
Number of employees	81	77	65

### OTHER OPERATING COSTS

Other operating costs increased from Euro 48 thousand in the first quarter of 2007 to Euro 58 thousand in the first quarter of 2008 showing an increase of 22.0% related mainly to the granting of scholarships in favour of students of the University *Vita e Salute San Raffaele*, as well as an increase in stationery consistently with the increase in the number of employees.

### AMORTIZATION AND DEPRECIATION

Amortization and depreciation, amounting to Euro 429 thousand in the first quarter 2007 and to Euro 401 thousand in the first quarter 2008, show no significant changes. Investments made in the period, equal to Euro 347 thousand, are mainly due to the normal upgrade and renewal of equipment for maintaining the activity of laboratories and the pharmaceutical workshop.

### NET FINANCIAL INCOME

In the first quarter of 2008, net financial income had an increase of 310.3%, from Euro 50 thousand as of March 31, 2007 to Euro 205 thousand as of March 31, 2008. Financial income is represented by interest receivable obtained from the management of cash and cash equivalent. The increase recorded is due to the liquidity obtained on March 5, 2008 as a result of the listing of the company on the Stock Exchange.

The other interest payable, the amount of which is not significant, mainly refers to the interest cost related to the actuarial valuation of the leaving staff indemnity.

## NET FINANCIAL POSITION

The significant improvement of the Company's net financial position, positive as of March 31, 2008 in the amount of Euro 56,014 thousand, is boosted by income obtained through the listing of the Company on the Stock Exchange amounting to Euro 56,161 thousand including the expenses related to the transaction.

## CHANGES IN SHAREHOLDERS' EQUITY

Changes in MolMed's shareholders' equity occurred in the first quarter 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 the 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. Charges have been deducted from the share premium reserve, directly related to the listing on the Stock Exchange, which are quantified in Euro 5,062 thousand as of today's date.

The table below shows a breakdown of the movements in the period, including the effects of the proposed allocation of the loss of fiscal year 2007, ratified by the shareholders' meeting held on April 22, 2008.

(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) of the period	Total shareholders' equity
<b>Balance as at January 1, 2008</b>	<b>16,228</b>	-	<b>9,606</b>	<b>1,152</b>	<b>21</b>	<b>(3,232)</b>	<b>(12,696)</b>	<b>11,080</b>
Allocation of prior year loss	-	-	(9,606)	-	-	(3,090)	12,696	-
Share capital increase	5,410	50,742	-	-	-	-	-	56,152
Deduction of listing costs	-	(5,062)	-	-	-	-	-	(5,062)
Personnel cost for stock options	-	-	-	168	-	-	-	168
Profit (Loss) of the period	-	-	-	-	-	-	(4,681)	(4,681)
<b>Balance as at March 31, 2008</b>	<b>21,638</b>	<b>45,680</b>	-	<b>1,320</b>	<b>21</b>	<b>(6,322)</b>	<b>(4,681)</b>	<b>57,657</b>

## 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 balance sheet.

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

No relationships exists with other related parties.

## 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 AFTER THE DATE OF MARCH 31, 2008

No significant events occurred after the date of March 31, 2008.

Milan, May 7, 2008



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, May 7, 2008



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

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

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