Half-year financial report at June 30, 2016

English translation for convenience

FROM GENES TO THERAPY

MOLMED S.p.A.
Via Olgettina, 58 - 20132 Milan, Italy | Phone +39 02 21277.1 - Fax +39 02 21277.325
info@molmed.com - www.molmed.com
Share Capital Euro 19,841,682.30 fully paid - Office of Milan Company Registry number 1506630 - Tax identification n. 11887610159

From genes...

Our mission: to concentrate commitment and resources on the development of new cures for cancer, by combining scientific and research excellence with a high effectiveness of business management, focused on a clear industrial project.

...to therapy

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Corporate information

Registered office:	Via Olgettina, 58 – 20132 MILANO (Italy)
Operative Unit:	OpenZone, Via Meucci, 3 - 20091 Bresso (MI), Italy
Tax Number:	11887610159
VAT Number:	IT 11887610159
Milan Company Register:	n.11887610159
REA:	1506630
Share capital:	Euro € 19,841,682.30 fully paid
ISIN:	IT0001080248
Ticker Reuters:	MLMD.MI
Ticker Bloomberg:	MLM IM
Outstanding shares: (100% ordinary shares with no par value)	421,450,672

DISCLAIMER

This financial report may contain certain forward-looking statements. Although the company believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, including scientific, business, economic and financial factors, which could cause actual results to differ materially from those anticipated in the forward-looking statements.

The company assumes no responsibility to update forward-looking statements or adapt them to future events or developments.

This document does not constitute an offer or invitation to subscribe or purchase any securities of MolMed S.p.A.

Corporate bodies

Board of Directors

Chairman	Claudio Bordignon
Chief Executive Officer	Riccardo Palmisano
Directors	Alberto Luigi Carletti Laura Iris Ferro, *independent* Sabina Grossi Carlo Incerti, *independent* Mario Masciocchi, *independent* Alfredo Messina Elizabeth Robinson, *independent* Raffaella Ruggiero, *independent* Didier Trono, *independent*

The Board of Directors was appointed by the Shareholders' Meeting of April 18, 2016, and will remain in charge until the Shareholders' Meeting called to approve the Financial Statements at December 31, 2018.

Riccardo Palmisano also serves as "Director in charge of the internal control and risk management system".

Board of Statutory Auditors

Chairman	Riccardo Perotta
Auditors	Flavia Daunia Minutillo Enrico Scio
Deputy Auditors	Alessia Bastiani Giuliana Maria Converti

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of April 18, 2016, and will remain in charge until the Shareholders' Meeting called to approve the Financial Statements at December 31, 2018.

Committee for Control and Risks (*)

Chairman	Mario Masciocchi, *independent*
Members	Sabina Grossi Elizabeth Robinson, *independent*

(*) By Board resolution of November 11, 2010, the Committee for Control and Risks (formerly Internal Control Committee) also carries out the function of Committee for Transactions with Related Parties.

Remuneration and Nomination Committee

Chairman	Raffaella Ruggiero, *independent*
Members	Laura Iris Ferro, *independent* Didier Trono, *independent*

External auditing firm

EY S.p.A.

Scientific Advisory Board

MolMed's Scientific Advisory Board (SAB), chaired by Professor Claudio Bordignon, is an independent advisory body - characteristic of companies in which the quality of projects is determined by the value of their scientific content – which, meeting at least twice a year, carries out an activity of guiding the research and development of new therapeutic strategies, and in the external objective assessment of the results obtained.

MolMed's SAB offers a unique combination of knowledge and experience, provided by leading international scientists. Its membership includes:

- Claudio Bordignon, Chairman – Founding member of the Scientific Council of the European Research Council, and full Professor of haematology at the University *Vita-Salute San Raffaele* in Milan (Italy)
- Carl-Henrik Heldin - Branch Director of the Ludwig Institute for Cancer Research in Uppsala (Sweden), and Professor of Molecular and Cell Biology at Uppsala University
- Robert Kerbel - Senior Scientist in the Molecular and Cellular Biology Research Program at the Sunnybrook Health Sciences Centre in Toronto (Canada), Professor in the Departments of Medical Biophysics and of Laboratory Medicine & Pathobiology at the University of Toronto, and Canada Research Chair in Tumour Biology, Angiogenesis and Antiangiogenic Therapy
- Jean-Paul Prieels - Advisor at GSK Vaccines and Chairman of the Board of Directors of ImmuneHealth, member of the Board of Directors or of the Scientific Advisory Board of several biotech companies and research institutions focused especially on immunotherapy and cell therapy
- Alberto Sobrero - Head of the Medical Oncology Unit at the clinical centre *Ospedale San Martino* in Genova (Italy), and former member of the Protocol Review Committee of the European Organisation for Research and Treatment of Cancer (EORTC)

The professional profiles of the members of the Scientific Advisory Board are available on the Company's website (www.molmed.com).

Half-year financial report: key financial figures

Summary of financial data

(amounts in Euro thousand)	1st half 2016	1st half 2015	Variation	
	(a)	(b)	(a-b)	%
Operating Revenues	10,221	7,174	3,047	42.5%
Revenues from activities for third parties	*8,681*	*6,888*	*1,793*	*26.0%*
Operating costs	18,457	18,273	184	1.0%
Operating result	(8,236)	(11,099)	2,863	25.8%
Net financial income & charges	(143)	(109)	(34)	(31.2%)
Result for the period	(8,379)	(11,208)	2,829	25.2%

Investments

(amounts in Euro thousand)	1st half 2016	1st half 2015	Variation	
	(a)	(b)	(a-b)	%
Investments	933	2,244	(1,311)	(58.4%)

Net financial position

(amounts in Euro thousand)	June 30, 2016	December, 31 2015	Variation	
	(a)	(b)	(a-b)	%
Net financial position	22,167	29,938	(7,771)	(26.0%)

Average number of employees

	June 30, 2016	December 31, 2015	June 30, 2015
Average number of employees	163	132	122

1. A history of excellence

MolMed is a medical biotechnology company established in 1996, focused on research, development and clinical validation of novel anti-cancer therapies.

Born as a spin-off of the San Raffaele Scientific Institute devoted to research in the field of gene and cell therapy - applied both to rare genetic diseases and to haematological malignancies - from year 2000 MolMed extended the scope of its activities from service to product company, with a primary focus on novel anticancer therapies. Today, MolMed is an established business, with the capability to cover all functions of a biotech product company, from basic research to manufacturing, up to clinical validation of its investigational therapeutics.

MolMed's approach to cancer therapy is characterised by an integrated strategy, aimed on one side at identification and development of bio-pharmaceuticals reducing the tumour mass and slowing down its growth, and on the other side at the development of highly selective therapies to eliminate residual tumour tissue. Its investigational therapies are new, completely original and first-in-class of new therapeutic classes.

MolMed's pipeline includes three investigational anti-tumour therapeutics:

- Zalmoxis® (TK), a cell-based therapy enabling bone marrow transplants from partially compatible donors in absence of post-transplant immune-suppression prophylaxis, currently in Phase III for high-risk acute leukaemia. It received a positive opinion by European Medicines Agency's Committee for Medicinal Products for Human Use (CHMP), in accordance with the Committee for Advanced Therapies (CAT), recommending the grant of a Conditional Marketing Authorisation;
- NGR-hTNF, a novel therapeutic agent for solid tumours which displays anti-tumour activity through its specific binding to blood vessels feeding the cancer and to the concentration of immune system cells into the tumour mass, investigated in a broad advanced clinical programme;
- CAR-CD44v6, an immune-gene therapy project potentially effective for many haematological malignancies and several epithelial tumours, currently in preclinical development.

MolMed also collaborates with third parties on gene and cell therapy projects, offering expertise and competencies from preclinical stages to Phase III trials. These projects include development and validation of the manufacturing process and of its control strategy, as well as cGMP production of clinical-grade viral vectors and patient-specific genetically engineered cells.

Indeed, thanks to its consolidated leadership in cell and gene therapy, MolMed has entered into agreements with some of the major players in this field, among which *Fondazione Telethon* and GlaxoSmithKline, for the provision of development, manufacturing and technology transfer services aimed at the clinical application of gene therapy treatments based on viral vector-mediated cell transduction.

MolMed has the status of Pharmaceutical Company (*Officina farmaceutica*), granted by the Italian healthcare authority AIFA (*Agenzia Italiana del Farmaco*) for its GMP facility located at the biotechnology department of the San Raffaele hospital (DIBIT) and carries out all activities in compliance with the guidelines on best practices for the production of genetically modified patient-specific cells and of active pharmaceutical ingredients.

In 2013 MolMed started a major project at the Open Zone science park in Bresso (Milan), currently in the validation stage, aimed at expanding its manufacturing capacity; upon its completion, MolMed will be endowed

with a second GMP facility assuring the highest qualitative standards and technological expertise already recognised to the manufacturing site at the DIBIT.

Since March 2008, MolMed is a public company listed on the main market (MTA) of the Milan Stock Exchange managed by *Borsa Italiana* (ticker Reuters: MLMD.MI).

2. Report on operations

Summary of main events occurred in the first half-year 2016

Zalmoxis® (TK)

On June 24, the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA), in conjunction with the Committee for Advanced Therapies (CAT), issued a positive opinion recommending conditional marketing authorisation for Zalmoxis, MolMed's first patient-specific immune-gene therapy, as adjunctive treatment in haplo-identical haematopoietic stem-cell transplantation (HSCT) for adult patients with high-risk haematological malignancies.

It is estimated that in the EU approximately 1,300[1] high-risk haematological malignancies patients per year undergo haplo-identical HSCT, growing 30%[1] annually. In addition, almost 11,000[1] patients with high-risk haematological malignancies are candidate for allogeneic transplant and lack a fully compatible donor, for whom Zalmoxis might represent a viable therapeutic solution.

The CHMP opinion is directly transmitted to the European Commission, which usually decides on granting the conditional marketing authorisation within three months. This decision is valid in all 28 EU member states and in the European Economic Area. Once adopted, Zalmoxis could be the first *ex vivo* cell therapy based on the engineering of the immune system on the market for the treatment of adult patients affected by high-risk haematological malignancies.

A few days after CHMP's positive opinion, EMA's Committee for Orphan Medicinal Products (COMP) also expressed a favourable opinion, recommending the maintenance of the "Orphan Drug" designation for Zalmoxis, thereby confirming its clinical benefit and granting market exclusivity for ten years. The "Orphan Drug" designation is granted to drugs intended to diagnose, prevent or treat life-threatening or very serious conditions that are too uncommon to make their development worthwhile from an economic standpoint according to normal market conditions, and whose clinical benefit is clearly recognized. In fact, Zalmoxis improves overall survival, reduces non-relapse mortality, and cuts the incidence of chronic graft-versus-host disease in patients undergoing haplo-HSCT. To encourage the development of these medicines, a specific regulation in the EU grants ten years market exclusivity rights for the specific indication, once the drug is approved.

Following the positive opinions received, the Company is evaluating the interest of potential partners in in-licensing Zalmoxis for the European market, and started interactions and negotiations.

In the first half-year, MolMed started preparatory activities to launch the product on the European market; in particular, with the support of a consulting firm, it conducted market analyses functional to the definition of the dossier that will support price & reimbursement negotiations with each EU Member State.

NGR-hTNF

Regarding NGR-hTNF's industrial development, in the second quarter 2016 the manufacturing process was optimised. This phase was a necessary step to proceed with the validation of the manufacturing process for

[1] Source: 2014 market data reported by 2016 EBMT registry.

the market, and the result represents a key achievement, essential to file a fast track request for the marketing in the EU and/or US for the treatment of pleural mesothelioma in second-line in patients with more severe prognosis. With regard to this authorisation process, non-binding consultations were held in June with the European regulatory authorities, in order to assess the eligibility of NGR-hTNF for a conditional marketing authorisation request.

CAR CD44v6

In the first half-year 2016, MolMed pursued research and development activities on the CAR CD44v6 project. In particular, the packaging clone that will be used for the vector production in forthcoming clinical trials was identified. In addition, five murine tumour models expressing the CD44v6 antigen were generated, and the first *in vivo* treatments were started.

Development and GMP production activities

In the first half-year 2016 MolMed completed the new GMP production facility located at the Open Zone science park in Bresso (Milan), and started activities required for the authorisation process. The first authorisations are gradually expected by the end of 2016. Thanks to the significant increase in its production capacity, today MolMed believes that it will be able to meet treatment of Zalmoxis's patients and satisfy demand generated by agreements entered into with biotech and big pharma companies.

In this regard, it is worth mentioning that on May 28, 2016 the European Commission granted marketing authorisation for Strimvelis®, GlaxoSmithKline's *ex vivo* stem cell-based gene therapy for patients affected by the rare disease ADA-SCID (Adenosine Deaminase Deficiency – Severe Combined Immune Deficiency), for whom no suitable human leukocyte antigen (HLA)-matched related stem cell donor is available. MolMed, which provided the manufacturing process, the development and validation of the analytical methods as well as the drug product supply used for compassionate treatment of patients, will also produce Strimvelis for the market following the agreement signed in March 2015 and AIFA's authorisation received in December last year. In Europe, ADA-SCID affects an estimated 15 children per year. Following agreement on pricing and reimbursement in Italy, patients found eligible for Strimvelis by individual physicians will be able to receive the gene therapy at the San Raffaele hospital in Milan.

Finally, in the first half-year 2016 MolMed and Oxford BioMedica reviewed and expanded the existing license agreements' framework. In particular, they signed a new non-exclusive licence agreement on a lentiviral vector technology and, considering recent expiration of relevant patents, terminated the existing exclusive licence agreement on retroviral patents. As a result of this agreement settlement, MolMed owes no outstanding royalties to Oxford BioMedica while keep using the above mentioned technology, in the ongoing development and potential commercialization of Zalmoxis.

Business Development activities

In the first half-year 2016, MolMed revised existing agreements related to the development of its proprietary pipeline and entered into new development and production agreements with third parties.

Regarding the former, MolMed terminated the agreement on Zalmoxis signed with Takara Bio Inc. in 2003, as the Japanese company did not produce the results planned by MolMed for the development and commercialisation of the TK therapy in Asian countries. Pursuant to the terms of the termination agreement, MolMed regained all commercial rights of Zalmoxis in Asian territories that can be transferred to third parties with no outstanding obligations to Takara. Takara owes no outstanding royalties and any payments received

By MolMed under the agreements prior to termination date, shall not be reimbursable. Following the termination, MolMed promptly started looking for a new partner that can contribute to the successful clinical development and commercialisation of Zalmoxis in Asia.

As to strengthening of partnerships for third party development and production, a multi-year agreement for a new industrial collaboration to develop and manufacture a gene therapy for the treatment of multiple myeloma was signed with Genenta Science. In accordance with this agreement, MolMed will develop and validate the manufacturing and analytical methods that constitute part of the preparatory activities to start a clinical trial with the Genenta product. Furthermore, MolMed will support Genenta in filing the application dossier required for the authorisation to proceed with trials. The agreement also foresees that MolMed will exclusively support Genenta in manufacturing the product for all the clinical trial phases, in which the gene therapy for multiple myeloma will be investigated.

In parallel to the contracts mentioned above, the Company is pursuing its commitment both in the search for new partners and customers, and in the execution of feasibility studies, with the aim of further increasing the number of its collaborations.

Other events occurred in the first half-year 2016

Organisation structure optimisation and further corporate governance strengthening

In the first quarter 2016, MolMed's Board of Directors approved the establishment of a nomination committee and the renewal of the Company's organisation structure.
Regarding corporate governance, a nomination committee was established - unified with the remuneration committee – composed by a majority of independent directors, with an advisory and proposing role to the Board of Directors about the optimal composition of the Board itself. The renewal of the organisation provided for the establishment of a single general manager office, held by Gian Paolo Rizzardi, and for the deletion of the office of General Manager Corporate Governance & Administration, whose main functions now directly report to the CEO.

Approval of the statutory financial statements for FY 2015 and appointment of the new corporate bodies

On April 18, 2016, the shareholders' meeting approved the statutory financial statements for year 2015 and appointed the members of the Board of Directors and of the Board of Statutory Auditors, confirming Professor Claudio Bordignon as Chairman of the Board of Directors.

The newly appointed Board of Directors, met after the shareholders' meeting, confirmed Riccardo Palmisano as Chief Executive Officer and appointed the members of the Board's internal committees. The new Board of Directors, in compliance with applicable legislation on "gender quotas" and number of independent Directors, is composed as follows: Claudio Bordignon (Chairman), Riccardo Palmisano (CEO), Alfredo Messina, Alberto Luigi Carletti, Laura Iris Ferro (independent), Sabina Grossi, Carlo Incerti (independent), Elizabeth Robinson (independent), Mario Masciocchi (independent), Didier Trono (independent), Raffaella Ruggiero (independent).

The composition of the new Board of Directors, which will hold office for the next three years, confirmed Directors who supported the Company in years key to its development, supplementing it with the inclusion of new competencies brought by the new members, all of whom are endowed with significant international and complementary experience from different fields of the biopharma world. Such composition will provide a perfect mix to support and guide the Company as it prepares to face the new and exciting challenges that lie ahead

in the next three years of this Board's mandate.

Finally, the new Board of Directors appointed Ezio Simonelli as sole member of MolMed's new monocratic supervisory body, which will hold office until the date of shareholders' meeting called to approve the financial statements for fiscal year 2018.

3. Other information

Grants and other financial support

In its particular area of activity, MolMed takes advantage of the benefits resulting from European, national or regional subsidised loans intended to support and encourage innovation.

In the first half-year 2016, MolMed has been a strategic partner in two projects co-financed by the European Union under the scope of the Seventh Research & Development Framework Programme, working as a team with various international research organisations. In the projects, named "SUPERSIST" and "CELL-PID", MolMed is involved in some development and production activities aimed at the investigation of highly innovative therapies, as well as in some activities involving the exchange and training of highly specialised staff.

In particular, the "CELL-PID" project ended on April 30, 2016, so that - at the date of this report - "SUPERSIST" is the only project under the scope of the grants of the Seventh Framework Programme. The project, officially launched in May 2013, has a duration of 42 months and, in addition to MolMed, involves four national and international partners. The total amount of the grant awarded by the European Union to the project is approximately Euro 6 million and corresponds to 75% of the total expected cost of the project. The contribution to which MolMed is entitled, following a budget review, is approximately Euro 2.4 million.

Direction and coordination activities

The Company is not subject to direction and coordination activities pursuant to art. 2497 of the Italian Civil Code.

Please note that:

- information required by Article 123-bis, paragraph 1, letter i) of the Italian consolidated law on finance (TUF), *"agreements between the company and the Directors which provide for compensation in case of resignation or dismissal without just cause or if their employment is terminated due to a tender offer purchase"* is included in the remuneration report published pursuant to art. 123-ter of the TUF;
- information required by article 123-bis, paragraph 1, letter l) of the TUF, *"rules governing the replacement of Directors and the amendment of the corporate bylaws, if different from supplemen\tary applicable laws and regulations"* is reported within the chapter devoted to the Board of Directors (Chapter 4.1) of the report on corporate governance.

Own shares

The Company does not own, either directly or indirectly, any MolMed shares; in the first half-year 2016, no acquisitions or sales of such shares occurred.

4. Main risks to which the Company is exposed

Risks associated with external factors

Risks associated with products in the clinical development stage

The Company has still not completed the development of its experimental products that are currently at the clinical trial stage, in particular Zalmoxis®, for which were obtained, respectively on June 24 and on July 1st 2016, as better described above, positive CHMP opinion recommending conditional marketing authorisation and positive COMP opinion on the orphan drug designation, and NGR-hTNF. In regard to the experimental products TK and NGR-hTNF, which have the highest revenue prospects, no guarantee can be provided that the Company will successfully complete clinical trial.
The experimental products which are being developed by the Company could still prove to be ineffective or cause side effects during clinical trials and may not receive the necessary approvals from the competent authorities or may not obtain such approvals promptly enough to sell the products. In addition, it might happen that the non-randomized Phase II trials, which were successfully completed, do not provide the same positive results in subsequent stages of development. Moreover, clinical trials may be suspended at any time by the Company, or by the competent authorities in the interest of the patients' health. Even after approval by the competent authorities, a product might prove to be unsafe or not to have the expected effects (for example, side effects might emerge after the product is sold on the market or the product's real effectiveness may be lower than that emerging in the experimental stages), or, in any case, it might not be accepted by the market (which might prefer rival products) or, generally, for other reasons which are beyond the Company's control, thus preventing the product's use on a wide scale or forcing the Company to withdraw it from the market. Should the Company not be able to timely complete the development programs and clinical trials for its products, its business and financial position, results of operations, and cash flows could be negatively affected.

Risks associated with strong competition

The biotechnology and pharmaceutical product markets are characterized by significant competition. This is especially true in the field of oncology. The Company may face competition from pharmaceutical multinationals and often larger companies that can take advantage of economies of scale, and can more effectively and timely develop their products. Both during the development and the product sales stage, the Company also faces competition from current and potential competitors benefitting from higher financial resources, investment budget and better capacity to acquire (in-license) new products and technologies.

Moreover, the Company is in competition with companies of similar size and operations to sign out-licensing agreements or partnerships with other biopharmaceutical companies. In the future, these competitors might be able to develop safer, more effective or cheaper products than those developed by MolMed. In addition, these companies might be more effective at producing and selling their own products, thanks to resources of their own or of their licensors and/or licensees. The level of competition in the reference market and the presence of organized and larger competitors might therefore cause a loss of market share in the future, with a consequent negative impact on the Company's competitive position and a drop in expected revenue and profit.

Such circumstances might limit the Company's chances of competing on the market, with potential negative effects on its financial position, results of operations, and cash flows.

Risks associated with sector regulations

The Company's activities are subject to strict international, EU and Italian regulations. The Ministry of Health in Italy, the European Medicines Agency (EMA) in Europe, the Food and Drug Administration (FDA) in the United States, and similar institutions in other countries, impose restrictions on the production and sale of therapeutic products, which, together with the complex and lengthy authorization process, may cause significant delays, both in the launch of future trials, and in the sale of the Company's products.

Moreover, the authorized sale of a product in a particular country does not ensure that the product will be authorized in other countries, but it may need to be further tested, thus involving the use of other significant resources. In addition, the subsequent identification of previously unknown problems or failure to comply with applicable regulations, might lead to restrictions on the sale of the products, the withdrawal of the authorization or the withdrawal of the products from the market, as well as the application of sanctions. Furthermore, regulatory changes may delay the production and/or trial process, with a consequent increase in the costs incurred by the Company.

Should these circumstances occur in the future, the Company's business and its financial position, result of operations and cash flows could be negatively affected.

Strategic and operating risks

Risks associated with research, clinical and preclinical trials, and production

The Company undertakes research, preclinical and clinical trials on its products as well as production activities both directly and through third parties on the basis of cooperation agreements (with entities, institutions and companies operating in the medical biotechnology industry). The Company's strategy involves maintaining the current cooperation and possibly signing other agreements to develop these products with third parties, to perform a number of clinical trials and any subsequent drug production.

In addition, despite there are numerous companies specializing in the sector and the Company is not contractually bound, it may happen that third parties appointed to carry out research, preclinical and clinical trials, and production activities on behalf of the Company do not fulfill their obligations in whole or in part or in an appropriate manner or do not meet the deadlines required or do not comply with the quality standards requested by the Company. Should such circumstances occur, the preclinical and clinical trials could be delayed or it may become necessary to replace the third party that had been appointed.

Should these circumstances occur in the future, they could have negative effects on the Company's business and financial position, results of operations, and cash flows.

Risks associated with the protection of intellectual property rights and industrial secrets

MolMed is committed to protecting intellectual property and actively seeks to protect its inventions through international patents, when appropriate. In addition, MolMed also actively protects its industrial secrets, including those relating to the production of biologically active products. The effectiveness of this intellectual property protection policy is essential for the success of the Company's business. In this regard, it should be noted that it is not possible for the Company to ensure it will be able to develop new patentable products or processes, or that currently pending or future patent applications will be accepted, or that the validity of a Company's patent is not challenged or that a patent becomes invalid, or, finally, that it acquires the right to use third-party patents which are necessary to carry out its business at arm's length. In addition, exclusive rights conferred by a patent might not be sufficiently comprehensive in terms of scope or geographical area, and/or its duration might not be long enough for its purposes. Moreover, patent applications are usually published 18

months after the filing date; therefore, it is impossible to rule out the possibility of the same invention being already developed by others who had previously filed the patent application.

In addition, the Company relies on proprietary and non-patented technologies, processes, know-how and data considered as industrial secrets and protected under confidentiality agreements entered into with its employees, consultants and a number of counterparties, including third-party manufacturers. In this regard, it should be noted that it is not possible to ensure: (i) that such agreements or measures aimed at protecting industrial secrets will, in fact, provide adequate protection, or that such agreements will not be breached; (ii) that the Company can effectively enforce remedies in the event of any breach of contract; or (iii) that the industrial secrets of the Company will not become known to the public or will not be developed by competitors.

Finally, it should be noted that the protection of intellectual or industrial property or exclusive rights is normally very complex and often leads to legal disputes on ownership. Therefore, during its sales and research and development activities, the Company could be involved in disputes on breach of third-party intellectual or industrial property rights, or could be forced to take legal action against third parties to protect its own rights. Any claims and/or disputes for breach of patent and/or other intellectual or industrial property rights – filed by the Company or against it – could entail significant legal expense, limits or a ban on the use of the products involved in the dispute and/or lead to the payment of milestones and royalties.

Should these circumstances occur in the future, they could have negative effects on the Company's business and financial position, results of operations, and cash flows.

Risks associated with license and supply agreements

As part of its operations, the Company has entered into several license agreements with different companies (including biotechnology and pharmaceutical companies, universities and research institutes) to acquire rights over a range of technologies, patents and manufacturing and supply processes for the development and future sale of its own products as well as for the purchase of equipment for its own research and business activities. Should MolMed not be able to maintain the current contract conditions and/or sign new license and/or supply agreements at suitable conditions, or should the Company’s suppliers not be able to provide MolMed with the equipment needed to perform its research and business activities, the Company's business and financial position, results of operations, and cash flows could be negatively affected.

Risks associated with reliance on key personnel

The Company heavily depends on the professional contribution of key scientific and managerial staff and, especially, on the Chairman, on Mr. Claudio Bordignon, on and Chief Executive Officer Mr. Riccardo Palmisano, on the Director and General Manager, Mr. G. Paolo Rizzardi and on the Director and Business Development & Strategic Affairs Manager, Mr. Germano Carganico who have been actively contributing to the Company’s growth and to the development of its strategies. Should MolMed lose any of the key personnel, there would be no assurance that the Company can promptly find adequate substitutes with the same operational and professional skills.

In addition, the development and future sale of new products will largely depend on the Company’s ability to attract and retain its highly qualified scientific staff and other senior personnel, also in light of the intense recruitment competition by biotech and pharmaceutical companies, universities and research institutes. Moreover, the Company’s ongoing expansion in areas and activities which require greater know-how (for example in commercial development and marketing) will make it necessary to recruit managerial and technical staff with a range of competences.

The loss of any of the Company's key personnel, or the Company's failure to recruit, successfully integrate or retain qualified scientific staff or other senior personnel, could have an adverse effect on its business, and financial position, results of operations, and cash flows.

Risks associated with operations and production capacity of the GMP manufacturing facility and the laboratories

MolMed owns a GMP manufacturing facility formally authorized by the Italian Medicines Agency (AIFA), for the production of genetically modified cell therapy products to be used in clinical trials. Besides supplying TK cell therapy for its own clinical trials, at the GMP facility MolMed provides cell therapy services to selected customers or partners. In addition, MolMed performs research and development activities in its own laboratories.

This facility is subject to operating risks, such as breakdowns or delays in manufacturing processes, equipment failure or malfunction, crashes, delays in the supply of raw materials, strikes, natural disasters, the risk of the authorizations being revoked, new regulatory measures or environmental regulations, including the risk that the facility be non-compliant with GMP regulations, that may prevent the Company from performing its research and development activities and treating patients as part of clinical trials, and promptly processing its customers' orders. In addition, although the Company has taken out relevant insurance, the negative impact of such events might not be fully covered by the policies that the Company has entered into or may exceed the indemnity limits. Should these circumstances occur in the future, they could have negative effects on the Company's business and financial position, results of operations, and cash flows.

The Company's GMP facility is adequate for its current production needs and the business plans provide for an increase in the production capacity aimed at both supporting patients being treated with the TK cell therapy so that the Phase III trial can continue and the product will be able to be sold in the future, and at intensifying the development and production activities for new gene and cell therapy treatments on behalf of third parties. However, should the Company increase the number of products under development in the future or should it be necessary to produce greater quantities of existing products, the facility production capacity might reach saturation point, with consequent possible delays in the clinical trial process and/or in the product time-to-market. The Company constantly monitors this risk and has mitigated it by expanding its facilities and production capacity in the new Bresso premises – additional to the current registered offices in Milan (via Olgettina).

This risk is mitigated through the lease of laboratories in Bresso, as detailed in the Notes.

Risks associated with civil liability related to product trials, production and sale

The Company has never been involved in legal action for its trial activities. Nonetheless, the Company is exposed to civil liability risks related to its current and future clinical trials, production and sale of therapeutic products for human use. Despite it has taken out specific insurance, in keeping with market practice and in compliance with the current regulations, with indemnity limits which are deemed adequate for its trial activities, should the Company face legal proceedings, be liable for compensation, and be forced to pay damages exceeding the indemnity limits provided for by its insurance policies, it could be required to directly cover the relevant costs.

The Company signs specific contracts with the Italian and foreign clinical centers at which trials are carried out. Although the Company, in line with industry regulations, has taken out insurance for the trials performed at these clinics, it is exposed to the risk of claims by the clinics and their insurers. In addition, contracts signed with clinics and testing facilities generally exclude the Company's liability if the clinical protocol is not complied

with. However, should the clinical or testing facilities deviate from the clinical protocols, the Company could be exposed to the risk of being involved in compensation suits and claims and be sentenced to pay compensation for any damage caused to third parties.

Should these circumstances occur in the future, the Company's business and its financial position, result of operations and cash flows could be negatively affected.

Risks associated with the use of dangerous materials and the breach of regulations on environment and health protection

In its research and development activities, the Company uses dangerous materials and chemical and biological substances requiring special disposal systems which must be set up in compliance with specific legislative and regulatory provisions on environment, health and safety at workplaces. In this regard it should be noted that, although the safety procedures adopted by the Company for the handling and disposal of such materials are considered to be suitable to avoid or reduce the risks of accidental contamination or workplace injuries, it is impossible to exclude that these events will occur in the future and the Company will be required to pay compensation for any damage caused as a consequence of its operations. Should these circumstances occur in the future, the Company's business and its financial position, result of operations and cash flows could be negatively affected.

Financial risks

Risks associated with funding for research and development activities

The financial risk that the Company could be subject to is the failure to obtain adequate financial resources necessary for its operations.

As is common knowledge, the Company's business model, typical of biotech companies developing new therapeutic products and having no product on the market, features negative cash flows. This is due to the fact that at this stage costs must be borne in relation to the testing and development of investigational new drugs, and return is not certain and in any case it is expected in forthcoming years.

The Company is also subject to some uncertainties associated with the sector in which it operates (notably the current product trial stage) regarding both the results that it may effectively achieve, and the relevant methods and timings.

Based on the accounting policies adopted, requiring full recognition of research and development costs in the Income Statement of the year they are incurred, the Company has always reported a loss since its incorporation. In particular, the loss for the first half of the year 2016 was 8,379 thousand Euro, improved by 2,829 thousand Euro from the 11,208 thousand Euro loss recorded in the prior-year period. This performance is a result of higher revenues from third parties offset by research and development costs incurred as provided for by the business plan.

During the first half of 2016 is also important to point out in particular that:

- on June 24, the *Committee for Medicinal Products for Human Use* (CHMP), of the European Medicines Agency (EMA), in conjunction with the Committee for Advanced Therapies (CAT), has issued a positive opinion recommending conditional marketing authorisation for Zalmoxis;
- has been completed the new facility at the Open Zone science park in Bresso (Milan) and the facility's authorisation process was formally opened, following which the first authorisations of the facility's

production activities are expected from AIFA by the end of the year;

- thanks to the significant increase in its production capacity, today MolMed believes that it will be able to support the treatment of patients with Zalmoxis® and also to satisfy demand generated by the partnerships agreements entered into with biotech and big pharma companies.

The new 2016-2018 business plan, updated in light of results and the events for the first six months of 2016 and approved by the Board of Directors in July 2016, assumes a fully operational development context and foresees the following activities over the 2016-2018 period:

- continuing the clinical and industrial development of the main experimental products;
- pursuing operations and investments aimed at boosting production capacity;

Based on the above and on the analysis of future cash flows projected by the 2016-2018 business plan, the Company deems that the financial means and equity available can guarantee enough resources to continue its business operations for a foreseeable future of at least 12 months from the date of this Report. As at today, no significant uncertainties were reported on the Company's ability to continue as a going concern.

Although the financial position as at the date of this Report can guarantee enough resources for the Company to continue its operations in the foreseeable future of at least 12 months from the date of this Report, it cannot be ruled out that in the future the Company, even before it completes the clinical development of its products, may require additional financial resources,to be collected through venture capital or debt financing, or by entering into further cooperation agreements, sponsored research, or other means.

In fact, it should be noted that it is impossible to guarantee that further funds will be available or, if found, will be provided at satisfactory conditions for the Company. In particular, the loan agreements could include obligations such as financial and non-financial covenants that could result in restrictions to the Company's operational flexibility. Should sufficient funds not be available, the Company's activity could be negatively influenced and it could be compelled to delay, reorganize or cancel research and development programs, to enter into loan agreements, licensing or cooperation agreements under unfavorable terms or waive rights on certain products that it would not otherwise waive.

Should these circumstances occur in the future, they could have negative effects on the Company's business and financial position, results of operations, and cash flows.

Currency and interest rate risk

At June 30, 2016, the Company did not have significant exposure to currency fluctuations, because there were no significant receivables or payables in a currency other than the Euro, nor were there any financial instruments subject to currency risk.

The Company has no significant financial payables or receivables. Interest rate risk exclusively concerns financial instruments used to manage liquidity such as bank accounts, government bonds, corporate bonds, repurchase agreements and other short-/medium-term cash instruments.

Further information on risk management is provided in the Notes to which reference should be made.

5. Economic and financial data

Income results

(amounts in Euro thousand)	1st half 2016	1st half 2015	change	% change
Revenues	8,681	6,888	1,793	26.0%
Other revenue	1,540	286	1,254	438.5%
Total operating revenues	**10,221**	**7,174**	**3,047**	**42.5%**
Purchases of raw materials and consumables	2,289	1,916	373	19.5%
Costs for services	8,850	10,408	(1,558)	(15.0%)
Costs for use of third-party assets	705	682	23	3.4%
Personnel costs	6,031	4,954	1,077	21.7%
Other operating costs	97	55	42	76.4%
Amortization and depreciation	485	258	227	87.8%
Total operating costs	**18,457**	**18,273**	**184**	**1.0%**
Operating result	**(8,236)**	**(11,099)**	**2,863**	**25.8%**
Financial income	82	47	35	74.5%
Financial charges	(225)	(156)	69	44.2%
Net financial income (charges)	**(143)**	**(109)**	**(34)**	**(31.2%)**
Pre-tax result	**(8,379)**	**(11,208)**	**2,829**	**25.2%**
Income taxes	-	-		
Profit (loss) for the period	**(8,379)**	**(11,208)**	**2,829**	**25.2%**

Operating revenues

Operating revenues in the first half of 2016 totalled 10,221 thousand Euro, up by +42.5% compared to the first half of 2015 (7,174 thousand Euro). More specifically, revenues from activities carried out on behalf of third parties increased from 6,888 thousand Euro in the first half of 2015 to 8,681 thousand Euro in the first half of 2016 (+26.0%) thanks to intensified GMP development and production activities both in favour of GlaxoSmithKline as well as for new customers. In particular, according to the agreement signed with GSK on 19 March 2015, MolMed will provide its expertise in process development as well as the manufacturing capabilities and competences for the production of viral vectors as well as cell transduction. MolMed will receive a minimum of 34 million Euro in upfront and milestone payments as well as services until 2020. Development and production of new gene and cell therapy treatments carried out on behalf of third parties are consolidating the company's technological leadership in this field.

Other income in the amount of 1,540 thousand Euro recorded as operating revenues, primarily includes contributions for research and development activities granted based on the Company's participation in public initiatives for subsidised loans amounting to 1,132 thousand Euro and income relating to the research and development tax credit recorded in accordance with the Ministerial Decree of 27 May 2015 implementing Law no. 190 of 23 December 2014 (Stability Law 2015) for an amount of approximately 406 thousand Euro. Proceeds from the tax credits in question, amounting to 2,397 thousand Euro, have already been accounted for in 2015. The portion recorded as revenues in the first quarter of 2016 is an adjustment determined based on the Official Memorandum 5/E issued by the Italian Revenue Agency on 16 March 2016. The above-mentioned document clarified and explored certain aspects relating to the calculation of the contribution in question.

Operating costs

Operating costs amounted to 18,457 thousand Euro in the first half of 2016, increasing by 184 thousand Euro (+1.0%) with respect to the prior-year period (18,273 thousand Euro).

The variance is primarily due to:

- a decrease in service costs for 1,558 thousand Euro (-15.0%). This decrease is primarily due to reduction of external development costs attributable to the acquisition in the first half of 2015 of the CAR-CD44v6 research project, partially offset by increased external development costs incurred in relation to activities carried on behalf of third parties, in relation to the continuation of the SUPERSIST project and to the industrial development of one of the products in the pipeline (NGR-hTNF);
- an increase in personnel costs for 1,077 thousand Euro (+21.7%). The rise is linked to the increase in the number of employees with operative roles within the structure;
- an increase in the purchase of raw materials and consumables for 373 thousand Euro (+19.5%). This variation is mainly due to increase in GMP development and production activities carried out on behalf third parties;
- an increase in amortisation, depreciation and write-downs for 227 thousand Euro (+87.8%). The increase is attributable to the beginning of the amortization period at full capacity of the assets of the Bresso facility.

Operating result

When compared with the prior-year period, the Operating result for the first half of 2016 showed a positive variation of 25.8%. The operating loss in fact amounted to 8,236 thousand Euro, 2,863 thousand Euro less than losses registered in the same period in 2015 (11,099 thousand Euro).
This increase is primarily due to the significant increase in operating revenues, which, as previously reported, recorded an increase of 42.5% in the first half of 2016 compared to the first half of 2015. Moreover, the Income Statement for the first half of 2016 was influenced by the purchase cost of the CAR-T project.

MolMed's financials are peculiar to the business model of biotech companies developing new therapeutic products and having no product on the market. At this stage significant costs must be borne, in relation to the testing and development of investigational new drugs, and return is expected in forthcoming years.

Based on the Company's operations and the characteristics of the trials performed, research and development costs are fully expensed as incurred.

Net financial income (charges)

The Company's financial activities generated a negative balance of 143 thousand Euro, with a decrease of 37 thousand Euro on the prior-year period, mainly due to the impact of exchange losses.

Financial income recorded an increase of 74.5%, from 47 thousand Euro as at 30 June 2015 to 82 thousand Euro as at 30 June 2016. The increase mainly arose from management of the Company's cash resources through temporary low-risk investments. The result also includes an amount equal to 23 thousand Euro attributable to foreign exchange gains.

Financial charges, amounting to 225 thousand Euro in the first half of 2016, increased (+44.2%) compared to the prior-year period. The increase during the period in question is primarily attributable to foreign exchange losses and to expenses related to the transfer without recourse of the 2015 VAT tax credit on 16 June 2016 to a leading Italian bank (please refer to the **Notes** to this Report for additional details on this transaction).

Profit (loss) for the year

For the effect of the above described, the result for the first half of 2016 shows a loss of 8,379 thousand Euro compared to a loss of 11,208 thousand Euro in the first half of 2015.

Equity and financial results

The following table shows the Company's equity and financial results, reclassified based on sources and uses of funds:

(amounts Euro thousand)	June 30, 2016	December 31, 2015
Non-current assets		
Fixed assets and other non-current assets	13,510	15,688
Total non-current assets	**13,510**	**15,688**
Net working capital		
Inventories	1,088	794
Trade receivables and other commercial assets	2,480	5,632
Tax receivables	1,358	3,257
Other receivables and current assets	3,015	1,576
Trade payables	(10,003)	(13,559)
Other liabilities	(4,559)	(5,287)
Total net working capital	**(6,621)**	**(7,587)**
Non-current liabilities		
Other non-current liabilities	(5,493)	(6,110)
Total non-current liabilities	**(5,493)**	**(6,110)**
TOTAL USES	**1,396**	**1,991**
Shareholders' equity	**23,563**	**31,929**
Net financial position	**22,167**	**29,938**
TOTAL SOURCES	**1,396**	**1,991**

Non-current assets

Non-current assets as at 30 June 2016 and 31 December 2015 are detailed in the table below:

(amounts Euro thousands)	June 30, 2016	December 31, 2015	change	% change
Tangible assets	11,364	11,138	226	2.0%
Goodwill	77	77	-	0.0%
Intangible assets	358	304	54	17.8%
Financial assets	211	212	(1)	0.0%
Tax receivables	-	2,457	(2,457)	(100.0%)
Other assets	1,500	1,500	-	0.0%
Total non-current assets	**13,510**	**15,688**	**(2,178)**	**(13.9%)**

Non-current assets amounted to 13,510 thousand Euro as at 30 June 2016.

The increase in tangible assets is due to the investments made in the first half of 2016, essentially relating to renovation work at the new Bresso facility and, to a lower extent, to routine replacement of laboratory equipment and the purchase of new machinery to be used in the production process, as well as to maintenance and improvement work on the GMP facility. It is specified that the new facility has been completed, but is not jet operating, the facility's authorisation process was formally opened, following which the first authorisations of the facility's production activities are expected by the end of the year.

The increase in Intangible assets for a gross amount of 73 thousand Euro is primarily due to the purchase of software for the management of laboratory equipment for the new facility.

Tax receivables, which as at 30 June 2016 amount to zero, showed a decrease of 2,457 thousand Euro compared to 31 December 2015. The aforementioned decrease is due to lower VAT credits object of a transfer without recourse to a leading Italian bank, on 16 June 2016.

Other non-current assets include an advance on future rents of 1,500 thousand Euro to the owners of the property located in the "Open Zone" scientific park in Bresso (Milan) that belongs to the Zambon chemical-pharmaceutical group. Further details are provided in the **Notes**.

Investments made in the first half of 2016 amounted to 933 thousand Euro.

For further information related to Non-Current Assets please refer to **Notes**.

Net working capital

Net working capital as at 30 June 2016 and 31 December 2015 is broken down as follows:

(amounts Euro thousand)	June 30, 2016	December 31, 2015	change	% change
Inventories	1,088	794	294	37.0%
Trade receivables and other commercial assets	2,480	5,632	(3,152)	(56.0%)
Tax receivables	1,358	3,257	(1,899)	(58.3%)
Other receivables and current assets	3,015	1,576	1,439	91.3%
Trade payables	(10,003)	(13,559)	3,556	26.2%
Other liabilities	(4,559)	(5,287)	728	13.8%
Total net working capital	**(6,621)**	**(7,587)**	**966**	**12.7%**

Net working capital as at 30 June 2016 was negative to the tune of 6,621 thousand Euro, point out a variation of 966 thousand Euro compared to 31 December 2015 (negative to the tune of 7,587 thousand Euro).

The increase in trade receivables, which amounted to 3,152 thousand Euro (-56.0%), from 5,632 thousand Euro at the end of the previous year to 2,480 thousand Euro at the end of the period under review, was a result of normal commercial invoicing dynamics.

The variation of current tax credits in the amount of 1,899 Euro (-58.3%) is related to the combined effect of the decrease, amounting to 2,397 thousand Euro, of the research and development tax credit in accordance with the Ministerial Decree of 27 May 2015 implementing Law no. 190 of 23 December 2014 (Stability Law 2015), following its use as compensation during the first six months of the year and the increase of the current VAT credit, from 700 thousand Euro as at 31 December 2015 to 1,191 thousand Euro as at 30 June 2016.

The increase in Other receivables and current assets is primarily due to the increase of credits relating to contributions accrued for projects arising from European funding initiatives, amounting to 1,439 thousand Euro (+91.3%).

The decrease in Trade payables amounting to 3,556 thousand Euro, from 13,559 thousand Euro as at 31 December 2015 to 10,003 thousand Euro as at 30 June 2016, is primarily due to:

- a decrease in trade payables amounting to Euro 1,083 thousand Euro. This decrease is related to commercial billing dynamics.
- a decrease in deferred income amounting to 2,319 thousand Euro recognised against the agreement signed with GSK on 19 March 2015. This deferred income was recorded against the upfront and advances recognised in the Income Statement respectively for the duration of the agreement and at the time the service is actually rendered. As already pointed out, pursuant to the aforementioned agreement, Company's revenues are expected to reach a minimum amount of 34 million Euro over the 5 years following the execution of the agreement.

Non-current liabilities

The table below describes the items included under non-current liabilities:

(amounts Euro thousand)	June 30, 2016	December 31, 2015	change	% change
Liabilities for pensions and employee severance indemnity (TFR)	145	197	(52)	(26.6%)
Trade payables	2,200	2,600	(400)	(15.4%)
Other liabilities	3,148	3,313	(164)	(5.0%)
Total non-current liabilities	**5,493**	**6,110**	**(617)**	**(10.1%)**

Non-current liabilities suffered a decrease of 617 thousand Euro (-10.1%), from 6,110 thousand Euro as at 31 December 2015 to 5,493 thousand Euro as at 30 June 2016, primarily due to the decrease in Non-current trade payables amounting to 400 thousand Euro. This decrease relates to the reclassification to short-term debts of the deferred up-front income share recognised by GSK under the agreement signed on 19 March 2015.

Shareholders' equity and capital transactions

Details about changes in shareholders' equity from January 1, 2015 to December 31, 2015 are provided in the table below:

(amounts in Euro thousand)	Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total shareholders' equity
Balance at Jaunary 1st 2016	**19,842**	**45,764**	**223**	**416**	**(12)**	**(13,520)**	**(20,784)**	**31,929**
Allocation of prior year result	-	-	-	-	-	(20,784)	20,784	-
Personnel costs for stock options 2012	-	-	-	14	-	-	-	14
Other variations - stock options, Plan 2012	-	-	-	(208)	-	208	-	-
Profit (loss) for the period	-	-	-	-	(1)	-	(8,379)	(8,380)
Balance at June, 30 2016	**19,842**	**45,764**	**223**	**222**	**(13)**	**(34,096)**	**(8,379)**	**23,563**

Further details about changes in shareholders' equity are provided in the Notes.

Net financial position

(amounts Euro thousand)	June 30, 2016	December 31, 2015
Cash on hand	16	14
Other cash	12,098	11,756
Cash equivalents	-	-
A. Total cash and cash equivalents	**12,114**	**11,770**
B. Current financial receivables and other financial assets	**10,053**	**18,168**
Finance lease payables	-	-
Current financial Debts	-	-
C. Current financial debt	-	-
D. Net current financial position (A+B+C)	**22,167**	**29,938**
Finance lease payables	-	-
Non current financial Debts	-	-
E. Non-current financial debt	-	-
F. Net financial position (D+E)	**22,167**	**29,938**

Net financial position was positive to the tune of 22,167 thousand Euro as at 30 June 2016. It only consists of cash and cash equivalents and current financial receivables (time deposit), since no financial debt is recognized.

6. Significant events occurred after the first half-year 2016

No significant events occurred after the closure of the first half-year 2016 other than what already reported in the previous paragraphs of this report.

7. Business outlook

Considering events occurred in the first half of 2016, the Company plans to continue clinical and industrial development of main investigational products, and preparatory market access activities for its proprietary product, as well as continue investments aimed at significantly increasing the production capacity dedicated to the development and production of both proprietary cell and gene products and for third parties.

In particular, with regard to proprietary products, following CHMP's and COMP's positive opinion on Zalmoxis, the Company will intensify activities preparatory to market access (both directly and through distributors/dealers) and evaluate the interest of potential partners in in-licensing Zalmoxis and market it in Europe, with which interactions and negotiations started.

As for NGR-hTNF, following optimisation of the manufacturing process, fundamental in order to proceed with its validation for the market, and the outcome of the non-binding consultations held in June with the European regulatory authorities, added to the clinical data obtained so far, on evolutionary trends in the specific clinical area at an international level, and taking into account potential industrial partners' feedback, in 2016 activities will continue as follows: the opportunity to begin the submission process of a CMA request with the EMA (European Medicines Agency) and an Accelerated Approval with the FDA (Food and Drug Administration) for the treatment of pleural mesothelioma in second-line in patients with poor prognosis will be concretely evaluated; at the same time, once the place in therapy of the product has been reviewed and potential industrial partners' feedback analysed, the search for an industrial partner for product development will continue and

therapeutic indications considered more promising on the basis of results already obtained from randomized Phase II clinical trials, and of specific unmet therapeutic needs, as indicated by clinicians and the market, will be considered first; in parallel, the industrial development of the product aimed at the validation of the production process will continue.

Finally, taking advantage of its established development expertise, the Company intends to invest on research and pre-clinical development of the CAR project, acquired in 2015, in order to enhance its distinctive specificity.

With regard to development and contract manufacturing activities, supported by results collected so far, efforts to identify new industrial partners and signing of new service contracts will continue.

In this perspective, following interactions with AIFA occurred in the first half of 2016, the first authorisations for manufacturing activities in the new facility in Bresso are gradually expected by the end of the year.

Financial Statement at June 30, 2016

1. Statement of financial position

(amounts in Euro thousand)		June 30, 2016	December 31, 2015
ASSETS			
Tangible assets	1	11,364	11,138
Goodwill	2	77	77
Intangible assets	2	358	304
Financial assets	3	211	212
Tax receivables	4	-	2,457
Other assets	5	1,500	1,500
TOTAL NON-CURRENT ASSETS		**13,510**	**15,688**
Inventories	6	1,088	794
Trade receivables and other commercial assets	7	2,480	5,632
Tax receivables	8	1,358	3,257
Other receivables and sundry assets	9	3,015	1,576
Other financial assets	10	10,053	18,168
Cash and cash equivalents	11	12,114	11,770
TOTAL CURRENT ASSETS		**30,108**	**41,197**
TOTAL ASSETS		**43,618**	**56,885**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Capital		19,842	19,842
Share premium reserve		45,764	45,764
Other reserves		432	627
Retained earnings (accumulated losses)		(34,096)	(13,520)
Profit (loss) for the period		(8,379)	(20,784)
TOTAL SHAREHOLDERS' EQUITY	12	**23,563**	**31,929**
Liabilities for pensions and employee severance indemnity (TFR)	13	145	197
Trade payables	14	2,200	2,600
Other liabilities	15	3,148	3,313
TOTAL NON-CURRENT LIABILITIES		**5,493**	**6,110**
Trade payables	16	10,003	13,559
Other liabilities	17	4,559	5,287
TOTAL CURRENT LIABILITIES		**14,562**	**18,846**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**43,618**	**56,885**

2. Income Statement

(amounts in Euro thousand)	Note	1st half 2016	1st half 2015
Revenues	18	8,681	6,888
Other revenue	19	1,540	286
Total operating revenues		**10,221**	**7,174**
Purchases of raw materials and consumables	20	2,289	1,916
Costs for services	21	8,850	10,408
Costs for use of third-party assets	22	705	682
Personnel costs	23	6,031	4,954
Other operating costs	24	97	55
Amortization and depreciation	25	485	258
Total operating costs		**18,457**	**18,273**
Operating result		**(8,236)**	**(11,099)**
Financial income		82	47
Financial charges		(225)	(156)
Net financial income (charges)	26	**(143)**	**(109)**
Pre-tax result		**(8,379)**	**(11,208)**
Income taxes	27	-	-
Profit (loss) for the period		**(8,379)**	**(11,208)**

3. Statement of comprehensive income

(amounts in Euro thousand)	1st half 2016	1st half 2015
Profit (loss) for the year	**(8,379)**	**(11,208)**
Other comprehensive income (not subsequently reclassified to the income statement)		
Profit (loss) actuarial	(1)	1
Other comprehensive income, net of taxes (not subsequently reclassified to the income statement)	**(1)**	**1**
Other comprehensive income (subsequently reclassified to the income statement)		
Net change in fair value of assets available for sale	-	-
Other comprehensive income, net of taxes (subsequently reclassified to the income statement)	-	-
Total comprehensive income (loss) for the period	**(8,380)**	**(11,207)**

4. *Statement of cash flow*

(amounts in Euro thousand)			1st half 2016	1st half 2015
Cash and cash equivalents			11,770	11,384
Opening cash and cash equivalents	**A**		**11,770**	**11,384**
Cash flow from operating activities:			**-**	**-**
Profit (loss) for the period			(8,379)	(11,208)
Amortization/Depreciation of intangible/tangible assets			485	258
Change in liabilities for pensions and employee severance indemnity			(51)	1
Non-cash costs for stock options			14	60
Decrease in other non current assets due to option rights			86	258
Reversal of financial income and charges			143	109
Cash flow from operating activities before changes in working capital			**(7,703)**	**(10,522)**
Changes in current assets and liabilities:			-	-
(Increase) decrease in inventories			(294)	(66)
(Increase) decrease in trade and other receivables		(*)	3,612	(4,576)
Increase (decrease) in trade and other payables		(*)	(3,555)	8,914
Increase (decrease) in other liabilities			(728)	2,266
Total changes in current assets and liabilities			**(965)**	**6,538**
(Increase) decrease in non-current tax receivables			2,457	2,557
Increase (decrease) in other liabilities			(165)	(2,133)
Increase (decrease) in trade payables non current			(400)	-
Increase (decrease) in other liabilities and TFR liquidated			-	-
Increase (decrease) in other financial assets			1	(205)
Increase (decrease) in other activities			-	107
Interest paid			(65)	(58)
Total cash flow generated (absorbed) by operating activities	**B**		**(6,840)**	**(3,717)**
Cash flow from investing activities:			**-**	**-**
Net (investment) divestment in tangible assets			(860)	(2,216)
Net (investment) divestment in intangible assets			(73)	(28)
Net (investment) in other financial assets			-	86
(investment) in other financial assets			8,000	(8,096)
Interest received			117	11
Total cash flow generated (absorbed) by investing activities	**C**		**7,184**	**(10,243)**
Cash flow from financing activities:			**-**	**-**
Increases in capital and share premium reserve			-	39,858
Shareholders' advance payment for share capital increase			-	1,552
Other Equity movemenets (share increase cost)			-	(864)
Financial Debts variation			-	-
Change in finance lease payables			-	-
Total cash flow generated (absorbed) by financing activities	**D**		**-**	**40,546**
Cash flow generated (absorbed) during the period	**E=B+C+D**		**344**	**26,586**
Closing cash and cash equivalents	**A+E**		**12,114**	**37,970**

5. *Statement of changes in equity*

(amounts in Euro thousand)	Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total shareholders' equity
Balance at Jaunary 1st 2015	**11,019**	**5,635**	**8,638**	**644**	**(19)**	**(832)**	**(13,003)**	**12,082**
Allocation of prior year result	-	-	-	-	-	(13,003)	13,003	-
Shareholders' advance payment for share capital increase	-	-	1,552	-	-	-	-	1,552
Use of Shareholders' advance payment for share capital increase	-	-	(10,145)	-	-	-	-	(10,145)
Capital increase	8,823	41,002	-	-	-	-	-	49,825
Capital increase expenses capitalized	-	(864)	-	-	-	-	-	(864)
Unsubscribed rights for share capital increase	-	-	178	-	-	-	-	178
Personnel costs for stock options 2012	-	-	-	60	-	-	-	60
Other variations - stock options, Plan 2012	-	-	-	(315)	-	315	-	-
Profit (loss) for the period	-	-	-	-	1	-	(11,208)	(11,207)
Balance at June, 30 2015	**19,842**	**45,773**	**223**	**389**	**(18)**	**(13,520)**	**(11,208)**	**41,481**

(amounts in Euro thousand)	Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total shareholders' equity
Balance at Jaunary 1st 2016	**19,842**	**45,764**	**223**	**416**	**(12)**	**(13,520)**	**(20,784)**	**31,929**
Allocation of prior year result	-	-	-	-	-	(20,784)	20,784	-
Personnel costs for stock options 2012	-	-	-	14	-	-	-	14
Other variations - stock options, Plan 2012	-	-	-	(208)	-	208	-	-
Profit (loss) for the period	-	-	-	-	(1)	-	(8,379)	(8,380)
Balance at June, 30 2016	**19,842**	**45,764**	**223**	**222**	**(13)**	**(34,096)**	**(8,379)**	**23,563**

6. Statement of Financial Position pursuant to Consob Resolution no. 15519 of July 27, 2006

(amounts in Euro thousand)	Notes	June 30, 2016	December 31, 2015
ASSETS			
Tangible assets	1	11,364	11,138
Goodwill	2	77	77
Intangible assets	2	358	304
Financial assets	3	211	212
Tax receivables	4	-	2,457
Other assets	5	1,500	1,500
TOTAL NON-CURRENT ASSETS		**13,510**	**15,688**
Inventories	6	1,088	794
Trade receivables and other commercial assets	7	2,480	5,632
of which with related parties	*32*	-	*110*
Tax receivables	8	1,358	3,257
Other receivables and sundry assets	9	3,015	1,576
of which with related parties	*32*	-	*86*
Other financial assets	10	10,053	18,168
Cash and cash equivalents	*32*	12,114	11,770
of which with related parties	11	*3,465*	*3,465*
TOTAL CURRENT ASSETS		**30,108**	**41,197**
TOTAL ASSETS		**43,618**	**56,885**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Capital		19,842	19,842
Share premium reserve		45,764	45,764
Other reserves		432	627
Retained earnings (accumulated losses)		(34,096)	(13,520)
Profit (loss) for the period		(8,379)	(20,784)
TOTAL SHAREHOLDERS' EQUITY	12	**23,563**	**31,929**
Liabilities for pensions and employee severance indemnity (TF	13	145	197
Trade payables	14	2,200	2,600
Other liabilities	15	3,148	3,313
TOTAL NON-CURRENT LIABILITIES		**5,493**	**6,110**
Trade payables	16	10,003	13,559
of which with related parties	32	-	*156*
Other liabilities	17	4,559	5,287
TOTAL CURRENT LIABILITIES		**14,562**	**18,846**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**43,618**	**56,885**

7. Statement of Income pursuant to Consob Resolution no. 15519 of July 27, 2006

(amounts in Euro thousand)	Notes	1st half 2016	1st half 2015
Revenues	18	8,681	6,888
Other income	19	1,540	286
Total operating revenues		**10,221**	**7,174**
Purchases of raw materials and consumables	20	2,289	1,916
Costs for services	21	8,850	10,408
of which with related parties	*32*		*3,603*
Costs for use of third-party assets	22	705	682
of which with related parties	*32*		*335*
Personnel costs	23	6,031	4,954
Other operating costs	24	97	55
Amortization, depreciation and write-downs	25	485	258
Total operating costs		**18,457**	**18,273**
Operating result		**(8,236)**	**(11,099)**
Financial income		82	47
of which with related parties	*32*	*1*	*4*
Financial charges		(225)	(156)
Net financial income (charges)	26	**(143)**	**(109)**
Pre-tax result		**(8,379)**	**(11,208)**
Income taxes	27	-	-
Profit (loss) for the period		**(8,379)**	**(11,208)**

Notes

1. General information

MolMed's Condensed Interim Financial Statements have been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the provisions issued in implementation of art. 9 of Leg. Decree no. 38/2005. "IFRSs" is also intended to include the revised International Accounting Standards (IASs) currently in force, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") previously known as the Standing Interpretations Committee ("SIC"). These Condensed Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. The condensed interim financial statements do not show all of the disclosures required in the annual financial statements and, for that reason, you should read the condensed interim financial statements together with the financial statements at 31 December 2015. The accounting policies and valuation criteria adopted in the preparation of this Half-year financial statements at 30 June are the same as those used for the financial statements at December 31, 2015, referred to, except for the adoption of the new standards, amendments and interpretations effective from 1st January 2016.

The statements included in these Condensed Interim Financial Statements have been prepared on the basis of the revised version of IAS 1 Presentation of Financial Statements, as approved by Regulation no. 1274/2008 issued by the European Commission on December 17, 2008 and effective as from January 1 st, 2009. The financial statements format adopted is consistent with the one indicated in IAS 1. In particular, the Statement of Financial Position has been prepared by classifying assets and liabilities into current and non-current; the Income Statement has been prepared by classifying expenses by nature. This type of presentation is considered representative of the Company's business.

The Statement of Cash Flows has been prepared showing the financial flows according to the "indirect method", as indicated by IAS 7.

In compliance with the requirements of Consob Resolution no. 15519 of July 27, 2006 as to the format of the Financial Statements, specific supplementary statements have been provided, separately recording significant transactions with related parties and non-recurring transactions so as not to compromise the overall readability of the statements.

The Condensed Interim Financial Statements are in thousands of Euro, unless otherwise indicated. The Euro is the Company's functional currency.

The publication of these condensed Interim Financial Statements for the period ended June 30, 2016 was authorized by the Board of Directors on August 1st, 2016.

2. Accounting standards and measurement criteria

Going concern

The Company's business model is typical of biotech companies developing new therapeutic products and having no product on the market. Negative cash flows is due to the fact that at this stage costs must be borne, in relation to the testing and development of investigational new drugs, and return is not certain and expected in forthcoming years.

The Company is also subject to some uncertainties associated with the sector in which it operates (notably the current product trial stage) regarding both the results that it may effectively achieve, and the relevant methods and timings.

The Company has met its liquidity requirements from its incorporation up to the date of these Financial Statements through contributions from its shareholders.
Based on the accounting policies adopted, requiring full recognition of research and development costs in the Income Statement of the year they are incurred, the Company has always reported a loss since its incorporation. In particular, the loss for the first half of the year 2016 was 8,379 thousand Euro, down 2,829 thousand Euro from the 11,208 thousand Euro loss recorded in the prior-year period. This performance is a result of higher revenues from third parties offset by research and development costs incurred as provided for by the business plan.
During the first half of 2016 is also important to point out in particular that:

- on June 24, the *Committee for Medicinal Products for Human Use* (CHMP), of the European Medicines Agency (EMA), in conjunction with the Committee for Advanced Therapies (CAT), has issued a positive opinion recommending conditional marketing authorisation for Zalmoxis;
- has been completed the new facility at the Open Zone science park in Bresso (Milan) and the facility's authorisation process was formally opened, following which the first authorisations of the facility's production activities are expected from AIFA by the end of the year;
- thanks to the significantly increase in its production capacity, today MolMed believes that it will be able to support the treatment of patients with Zalmoxis® and also to satisfy demand generated by the partnerships agreements entered into with biotech and big pharma companies.

The new 2016-2018 business plan, updated in light of results and the events for the first six months of 2016 and approved by the Board of Directors in July 2016, assumes a fully operational development context and foresees the following activities over the 2016-2018 period:

- continuing the clinical and industrial development of the main experimental products;
- pursuing operations and investments aimed at boosting production capacity;

Based on the above and on the analysis of future cash flows projected by the 2016-2018 business plan, the Company deems that the financial means and equity available can guarantee enough resources to continue its business operations for a foreseeable future of at least 12 months from the date of this Report. As at today, no significant uncertainties were reported on the Company's ability to continue as a going concern.

Other information

Seasonality
The Income Statement for the period is not significantly subject to seasonal fluctuations in business levels.

Taxes
It should be noted that the Company has no taxable income.

Costs
Costs which are incurred at irregular intervals during the period are prepaid and/or deferred at the end of the period only if their prepayment and/or deferral comply with the accounting standards used to prepare the annual financial statements.

Use of estimates
The preparation of interim financial statements requires management to make estimates and assumptions which have an impact on the amount of revenues, costs, assets and liabilities and on disclosure relating to contingent assets and liabilities at the end of the reporting period. If, in the future, such estimates and assumptions, which are based on management's best measurement, should differ from the real circumstances, they would be appropriately adjusted in the period in which such circumstances change.
It should also be noted that some more complex measurement, such as the impairment of non-current assets, is generally fully performed on preparing the annual accounts, when all the necessary information is available, unless there are indications of impairment requiring assets to be tested immediately.
It should be noted that the Company's activities have been subject to an impairment test as at 31 December 2015. From the analyses carried out no impairment losses emerged. It should be noted that the carrying amount of the Company's intangible and tangible assets, and shareholders' equity as at 30 June 2016 and 31 December 2015 was considerably lower than the Company's market capitalization. In particular, in reference to intangible assets, the assumption of their recoverability has been assessed on the basis of the business plans which presume that the necessary funds are found in the future to meet the investment planned in order to continue with the research and development activities. The uncertainty of this condition could lead to the impairment of intangible and tangible assets which is not foreseeable at the moment and not recorded in these financial statements. For a description of the use of accounting estimates and a more in-depth analysis of the most important measurement policies, reference should be made to the Financial Statements for the year ended 31 December 2015. As of June 30, 2016 have not been identified indicators of impairment.

Accounting standards, amendments and interpretations applicable after 1 January 2016

- Amendments to IAS 19 – Employee benefits. On 21 November 2013 the IASB published an amendment to IAS 19 limited to the scope of contributions to defined employee benefit plans. The changes are aimed to simplify the accounting of contributions that are independent of the number of years of seniority, such as contributions calculated on the basis of a fixed salary percentage;

- Amendment to IAS 16 and 38 – Tangible and intangible and fixed assets. On 12 May 2014 the IASB published an amendment to the standards, specifying that an amortisation/depreciation method based on revenues generated by the assets is not considered appropriate as it only reflects the revenue flow generated by the asset and does not reflect the methods of consumption of the future economic benefits represented by the asset.

- Amendment to IAS 1 – Initiative on financial statement disclosures. On 18 December 2014 the IASB

published the amendment in question, designed to introduce clarifications in the IAS 1 to address a number of elements perceived as limitations to those who prepare financial statements regarding the use of their judgment;

- On 12 December 2012 the IASB issued a collection of amendments to IAS/IFRS Improvements relating to the 2010-2012 cycle. These measures resulted in the following changes: (i) to IFRS 2, clarifying the definition of "vesting condition" and introducing service and performance conditions definitions; (ii) to IFRS 3, clarifying that obligations to pay a contingent consideration, different from those covered by the definition of net equity instrument are to be measured at fair value at each reporting date, with changes recognised in the Income Statement; (iii) to IFRS 8, requiring that information is disclosed regarding assessments made by management in the aggregation of operating segments, describing the segments that have been aggregated and the economic indicators that have been evaluated to determine that the aggregated segments have similar economic characteristics: (iv) to IAS 16 and IAS 38, clarifying the method for determining the gross carrying amount of assets, in case of revaluation subsequent to the application of the revaluation model; (v) to IAS 24, establishing the information to be supplied in case of a third party entity that supplies services related to the management of key executive personnel with strategic functions for the reporting entity;

- Amendment to IFRS 11 – Joint arrangements. On 6 May 2014 the IASB published an amendment to the standard adding new guidelines relating to the accounting treatment of the acquisition of an interest in joint operations that constitute a business;

- Amendments to IFRS 10 and IAS 28 – Sale or assignment of an asset between an investor and an associate or joint venture. On 11 September 2014 the IASB published the amendments in question, which aim to eliminate the conflict between the requirements of IAS 28 and IFRS 10, clarifying that in a transaction involving an associate or a joint venture the extent to which a gain or loss can be recognised depends on whether the asset subject to the sale or assignment is a business.

  The above-mentioned amendments will not have any significant effects on the financial statement items and relevant disclosures.

Accounting standards, amendments and IFRS interpretations not yet endorsed by the European Union

- IFRS 9 – Financial Instruments: On 12 November 2009 the IASB published the following principle which has since been amended on 28 October 2010 and subsequently in mid-December 2011. IFRS 9 is applicable as from 1 January 2018 and represents the first step in a staged process which aims to wholly replace IAS 39 and introduces new criteria for the classification and assessment of financial assets and liabilities and for the derecognition on the Balance Sheet of financial assets. Specifically, the new standard uses a single approach for financial assets based on the management of financial instruments and on the characteristics of the contractual cash flows of financial assets in order to determine the evaluation criteria, replacing the various rules contained in IAS 39. In contrast, for financial liabilities the main change concerns the accounting treatment of changes in the fair value of a financial liability designated as financial liability measured at fair value in terms of profit or loss, in case such changes are due to changes in the credit standing of the liabilities in question. In accordance with the new standard such changes must be recorded in other comprehensive income and shall not be subsequently transferred to profit or loss.

- On 30 January 2014 the IASB published IFRS 14 “Regulatory Deferra Accounts”, an interim standard relating to the “Rate-regulated activities” project. IFRS 14 allows only first-time IFRS adopters to continue to recognise amounts related to “rate regulation” under previously adopted accounting policies. In order to improve comparability with entities that already apply IFRS standards and that do not disclose these amounts, the standard requires that the “rate regulation” effect should be presented separately from other items.

- IFRS 15 – Recognition of revenue from contracts with customers. On 28 May 2014 the IASB and the FASB jointly issued IFRS 15, designed to improve the disclosure of revenues and the global comparability of financial statements with the aim to harmonise the recognition of economically similar transactions.

It should be noted that at present the Directors are assessing the possible effects arising from the introduction of these amendments.

3. Segment reporting

The business of MolMed, focused in the field of biotechnology, comprises a single sector of activity related to the research, development and production of innovative therapies that both products of their pipeline and for production activities on behalf of third parties

The essentially uniform nature of the activities and the progress of projects under development, will not allow the division into several sectors with different risks and returns from other business segments. The chief operating decision maker has been identified as the CEO for the most relevant decisions asking for approval to the Board of Directors and, if the problem is a medical / technical exists to support a Scientific Council composed of five members. Just because the research, development and production is considered a unit, the General Manager, who reports to the CEO, is responsible for NGR-hTNF, Zalmoxis (TK), CAR-CD44v6, search and generic development and activities on behalf third parties. The latter is therefore the responsible managers of the operating area, which is the only sector of the Company.

4. Notes to the Statement of Financial Position

Note 1 – Tangible assets

The breakdown and changes of tangible assets at June 30, 2016 are shown in the table below:

(amounts in Euro thousand)

	Balance at December 31, 2015	Purchases	Reclassifications	Disposals	Depreciation and write downs	Balance at June 30, 2016
Gross book value						
Plant and machinery	1,174		37	(1)		1,210
Industrial and commercial equipment	6,539		671	(56)		7,154
Leasehold improvements	9,630					9,630
Other tangible assets	1,596		49	(4)		1,641
Assets under construction and payments on account	80	176	(20)			236
Assets under construction and payments on account Industrial equipment	1,047	508	(725)			830
Assets under construction and payments on account (Leasehold improvements Bresso)	13	176	(12)			177
Total gross book value	**20,080**	**860**	-	**(61)**	-	**20,880**
Accumulated depreciation						
Plant and machinery	(219)			1	(50)	(268)
Industrial and commercial equipment	(3,305)			56	(276)	(3,525)
Leasehold improvements	(4,482)				(234)	(4,716)
Other tangible assets	(935)			4	(73)	(1,004)
Assets under construction and payments on account (Industrial equipment Bresso)	-					
Assets under construction and payments on account (Leasehold improvements Bresso)	-					
Total accumulated depreciation	**(8,941)**	-	-	**61**	**(633)**	**(9,513)**
Net book value						
Plant and machinery	955		37		(50)	942
Industrial and commercial equipment	3,234		671		(276)	3,629
Leasehold improvements	5,148		-		(234)	4,914
Other tangible assets	661		49		(73)	637
Assets under construction and payments on account (Plant Bresso)	80	176	(20)			236
Assets under construction and payments on account (Industrial equipment Bresso)	1,047	508	(725)			830
Assets under construction and payments on account (Leasehold improvements Bresso)	13	176	(12)			177
Total net book value	**11,138**	**860**	**-**	**-**	**(633)**	**11,364**

** The depreciation showed in the table includes the portion for the leasehold improvements concerning the site in Bresso, totalling 167 thousand Euro. As detailed in the notes, this was neutralized in profit or loss following the pro rata reversal of the relevant deferred income, as the costs of said improvements are charged to the site's lessor.*

The item Plant and machinery includes specific plant and machinery used to develop the Company's products and to provide services.

Industrial and commercial equipment includes tangible assets used in laboratories to develop the Company's products and to provide services.

Leasehold improvements include the cost of renovating the premises used by the Company, in particular its pharmaceutical laboratories and offices. The above-mentioned costs regarded building work and work on the systems that form an integral part of the premises. The costs accounted for and invoiced to the property owner in accordance with the relevant agreements, relate to building work, and work planning services carried out by the "General Contractor". The aforementioned costs are depreciated over the term of the lease contract – 12 years. The depreciation of all areas included in the lease contract began following the delivery of the last part of the property dedicated to laboratory use in January 2015. It should be noted that, as better described in the

2015 financial report, the contract focusing on the lease of the aforementioned property sets forth that the costs necessary to renovate the property and make it fully operational, up to a maximum amount of 4 million Euro, will be borne by the property's owner. As provided for under the contract, the Company transferred the costs incurred for extraordinary maintenance work to the owner.

The item Other tangible assets includes furniture, fittings and electronic office equipment.

Tangible assets increased from 11,138 thousand Euro as at 31 December 2015 to 11,364 thousand Euro as at 30 June 2016, with a net increase of 226 thousand Euro. The increase is primarily due to investments relating to the completion of leasehold improvements of the Bresso facility and to the normal renewal, where necessary, of laboratory equipment, to the purchase of new equipment used in production processes, as well as work to adapt and optimise the existing GMP plant.

During the first half of 2016 investments of 860 thousand Euro were made in tangible assets. The most significant changes that occurred in the period are illustrated below:

- increase in the Assets under construction and payments on account for plants item, amounting to 176 thousand Euro, represented by the purchase of specific equipment and machinery used for the development of company products and the provision of services, installed at the new Bresso facility;
- increase of the Assets under construction equipment and other assets item. The increase, amounting to 508 thousand Euro is due to the purchase of assets used in existing laboratories for the development of products in the pipeline and the supply of services;
- increase of the Assets under construction leasehold improvements (Bresso) item amounting to 176 thousand Euro, mostly related to building works and upgrading works of facilities that form an integral part of the new Bresso facility structure.

Overall depreciation totalled 633 thousand Euro, up compared to the first half of 2015 (390 thousand Euro), following the start depreciation at full capacity of the equipment present in Bresso site took place in part in the second half of 2015. The depreciation includes the portion for the improvements concerning the site in Bresso, totalling 167 thousand Euro. This was neutralized in profit or loss following the pro rata reversal of the relevant deferred income, as the costs of said improvements are charged to the site's lessor, as contractually provided up to Euro 4 million.

It should also be noted that there is no collateral on tangible assets.

Note 2 – Intangible assets and goodwill

The breakdown and changes of intangible assets as at 30 June 2016 are shown in the table below:

(amounts in Euro thousand)	Balance at December 31, 2015	Purchases	Reclassifications	Disposals	Depreciation and write downs	Balance at June 30, 2016
Merger with Genera S.p.A.	77					77
Goodwill	**77**					**77**
Patents and intellectual property rights	176				(13)	163
Concessions, licenses and trademarks	43	3			(6)	40
Assets under construction	85	70				155
Intangible assets	**304**	**73**			**(19)**	**358**
Total	**381**	**73**			**(19)**	**435**

Goodwill refers to the amount recorded subsequent to the merger of Genera S.p.A. in 2002.

Recoverability is linked to the know-how of the technical personnel carrying out the research activities on the new product development projects and to any revenues that could be generated by their commercial development.

The increase in Intangible assets for a gross amount of 73 thousand Euro is primarily due to the purchase of software for the management of laboratory equipment for the new facility not yet in use.

Amortization amounted to a total 19 thousand Euro.

It should be noted that there were no intangible assets with an indefinite useful life other than goodwill.

Note 3 – Financial assets

Non-current financial assets, totalling 211 thousand Euro, in line with the amount reported at the end of the previous year, consist primarily of securities.

Note 4 –Tax receivables (non-current)

As at 30 June 2016, the Company had no non-current tax receivables. The decrease compared to 31 December 2015, amounting to 2,457 thousand Euro, is related to the transfer without recourse of the 2015 VAT tax credit. The abovementioned receivable was sold on 16 June 2016 to a leading Italian bank. The transaction, which was subject to a fixed annual discount rate of 2.5% calculated from the date of sale to 31 December 2016, led to a receivable in the month of June totalling 2,406 thousand Euro, against a discount and commission amounting to 51 thousand Euro.

Note 5 – Other assets (non-current)

Other assets (non-current) of 1,500 thousand Euro refer to the amount paid as an advance on future rents, to the owner of the property in the Open Zone scientific park in Bresso. The item does not report changes compared to amounts recorded at the end of the previous year.

Note 6 - Inventory

Inventory at June 30, 2016 is broken down as follows:

(amounts in Euro thousand)	June 30, 2016	December 31, 2015
Processing materials	357	221
Reagents	583	447
General materials	148	126
Total inventories	**1,088**	**794**

The increase in inventories, consisting of reagents and materials used in company laboratories, from 794 thousand Euro as at 31 December 2015 to 1,088 thousand Euro as at 30 June 2016, is primarily due to the intensification of GMP productions on behalf of third parties.

Note 7 - Trade receivables and other commercial assets

As at 30 June 2016, trade receivables and other commercial assets are broken down as follows:

(amounts in Euro thousand)	June 30, 2016	December 31, 2015
Trade receivables	1,176	3,405
Prepayments	72	81
Invoices to be issued	821	890
Receivables from related parties	-	81
Prepaid expenses concerning costs pertaining to future periods	411	1,175
Total trade receivables and other commercial assets	**2,480**	**5,632**

The decrease in trade receivables and other commercial assets reflects the trend of the billing and collection dynamics for the services provided.

Prepaid expenses decreased compared to the end of the previous year as a result of activities carried out by suppliers, whose compensation had been paid in advance as at 31 December 2015.

They are recognized net of a bad debt provision of 28 thousand Euro, created in 2011 in relation to the impairment of receivables due from Fondazione San Raffaele del Monte Tabor in liquidation.

Receivables, with the exception of the above, did not show any overdue accounts.

Nota 8 - Tax receivables (current)

Tax receivables as at 30 June 2016 are broken down as follows:

(amounts in Euro thousand)	June 30, 2016	December 31, 2015
VAT receivables	1,190	700
Tax crediti R&D costs	-	2,397
Withholding taxes	168	160
Total tax receivables	**1,358**	**3,257**

Current tax receivables relate primarily to VAT credits. As costs exceed revenues at this stage of its business development, the Company generates a VAT receivable.

The item mainly consists of: 1,190 thousand Euro of accruing VAT receivables for which the Company has not yet claimed a refund.
The decrease compared to the balance as at 31 December 2015, amounting to 1,899 thousand Euro, is primarily due to the combined effect of the decrease, amounting to 2,397 thousand Euro, of the research and development tax credit, following its use as compensation during the first six months of the year and the increase of the current VAT credit, from 700 thousand Euro as at 31 December 2015 to 1,190 thousand Euro as at 30 June 2016.

Nota 9 - Other receivables and sundry assets

Other receivables and sundry assets as at 30 June 2016 are broken down as follows:

(amounts in Euro thousand)	June 30, 2016	December 31, 2015
Price portion of option right	-	86
Accrued research and development grants	2,404	1,272
Prepayments relating to costs not pertaining to the period	569	217
Other receivables	42	1
Total other receivables and sundry asset	**3,015**	**1,576**

Other receivables and other current assets, amounting to 1,576 thousand Euro and 3,015 thousand Euro respectively as at 31 December 2015 and 30 June 2016, consist primarily of activities for public grants for research and development in the amount of 2,404 thousand Euro, and deferrals for costs not attributable to the period relating to:

- operating costs incurred for contracts based on “work progress” and maintenance and assistance fees for information services and other minor amounts of 560 thousand Euro;
- insurance premium costs of 9 thousand Euro.

It should be noted that, as further described in **Note 32** of this report, on 4 March 2016, the effectiveness of the agreement relating to the option rights between MolMed, Science Park Raf in liquidation and Ospedale San Raffaele expired.

Nota 10 – Other financial assets

This item, amounting to 10,053 thousand Euro as at 30 June 2016, compared to 18,168 thousand Euro as at 31 December 2015, refers to the short-term use of corporate financial resources for time deposits amounting to 10,000 thousand Euro expiring in August 2016. These assets were classified as held to maturity. The item also includes accrued interest income on such investments amounting to 53 thousand Euro. The decrease compared to 31 December 2015, amounting to 8,115 thousand Euro is due to the maturity of bond investments during the first half of 2016 whose nominal values amounted to 8,000 thousand Euro.

Note 11 – Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

(amounts in Euro thousand)	June 30, 2016	December 31, 2015
Bank and post office accounts	8,633	8,292
Bank and post office accounts - related parties	3,465	3,465
Cash on hand	16	13
Cash equivalents	-	-
Total cash and cash equivalents	**12,114**	**11,770**

As at 30 June 2016 cash and cash equivalents amounted to 12,114 thousand Euro (11,770 thousand Euro as at 31 December 2015), including 12,098 thousand Euro of bank accounts and 16 thousand Euro of cash on hand.

Note 12 - Shareholders' equity

Shareholders' equity as at 30 June 2016 totalled 23,563 thousand Euro. The detailed breakdown was as follows:

(Amounts in Euro thousand)	June 30, 2016	December 31, 2015
Share capital	19,842	19,842
Share premium reserve	45,764	45,764
Other reserves:		
Stock option plan reserve	222	416
Actuarial valuation reserve	(13)	(12)
Fair value valuation reserve		
Other	223	223
Retained earnings (accumulated losses)	(34,096)	(13,520)
Profit (loss) for the period	(8,379)	(20,784)
Total shareholders' equity	**23,563**	**31,929**

The Shareholders' Meeting of 18 April 2016 resolved to fully carry forward the losses incurred in 2015 (20,784 thousand Euro).

Capital

As at 30 June 2016, the fully subscribed and paid-in share capital amounted to 19,842 thousand Euro and consisted of 421,450,672 ordinary shares with no par value.

Shareholder	No. of shares (*)	%
Fininvest S.p.A.(*)	107,173,138	25.43
Airain Ltd.(**)	24,037,678	5.70
H-Equity S.r.l.(*)	9,579,208	2.27
H-Invest S.p.A.(*)	11,512,216	2.73
Other <5%	269,148,432	63.87
Total	**421,450,672**	**100**

** based on Company data at 7 April 2016*
*** based on Company data at 3 June 2015*

The Company does not directly or indirectly own treasury shares, nor were acquisitions or disposals of said shares made, directly or indirectly, during the period.

Share premium reserve

The share premium reserve totalled 45,764 thousand Euro. As at 30 June 2016, there are no changes compared to the closing date of the previous year.

Other reserves

Other reserves are broken down as follows:

a) Stock option plan reserve

The stock option plan reserve of 222 thousand Euro was set up on 1 January 2006 upon first-time adoption of IFRSs, in order to include the fair value of stock option plans. Reserve was calculated by determining the fair value of the rights granted as at the granting dates. In later years, the stock option plan reserve has increased, and changes were recognized under personnel costs in the Income Statement. Changes in the period are the result of a 14 thousand Euro increase arising from the recognition of the amount accrued based on the new 2012 (Type B Options) stock option plan pertaining to the period, and of a 208 thousand Euro decrease due to the expiry of type B Options of the above-mentioned plan. On 10 May 2016 the Board of Directors found that the vesting conditions for type B options were not met, therefore, all type B options shall be considered expired.

b) Actuarial valuation reserve

The actuarial valuation reserve as at 30 June 2016 is negative to the tune of 13 thousand Euro, compared to a negative value of 12 thousand Euro as at 31 December 2015.

c) Other Reserves

The item Other reserves of 223 thousand Euro mainly consists of the following reserves:

- The Reserve for Unexercised Rights from the 2014 capital increase refers to the proceeds of the sale of the rights that were not exercised during the 45 thousand Euro capital increase carried out in 2014;
- The Reserve for Unexercised Rights from the 2015 capital increase refers to the proceeds of the sale of the rights that were not exercised during the 178 thousand Euro capital increase carried out in 2015.

Retained earnings (accumulated losses)

The item totalled 34,096 thousand Euro as at 30 June 2016. The change of 20,576 thousand Euro compared to the year ended 31 December 2015, was due to the recognition of:

- 20,784 thousand Euro increase relating to the loss for 2015 which was recognized under accumulated losses as per the shareholders' meeting resolution of 18 April 2016;
- 208 thousand Euro decrease relating to the release of the Reserve relating to the type B options of the 2012 stock option plan that expired in the period, as described in more detail above and in **Note 31.**

Main shareholders' equity items

(amounts in Euro thousand)	Balance at June 30, 2016	Purpose of use	Amount available
Reserves			
-Share premium reserve	45,764	A,B	45,764
-Stock option plan reserve	222	-	-
-Other reserves			
- Actuarial valuation reserve	(13)	-	-
- Unexercised rights 2014 reserve	45	A,B	45
- Unexercised rights 2015 reserve	178	A,B	178
-Retained earnings (accumulated losses)	(34,096)	-	-

Key:

A: for share capital increase

B: for coverage of losses

C: for distribution to shareholders

Note 13 – Liabilities for pensions and employee severance indemnity (TFR)

This item includes all liabilities for pension plans and other employee benefits following termination of the employment relationship or payable when certain requirements are met. It consists of accruals relating to the Company's employee severance indemnity (TFR).

Liabilities for pensions and employee severance indemnity totalled 145 thousand Euro as at 30 June 2016 (197 thousand Euro as at 31 December 2015).

Changes in the period are reported below:

(amounts in Euro thousand)	**June 30, 2016**	**December 31, 2015**
Opening balance	**197**	**208**
Uses	(53)	(6)
Other movements	-	-
Financial loss	1	2
Actuarial (gain)/loss	-	(7)
Total liabilities for pensions and employee severance indemnity (TFR)	**145**	**197**

Under IAS 19, the Employee severance indemnity has been considered as a "Defined benefit plan", determined on the basis of actuarial calculations performed by an external consultant in accordance with international accounting standards.

Pursuant to IAS 19, the Employee severance indemnity was measured using the methods described below, as provided for by the recent relevant provisions introduced by the National Association of Actuaries together with the competent bodies – OIC (Italian Accounting Body), Assirevi, (Italian Association of Auditors), and ABI (Italian Banking Association) – for companies with more than 50 employees.

Under IAS 19, as at 30 June 2016, the Iboxx Corporate AA discount rate was used with seven to ten year duration. Specifically, the Company chose an instrument with a term comparable to the duration of the group of employees concerned.

The calculation method can be broken down as follows:

- projection for each staff member employed at the measurement date, of the employee severance indemnity accrued as at 31 December, 2006 and revalued at the measurement date;
- calculation for each staff member of the probability-based payments concerning the employee severance indemnity that must be made should an employee leave the Company due to dismissal, resignation, disability, death and retirement, and also for request of early payments;
- discounting, at the measurement date, of each probability-based payment.

More specifically, the following assumptions were adopted:

- Annual discount rate: 1.39%
- Annual inflation rate: 1.50% for 2016, 1.80% for 2017, 1.70% for 2018, 1.60% for 2019, 2% as from 2020
- TFR annual increase rate: 2.625% for 2016, 2.85% for 2017, 2.775% for 2018, 2.7% for 2019, 3% as from 2020

Demographic assumptions

- Mortality rate: RG48 table
- Disability: INPS tables by age and sex
- Retirement age: 100% General Compulsory Insurance prerequisites met

Annual turnover and TFR advance payments

- Advance payment frequency, : 5.00%
- Turnover frequency: 7.00%

Note 14 – Trade payables (non-current)

Trade payables (non-current), which as at 30 June 2016 amounted to 2,200 thousand Euro, consisted entirely of the non-current portion of the deferred upfront payment by GSK in relation to the agreement signed on 19 March 2015, and recognized in the Income Statement over the term of said agreement.

Note 15 – Other liabilities (non-current)

Other liabilities amounting to 3,148 thousand Euro as at 30 June 2016, down 166 thousand Euro compared to 31 December 2015, mainly refer to non-current deferred income referring to leasehold improvements at the new facility in Bresso. The item Deferred income mainly includes all costs incurred for the new site up until 31 December 2015, where the Company is expanding its production capacity. Based on the contract focusing on the lease of the aforementioned property, the costs necessary to renovate the property and make it fully operational, up to a maximum amount of 4 million Euro, will be borne by the property's owner. As provided for under the contract, the Company will then transfer the costs incurred for extraordinary maintenance work to the owner. Costs are recorded under fixed assets and deferred income arising from the owner's contribution is also recognized. The relevant recognition in the Income Statement is based on the lease duration starting from when the property progressively becomes ready for use. From May 2014, the depreciation of charges for

assets already in use began as well as the closure of the related amounts of deferred income.

The Company reclassified most of said deferral as non-current following the formal delivery of the offices in 2014 and the laboratories in early 2015. The event triggered the beginning of the depreciation period, estimated at 12 years based on the lease agreement. The Company continued recognizing 333 thousand Euro, representing the depreciation for the next 12 months, under current liabilities.
The decrease during the period in the amount of 167 thousand Euro is due to the reclassification of depreciation for the January to June 2017 period, from long to short term.

Note 16 – Trade payables

Trade payables amounted to 10,003 thousand Euro as at 30 June 2016, compared to 13,559 thousand Euro as at 31 December 2015, and are broken down as follows:

(amounts in Euro thousand)	June 30, 2016	December 31, 2015
Trade payables	9,127	10,210
Payables to related parties	-	154
Deferred income concerning revenues pertaining to future periods	876	3,195
Total trade payables	**10,003**	**13,559**

As at 30 June 2016 trade payables included 5,842 thousand Euro due in Italy, 2,559 thousand Euro due in European Union countries and 726 thousand Euro due in other countries (mainly in USD).

Deferred income mainly refers to revenues from gene and cell therapy services, to be provided by the Company in the last six months of 2016. The significant decrease amounting to 2,319 thousand Euro, from 3,195 thousand Euro as at 31 December 2015 to 876 thousand Euro as at 30 June 2016, is primarily related to the decrease in deferred income recorded in connection with the agreement signed with GSK on 19 March 2015. The above-mentioned agreement resulted in the recognition of deferred income, against the upfront payments and advances recognized in the Income Statement throughout the duration of the agreement and at the time the service is actually provided respectively.

Note 17 – Other liabilities

The item is broken down as follows:

(amounts in Euro thousand)	June 30, 2016	December 31, 2015
Amounts due to employees for holidays and bonuses	1,569	1,733
Amounts due to social security institutions	294	575
Tax payables	175	448
Amounts due to freelance consultants	65	50
Other payables	2,081	2,073
Deferred income	375	409
Total other liabilities	**4,559**	**5,287**

Amounts due to social security institutions and tax payables consist of withholding taxes and social security contributions on employee salaries and on the remuneration of freelance consultants for the month of June 2016, but paid to the authorities the following month. The Company recorded tax losses and has no taxable income for IRAP purposes and, therefore, has no current tax payables.

The Other current liabilities item in the amount of 2,081 thousand Euro is primarily represented by advances totalling 1,961 thousand Euro on CELL-PID and SUPERSIST projects financed by the European Community, which will be completed within the next 12 months.

The item Deferred income is primarily represented by depreciation charges, amounting to 333 thousand Euro, which represents depreciation for the next 12 months of an amount equal to 4 million Euro, recorded under tangible assets, charged to the ownership of the premises at the Bresso Open Zone. For further details reference should be made to **Note 15**.

5. Notes to the Income Statement

Note 18 – Revenues

The Company's revenues are generated by the following services:

(amounts Euro thousand)	1st half 2016	1st half 2015
Revenues from development and production activities undertaken on behalf of third parties	8,681	6,888
Total operating revenues	**8,681**	**6,888**

GMP development and production activities on behalf of third parties generated revenues of 8,681 thousand Euro compared to 6,888 thousand Euro recognized in the prior-year period (26.0%), due to the intensification of GMP production and development activities carried out on behalf of both GlaxoSmithKline (GSK) and new customers. In this regard, in 2015 a strategic agreement was entered into with GlaxoSmithKline (GSK), which had a positive impact on revenues both for the year and for the period under review. Specifically, the period upfront payment provided for by the agreement was accounted for in the period under review (it will be recognized in profit or loss over the duration of the agreement – until March 2020) and revenues based on services provided in the first six months of 2016 were also recognized.

Note 19 – Other income

Other income, detailed in the table below, shows an increase of 1,254 thousand Euro in the first half year 2016 compared to the same prior-year period.

(amounts in Euro thousand)	1st half 2016	1st half 2015
European Commission (Cell - pid project)	48	80
European Commission (Supersist)	1,084	123
Other grants	2	18
Other revenues	406	65
Total other income	**1,540**	**286**

Other income of 1,540 thousand Euro was mainly generated by:

- income deriving from subsidized project activities (1,132 thousand Euro), up on the prior-year period. Public sector grants are accounted for based on the costs actually incurred for the research projects eligible for grants. Income from grants accrued in the first six months of 2016 mainly related to two

projects under the Seventh Framework Programme of the European Union (the "CELL-PID" and "SUPERSIST" projects);

- tax credit for research and development purposes pursuant to Ministerial Decree of 27 May 2015, implementing Law no. 190 of 23 December 2014 (2015 Stability Law) amounting to 406 thousand Euro and consisting of an adjustment to the credit recognized in 2015 financial statements (2,397 thousand Euro) as determined based on Circular 5/E issued by the Inland Revenue on 16 March 2016 providing a clearer and more detailed analysis on the tax calculation.

Note 20 – Purchases of raw materials and consumables

This item is broken down as follows:

	1st half 2016	1st half 2015
Processing materials	515	588
Reagents	1,134	1,041
General laboratory materials	319	322
Maintenance materials	28	30
Change in raw materials inventory	293	(65)
Total purchases of raw materials and consumables	**2,289**	**1,916**

Costs for raw materials and consumables, which largely consist of materials and reagents used in production and development activities, rose from 1,916 thousand Euro as at 30 June 2015 to 2,289 thousand Euro as at 30 June 2016.

The 373 thousand Euro increase in the aforementioned costs (+19.5%) was mainly due to growing GMP development and production activities on behalf of third parties.

Note 21 – Costs for services

The breakdown of this item as at 30 June 2016 and 30 June 2015 is as follows:

(amounts in Euro thousand)	1st half 2016	1st half 2015
Outsourced development costs	5,462	6,655
Option rights	86	258
Consultancy and technical fees	444	312
License and patents consultancy fees	(16)	236
Maintenance	252	266
Transport and storage of laboratory materials	247	247
Utilities	575	537
Directors and statutory auditors' fees	187	249
Audit	34	37
Legal, administrative and managerial fees	197	432
Listing consultancy fees and other listing costs	55	47
Supervisory board fees	70	80
Communications agency fees and BD	322	150
IT assistance and other IT costs	208	160
Other general and administrative costs	418	349
Travel, staff training and othe personnel costs	309	393
Total costs for services	**8,850**	**10,408**

Costs for services rose from 10,408 thousand Euro as at 30 June 2015 to 8,850 thousand Euro as at 30 June 2016. The decrease of 1,558 (-15.0%) thousand Euro recorded in the period is attributable to the following combined effects:

- a decrease in external development costs, from 6,655 thousand Euro in the first half of 2015 to 5,462 thousand Euro in first half of 2016 mainly due to the net: (i) higher costs according to the activities carried out for third parties Project SUPERSIST and higher costs of industrial development of one of the projects in the pipeline (NGR-hTNF); (ii) the impact in the first half of 2015 arising from the acquisition of the research project CAR-CD44v6 from Ospedale San Raffaele in the amount of Euro 3.2 million;

- a decrease in pre-emption rights costs, from 258 thousand Euro in the first half of 2015 to 86 thousand Euro in the first half of 2016. The costs relating to pre-emption rights include the share, pertaining to the period, of costs arising from the agreement for the purchase of research projects entered into in December 2001 by the Company with the shareholder Science Park Raf in liquidation and its parent company Ospedale San Raffaele. The aforementioned agreement expired in March 2016;

- an increase in consulting and technical collaborations costs, from 312 thousand Euro in the first half of 2015 to 444 thousand Euro in the first half of 2016 (+42.3%), primarily due to costs related to consulting activities required after obtaining a favourable opinion from the CHMP in relation to the conditional placement on the market of Zalmoxis® (for additional details please refer to section *2.1 Summary of main events occurred in the first half year 2016*);

- a decrease in License fees and patent costs, amounting to 252 thousand Euro (-106.96%), from 236 thousand Euro in the first half of 2015 to 16 thousand Euro (positive) in the first half of the current year. The change is primarily due to the termination of the exclusive license agreement for the use of patents concerning a retroviral vectors technology, on 7 June 2016. On the same date, the Company signed a new non-exclusive license agreement for the use of a retroviral vectors technology with the counterparty. for additional details please refer to section *2.1 Summary of main events occurred in the first half year 2016*;

- a decrease of 235 thousand Euro in costs for legal and administrative consultancy from 432 thousand Euro as at 30 June 2015 to 197 thousand Euro as at 30 June 2016 (-54.4%). The change is primarily due to external legal advice obtained in the first half of 2015 in relation to the drafting of agreements for major Company projects and to Corporate Governance-related activities, which have not been deemed necessary in 2016;

- an increase in communication and business development costs, amounting to 172 thousand Euro (+114.7%), from 150 thousand Euro in the first half of 2015 to 322 thousand Euro in the first half of 2016, related to Zalmoxis®.

Note 22 – Costs for use of third-party assets

(amounts in Euro thousand)	1st half 2016	1st half 2015
Rental of premises	627	621
Other rentals	78	61
Total costs for use of third-party assets	**705**	**682**

Costs for the use of leased assets, amounting to 705 thousand Euro in the first half of 2016, are broadly in line with those recorded in the same prior-year period (682 thousand Euro).

Note 23 – Personnel costs

These costs are broken down as follows:

(amounts in Euro thousand)	1st half 2016	1st half 2015
Wages and salaries	4,606	3,718
Social security contributions	1,172	990
Defined contribution plans	223	174
Stock option costs	14	60
Other personnel costs	16	12
Total personnel costs	**6,031**	**4,954**

Personnel costs totalling 6,031 thousand Euro are increasing (+21.7%), compared to an amount of 4,954 thousand Euro during the first half of the previous year. This rise was due to the increase in the number of employees performing operating tasks within the organization. Specifically, the Company employed 170 people as at 30 June 2016.
The remuneration component arising from stock option plans refer to plans with Company shares as underlying securities and represent the notional cost recognized as an offsetting entry to a specific shareholders' equity reserve (see **Note 12**).

Personnel costs include the fees paid to Prof. Bordignon, totalling 400 thousand Euro per year, and Dr. Palmisano, totalling 450 thousand Euro. These amounts refer to the agreements between the Company and Prof. Bordignon and Dr. Palmisano for the discharge of the responsibilities delegated to them by the Shareholders' Meeting and by the Board of Directors on 18 April 2016. For further details reference should be made to **Note 32** of this Report.

During the first half of 2016, the average number of employees was 163 (122 in the first half of 2015), broken down by position as follows:

	1st half 2016	Full Year 2015	1st half 2015
Executives	10	10	8
Middle management	39	36	33
Clerical staff	110	102	77
Technicians	4	4	4
Total	**163**	**152**	**122**

Note 24 – Other operating costs

The breakdown for the Other operating costs item, amounting to 97 thousand Euro as at 30 June 2016, is presented below.

(amounts in Euro thousand)	1st half 2016	1st half 2015
Printed and promotional materials	1	1
Stationery	15	6
Entertainment costs	7	9
Membership fees	26	20
Donations	13	13
Books and magazines	8	3
Other costs	27	3
Total other operating costs	**97**	**55**

Note 25 – Amortization, depreciation and impairment

Amortization, depreciation and impairment totalled 485 thousand Euro in the first half of 2016. They increased by 227 thousand Euro compared to the prior-year period following the beginning of the amortization/depreciation period for the assets relating to the new facilities in Bresso. Investments of 933 thousand Euro for the period were mainly due to the secondary offices in Bresso, to routine replacement of laboratory equipment and the purchase of new machinery to be used in the Zalmoxis production process, as well as to maintenance and improvement work on the GMP facility.

The account is exposed net of the portion for the leasehold improvements concerning the site in Bresso, charged to the site's lessor, totalling 167 thousand Euro, that, in the Income Statement was neutralized in

profit or loss following the pro rata reversal of the relevant deferred income, as the costs of said improvements are. For further information please refer to **Note 15**.

(amounts in Euro thousand)	1st half 2016	1st half 2015
Amortization of intangible assets	19	27
Depreciation of tangible assets	466	231
Total amortization, depreciation & write-downs	**485**	**258**

Note 26 – Financial income and charges

This item is broken down as follows:

(amounts in Euro thousand)	1st half 2016	1st half 2015
FINANCIAL INCOME:		
Interest and other financial income	59	19
Gains on securities	-	-
Exchange gains	23	28
Total financial income	**82**	**47**
FINANCIAL CHARGES:		
Exchange losses	(104)	(78)
Other interest expense	(33)	-
Other charges	(88)	(78)
Total financial charges	**(225)**	**(156)**
Total financial income (charges)	**(143)**	**(109)**

The Company's financial activities generated a negative balance of 143 thousand Euro, despite improving by 34 thousand Euro on the prior-year period.

Financial income recorded an increase of 74.5%, from 47 thousand Euro as at 30 June 2015 to 82 thousand Euro as at 30 June 2016. The increase mainly arose from management of the Company's cash resources through temporary low-risk investments. The result also includes an amount equal to 23 thousand Euro attributable to foreign exchange gains.

Financial charges, amounting to 225 thousand Euro in the first half of 2016, increased (+44.2%) compared to the prior-year period. The increase during the period in question is primarily due to foreign exchange losses recorded and to expenses related to the transfer without recourse of the 2015 VAT tax credit on 16 June 2016.

Note 27 – Income taxes

No current or deferred taxes have been recorded at the date of this Report.

Taking into account the Company's operations and the outlook provided by business plans, as in the previous reporting period, the Company did not recognize the tax credit that could arise from calculation of deferred taxes on temporary differences deductible in future years. As at 31 December 2015 the tax losses that could be carried forward totalled 173,197 thousand Euro and the theoretical deferred tax assets totalled 42,669 thousand Euro. In accordance with the accounting standards, the company will record deferred tax assets only

in the presence of the requirements needed to support the reasonable assurance to recover them through future taxable income.

Note 28 – Basic and diluted earnings (loss) per share

The basic earnings (loss) per share are detailed below:

(amounts in Euro)	**1st half 2016**	**1st half 2015**
Basic earnings/(loss) per share	(0.0199)	(0.0340)
Diliuted earnings/(loss) per share	(0.0199)	(0.0340)

As required under IAS 33, diluted earnings (loss) per share take into account the effects of all dilutive potential ordinary shares. The Company has set up two stock option plans, which offer call options on Company's shares at a set strike price.

The calculation of the basic earnings (loss) per share is based on the net losses recorded in the first half of 2016 and 2015 – (8,379) thousand Euro and (11,208) thousand Euro, respectively – and on the weighted average number of ordinary shares outstanding in the relevant periods – 421,450,672 and 329,323,760, respectively.

6. Other notes

Note 29 – Net financial position

The net financial position, based on the format provided for by Consob Communication 6064293 of July 28, 2006 is provided below:

(amounts Euro thousand)	June 30, 2016	December 31, 2015
Cash on hand	16	14
Other cash	12,098	11,756
Cash equivalents	-	-
A. Total cash and cash equivalents	**12,114**	**11,770**
B. Current financial receivables and other financial assets	**10,053**	**18,168**
Finance lease payables	-	-
Current financial Debts	-	-
C. Current financial debt	-	-
D. Net current financial position (A+B+C)	**22,167**	**29,938**
Finance lease payables	-	-
Non current financial Debts	-	-
E. Non-current financial debt	-	-
F. Net financial position (D+E)	**22,167**	**29,938**

Net financial position was positive to the tune of 22,167 thousand Euro as at 30 June 2016. It only consists of cash and cash equivalents and current financial receivables (time deposit), since no financial debt is recognized.

Note 30 – Contingent liabilities, commitments, and guarantees

Contingent liabilities

With particular reference to the product Zalmoxis, also following a positive opinion of the CHMP, on the basis of present contracts with certain counterparties signals a contingent liability for a maximum total amount to US $ 2.75 million will become payable in tranches only to the achievement of specific milestones of the product development.

Commitments and guarantees

Commitments and guarantees are broken down as follows:

(amounts in Euro thousand)	June 30, 2016	December 31, 2015
Guarantees	7,300	7,300
Commitments	-	-
Total guarantees and commitments	**7,300**	**7,300**

Guarantees mainly consist of bank guarantees for the refund of VAT receivables (6,946 thousand Euro). Furthermore, 199 thousand Euro refer to the guarantees issued for the payment of real estate leases, 153 thousand Euro refer to the guarantees issued in favour of Università Vita Salute San Raffaele for commitments

undertaken by the Company in relation to the funding of research scholarships and 2 thousand Euro to Istituto Superiore di Sanità.

Note 31 – Share-based payments

2008 stock option plan

The Company's Extraordinary Shareholders' Meeting of October 29, 2007 resolved a capital increase by consideration in cash of up to a total Euro 772,178.60, through the issue of up to 3,728,034 ordinary shares. These shares will be reserved, pursuant to Article 2441, last paragraph, of the Italian Civil Code, for the employees of the Company and of any subsidiaries or parent companies, as part of the relevant stock option plans and, pursuant to Article 2441, paragraph 5, of the Italian Civil Code, for the executive officers and consultants of the Company and of any subsidiaries or parent companies, as part of the relevant stock option plans. Pursuant to Article 2439, second paragraph, of the Italian Civil Code, this capital increase does not require all shares to be subscribed and may be performed in several installments by December 31, 2023. The Shareholders' Meeting also resolved to vest the Board of Directors with the powers to prepare one or more incentive schemes regulations, to identify the beneficiaries of options among the executive officers, consultants and employees of the Company (or any subsidiaries or parent companies) and to determine the number of options to be granted to each beneficiary, as well as the subscription price that will be determined each time that options are granted, at an amount equal to the "normal value" of the newly-issued ordinary shares, pursuant to Article 9, fourth paragraph, letter a), of Presidential Decree 917/1986, at the grant date.

Pursuant to the powers granted by the Shareholders' Meeting of January 7, 2008, the Board of Directors approved the adoption of incentive scheme regulations, subject to the start of trading of the Company's shares on the MTA (Mercato Telematico Azionario), a screen-based trading system. The scheme provides for two different types of options that may be granted to beneficiaries to be identified by the Board of Directors – or by the Shareholders' Meeting, when required by law – from among the executive officers, consultants and employees of the Company (and of any subsidiaries and parent companies):

- **type A options**: vesting at the end of the third year from the date on which the Company's shares start to be traded on the MTA; these may be exercised in a single tranche, starting from the vesting date and up to a deadline of seven years from the vesting date;
- **type B options**: vesting is subject to achievement of the objectives identified by the Board of Directors upon granting and, in any case, no earlier than the end of the third year from the grant date. The options may be exercised in one or more tranches, starting from the vesting date and up to a deadline of seven years from the vesting date.

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

- for type A options, a total of 600,000 options;
- for type B options, a total of 1,800,000 options.

The Board of Directors established that type B options will vest in several tranches, depending on achievement of business objectives over three and five-year periods.

The options are granted free of charge. They are registered, personal and non-transferable, except upon death or incapacity. They are not subject to any restrictions – specifically with regard to pledges and guarantees – and will cease to be valid in the case of just cause dismissal of any option holder who is a manager of the Company or removal from office based on just cause of any option holder who is a Director of the Company; they shall also cease to be valid if the option holder resigns.

Under the regulations of the aforementioned incentive scheme, in the event of any extraordinary transactions – e.g. changes in capital or mergers and/or spin-offs – the Company's Board of Directors shall, insofar as necessary to maintain the substantial value of the options, adjust the strike price and/or the number of shares underlying the options not yet exercised, in accordance with the rules commonly accepted as normal practice on financial markets (pursuant to the regulations), or it shall implement a new plan with the same conditions.

Following the capital increase more specifically described above, on October 11, 2010 MolMed's Board of Directors approved a change to the regulations for the stock option plans in force, aimed at ensuring that the substantial value of the options is maintained as envisaged by the regulations.

In particular, the strike price of unexercised options was adjusted, by using the same adjustment factor as applied by Borsa Italiana in order to adjust the value of shares on the market at the time of capital increase disclosure.

The strike prices were therefore adjusted as follows:

	Strike price before the capital increase (€)	K adjustment factor	Adjusted strike price (€)
2008 Options	2.15000	0.68825301	1.47974

On May 9, 2011 the Board of Directors noted in reference to March 5, 2011:

- the end of the vesting period established in the stock option plan regulations, in relation to type A options;
- that, on the contrary, vesting of the first tranche of type B options (provided for by the same resolution) did not occurred; therefore 1,260,000 options (i.e. 70%) must be considered as expired.

Having received a significant number of stock options in 2010 that subsequently expired, the Chairman/Chief Executive Officer had not been included in the MBO nor in the medium-/long-term monetary plan. For the same reason, the Business & Administration General Manager had not been included in the monetary LTIP.

It should be noted that type A stock options previously granted to Messrs. Cappelli and Neecke expired during 2013 following their resignation.

On June 24, 2013 the Board of Directors noted in reference to March 5, 2013:

- that vesting of the second tranche of type B options, for a total of 540,000 options (30%), did not occur and therefore they shall be considered as expired.

There is no prejudice to all the other conditions, terms and agreements as set out in the Stock option plan regulations and subsequent amendments.

Below is a summary of the options originally granted within the 2008 stock option plans, with specific details of the options that are to be considered as expired at today's date.

Name, Surname and position held at the moment of assignment		N. stock options 2008 A	N. stock options 2008 B	N. stock options 2008	N. stock options expired at December 31, 2015	N. residual options at December 31, 2015	N. stock options expired in 1st half 2016	N. residual options at June30, 2016	Strike price (Euro)
Claudio Bordignon	Board Chairman, Chief Executive Officer	-	750,000	750,000	750,000	-	-	-	1.47974
Marina Del Bue	Executive Officer, General Manager B&A	-	450,000	450,000	450,000	-	-	-	1.47974
Enrico Cappelli	Chief Financial Officer	180,000	110,000	290,000	290,000	-	-	-	1.47974
Holger Neecke	Business Development Director & IR	150,000	90,000	240,000	240,000	-	-	-	1.47974
Marco Dieci	Special Projects Director	70,000	60,000	130,000	130,000	-	-	-	1.47974
Antonio Lambiase	Clinical Development Director	80,000	70,000	150,000	70,000	80,000	-	80,000	1.47974
Paolo Rizzardi	R&D Director	70,000	60,000	130,000	60,000	70,000	-	70,000	1.47974
Daniele Pieraccioli	Intellectual Property Director	-	100,000	100,000	100,000	-	-	-	1.47974
Cynthia Giuliani	Human Resources Director	-	70,000	70,000	70,000	-	-	-	1.47974
Catia Traversari	Research Director	50,000	40,000	90,000	40,000	50,000	-	50,000	1.47974
		600,000	**1,800,000**	**2,400,000**	**2,200,000**	**200,000**	-	**200,000**	

Following the capital increase occurred during 2015, on May 11, 2015 MolMed's Board of Directors approved a change to the regulations for the stock option plans in force, aimed at ensuring that the substantial value of the options is maintained as envisaged by the regulations.

In particular, the strike price of unexercised options was adjusted, by using the same adjustment factor as applied by Borsa Italiana in order to adjust the value of shares on the market at the time of capital increase disclosure.

As regards the options relating to the 2008 stock option plan, the strike prices were therefore adjusted as follows:

	Strike price before 2015 capital increase (€)	K adjustment factor	Adjusted strike price post 2015 capital increase (€)
2008 Options	1.47974	0.83372549	1.23370

2012 stock option plan

On April 23, 2012, the Shareholders' Meeting approved a new stock option plan (the "Plan") involving a maximum number of 7,000,000 (seven million) options to be granted free of charge to beneficiaries identified by the Board of Directors from amongst the Company's executive officers, general managers and Directors and allowing the subscription for an equal number of Company's ordinary shares by consideration in cash.

Consequently, on the same day the Shareholders' Meeting also resolved to:

- increase the capital by consideration in cash up to Euro 1,449,892.95, without requiring all shares to be subscribed, issuing up to 7,000,000.00 (seven million) new ordinary shares, cum dividend, withdrawing subscription rights pursuant to Article 2441, paragraph five, of the Italian Civil Code and Article 134, paragraph two, of Italian Legislative Decree no. 58 of February 24, 1998. This capital increase is exclusively intended to service the incentive plans based on financial instruments in favor of MolMed S.p.A.'s Beneficiaries, to be identified by name, also in several stages, by the Board of Directors at the proposal of the Remuneration Committee. The deadline for subscribing is December 31, 2020;
- give the Board of Directors the power to implement the resolutions, including through several issues, and to attribute to the same body, with regard to each issue, the power to determine the subscription price of newly-issued shares by establishing, if it is in the interests of the Company, a share premium of an amount equal to the arithmetic mean of the Official Stock Exchange Price for ordinary shares for each trading day on the screen-based trading system (MTA, Mercato Telematico Azionario) organized and managed by Borsa Italiana S.p.A. in the period running – with reference to each beneficiary and for each granting cycle – from the day before the date of the decision made by the Board of Directors

aimed at identifying the specific beneficiary to the same day of the previous month (such days included), and as may be amended from time to time;

- establish that the rights to subscribe for newly-issued shares will be personal and transferable inter vivos, and they will be allocated and will expire according to the provisions of the 2012 stock option plan;
- vest the Board of Directors with any necessary or useful powers – to be transferred to one or more of its members – to prepare one or more set of regulations for incentive schemes.

The Board of Directors also meeting on April 23, 2012, based on the Remuneration Committee's proposal, therefore decided:

- to approve the regulations for the 2012 stock option plan;
- to identify the plan beneficiaries, as shown in the table below:

Name, Surname and position held at the moment of assignment		n. options A assigned	n. options B assigned	Tot. Options assigned	Strike price (Euro)
Claudio Bordignon	Board Chairman, Chief Executive Officer	1,740,000	1,160,000	2,900,000	0.45140
Marina Del Bue	Executive Officer, General Manager B&A	630,000	420,000	1,050,000	0.45140
Germano Carganico	General Director R&D e Operations	630,000	420,000	1,050,000	0.45140
Enrico Cappelli	Chief Financial Officer	90,000	60,000	150,000	0.45140
Holger Neecke	Business Development Director & IR	150,000	100,000	250,000	0.45140
Marco Manoni	Facility Planning & Design Director	90,000	60,000	150,000	0.45140
Antonio Lambiase	Clinical Development Director	150,000	100,000	250,000	0.45140
Paolo Rizzardi	Research & Development Director	150,000	100,000	250,000	0.45140
Daniele Pieraccioli	Intellectual Property Director	90,000	60,000	150,000	0.45140
Cynthia Giuliani	Human Resources Director	90,000	60,000	150,000	0.45140
Catia Traversari	Research Director	90,000	60,000	150,000	0.45140
		3,900,000	**2,600,000**	**6,500,000**	

Furthermore, on November 11, 2013, the Board of Directors allocated 100,000 of the 500,000 options outstanding under the 2012 stock option plan, convertible at a 1-to-1 ratio, to Mr. Andrea Quaglino, Head of Administration, Finance and Control, setting the strike price at 0.75535 Euro.

It is be pointed out that following the resignation of Messrs. Enrico Cappelli and Holger Neecke in 2013, as well as of Mr. Pieraccioli effective from January 1, 2014, the options previously assigned to them expired.

It should be noted that on April 9, 2015 the Board of Directors found that the vesting conditions for type A options were not met: therefore, all type A options shall be considered expired.

They are to be considered expired in the period n. 420,000 B options related to 2012 plan originally attributed to Dr. Marina Del Bue, whose employment with the Company has formally concluded in the month of February 2016 as a result of the reorganization process.

It should be noted that on on May 10, 2016 the Board of Directors found that the vesting conditions for type B options were not met: therefore, all type B options shall be considered expired

Here below is a summary of stock options at the reporting date:

Name, Surname and position held at the moment of assignment		n. options A 2012 assigned	n. options B 2012 assigned	N. stock options 2012	N. stock options expired at December 31, 2015	N. residual options at December 31, 2015	N. stock options expired in 1st half 2016	N. residual options at June 30, 2016	Strike price (Euro)
Claudio Bordignon	Board Chairman, Chief Executive Officer	1,740,000	1,160,000	2,900,000	1,740,000	1,160,000	1,160,000	-	0.45140
Marina Del Bue	Executive Officer, General Manager B&A	630,000	420,000	1,050,000	630,000	420,000	420,000	-	0.45140
Germano Carganico	General Director R&D e Operations	630,000	420,000	1,050,000	630,000	420,000	420,000	-	0.45140
Enrico Cappelli	Chief Financial Officer	90,000	60,000	150,000	150,000	-	-	-	0.45140
Andrea Quaglino	Chief Financial Officer	60,000	40,000	100,000	60,000	40,000	40,000	-	0.75535
Holger Neecke	Business Development Director & IR	150,000	100,000	250,000	250,000	-	-	-	0.45140
Marco Manoni	Facility Planning & Design Director	90,000	60,000	150,000	90,000	60,000	60,000	-	0.45140
Antonio Lambiase	Clinical Development Director	150,000	100,000	250,000	150,000	100,000	100,000	-	0.45140
Paolo Rizzardi	R&D Director	150,000	100,000	250,000	150,000	100,000	100,000	-	0.45140
Daniele Pieraccioli	Intellectual Property Director	90,000	60,000	150,000	150,000	-	-	-	0.45140
Cynthia Giuliani	Human Resources Director	90,000	60,000	150,000	90,000	60,000	60,000	-	0.45140
Catia Traversari	Research Director	90,000	60,000	150,000	90,000	60,000	60,000	-	0.45140
		3,960,000	**2,640,000**	**6,600,000**	**4,180,000**	**2,420,000**	**2,420,000**	**-**	

It should be noted that the fair value of the options granted was determined by an independent expert on the date the plan was issued in accordance with the financial market conditions at that date.

The fair value of stock options was measured based on the binomial tree method, which is sufficiently flexible to reflect the exercise conditions and the structure of the technical basis used, and can therefore reflect the characteristics of the shares to be measured. Widely used to measure financial instruments according to the stochastic approach, this method refers to the discrete-time binomial models (proposed by Cox, Rubinstein and Ross in 1979) and follows the risk neutral assumption typical of these problems. The model was developed on daily time steps and includes dividend payments and possible exit, if any.

In particular, measurement was made taking into account the free risk rate curve, based on Euro swap rates at measurement date, the expected dividend rate equal to 0% for the full plan duration and the reasonable estimate of 1-year historic volatility equal to 40%. In addition, with regard to beneficiaries' turnover assumptions, considering their nature and historical trends, an annual probability of 5% was deemed appropriate. The fair value was also determined by estimating the probability that vesting takes place for the two different types of options.

The characteristics of the options measured and their relevant fair value by unit are provided below.

Type of Stock Options	Strike	Value at assignment	Annual volatility	Capital bonus rate	Annual turnover rate	Fair value
Options A	0.4514	0.4633	40.00%	0.00%	5.00%	0.16983
Options B	0.4514	0.4633	40.00%	0.00%	5.00%	0.16983

Following the capital increase occurred during the year 2015, on May 11, 2015 MolMed's Board of Directors approved a change to the regulations for the stock option plans in force, aimed at ensuring that the substantial value of the options is maintained as envisaged by the regulations.

In particular, the strike price of unexercised options was adjusted, by using the same adjustment factor as applied by Borsa Italiana in order to adjust the value of shares on the market at the time of capital increase disclosure.

As regards the options relating to the 2012 stock option plan, the strike prices were therefore adjusted as follows:

	Strike price before 2015 capital increase	K adjustment factor	Adjusted strike price post 2015 capital increase
Opzioni 2012 B (assigned 2012)	0.4514	0.83372549	0.3763
Opzioni 2012 B (assigned 2013)	0.7554	0.83372549	0.6298

It therefore stressed that, because of what has been reported at the date of this Report, the conditions have not occurred in which it underwent maturation of Type A options and type B options, the Stock Option Plan 2012 is no longer outstanding.

Summary of the options granted

The table below shows the options granted and held at June 30 2016:

Name, Surname and position held at the moment of assignment		Type of Stock Options assigned	N. of Options assigned	Strike price (Euro)	Options expired at June 30, 2016	Options exerciede in 1st half 2016	Options held December 31, 2015
Claudio Bordignon	Board Chairman, Chief Executive Officer	Plan 2008 B	750,000	1.4797	750,000		-
		Plan 2012 A	1,740,000	0.4514	1,740,000		-
		Plan 2012 B	1,160,000	0.4514	1,160,000		-
Marina Del Bue	Executive Officer, General Manager B&A	Plan 2008 B	450,000	1.4797	450,000		-
		Plan 2012 A	630,000	0.4514	630,000		-
		Plan 2012 B	420,000	0.4514	420,000		-
Germano Carganico	General Director R&D e Operations	Plan 2012 A	630,000	0.4514	630,000		-
		Plan 2012 B	420,000	0.4514	420,000		-
Enrico Cappelli	Chief Financial Officer	Plan 2008 A	180,000	1.4797	180,000		-
		Plan 2008 B	110,000	1.4797	110,000		-
		Plan 2012 A	90,000	0.4514	90,000		-
		Plan 2012 B	60,000	0.4514	60,000		-
Andrea Quaglino	Chief Financial Officer	Plan 2012 A	60,000	0.7554	60,000		-
		Plan 2012 B	40,000	0.7554	40,000		-
Holger Neecke	Business Development Director & IR	Plan 2008 A	150,000	1.4797	150,000		-
		Plan 2008 B	90,000	1.4797	90,000		-
		Plan 2012 A	150,000	0.4514	150,000		-
		Plan 2012 B	100,000	0.4514	100,000		-
Marco Dieci	Special Projects Director	Plan 2008 A	70,000	1.4797	70,000		-
		Plan 2008 B	60,000	1.4797	60,000		-
Marco Manoni	Facility Planning & Design Director	Plan 2012 A	90,000	0.4514	90,000		-
		Plan 2012 B	60,000	0.4514	60,000		-
Antonio Lambiase	Clinical Development Director	Plan 2008 A	80,000	1.4797			80,000
		Plan 2008 B	70,000	1.4797	70,000		-
		Plan 2012 A	150,000	0.4514	150,000		-
		Plan 2012 B	100,000	0.4514	100,000		-
Paolo Rizzardi	Research & Development Director	Plan 2008 A	70,000	1.4797			70,000
		Plan 2008 B	60,000	1.4797	60,000		-
		Plan 2012 A	150,000	0.4514	150,000		-
		Plan 2012 B	100,000	0.4514	100,000		-
Daniele Pieraccioli	Intellectual Property Director	Plan 2008 B	100,000	1.4797	100,000		-
		Plan 2012 A	90,000	0.4514	90,000		-
		Plan 2012 B	60,000	0.4514	60,000		-
Cynthia Giuliani	Human Resources Director	Plan 2008 B	70,000	1.4797	70,000		-
		Plan 2012 A	90,000	0.4514	90,000		-
		Plan 2012 B	60,000	0.4514	60,000		-
Catia Traversari	Research Director	Plan 2008 A	50,000	1.4797			50,000
		Plan 2008 B	40,000	1.4797	40,000		-
		Plan 2012 A	90,000	0.4514	90,000		-
		Plan 2012 B	60,000	0.4514	60,000		-
		Total	9,000,000		8,800,000		200,000

Note 32 – Transactions with related parties

It should be noted that, with the approval of the 2015 Financial Report on 18 April 2016, coinciding with the expiry of the MolMed Board of Directors, new members of the Board were appointed. Mr. Fiorendi, Director nominated in 2013, along with Mr. Salieri, from the Science Park Raf associate currently in liquidation have not been re-elected as part of the new Board. It is therefore reported that, effective 18 April 2016, the Science Park Raf S.p.A. shareholder currently in liquidation, its parent Company, Ospedale San Raffaele S.r.l. and its affiliates have ceased to be related parties of the Company.
Relations with Ospedale San Raffaele S.r.l. and its affiliates continued during the period, as before, at market conditions on the basis of existing contracts.

Transactions with related parties, until 18 April 2016, mainly refer to transactions between MolMed, its shareholder Science Park Raf S.p.A. in liquidation, its parent company (currently Ospedale San Raffaele S.r.l.), some associates and Fondazione Centro San Raffaele. MolMed has also performed bank transactions with Banca Esperia S.p.A. and Banca Mediolanum S.p.A., which are both related parties of the shareholder Fininvest S.p.A.

For the sake of disclosure, it should be noted that the shareholder Science Park Raf S.p.A. started voluntary liquidation proceedings on 3 December 2012, and changed its company name to Science Park Raf S.p.A. in liquidation.

These transactions do not qualify as either atypical or unusual and are part of the Company's ordinary business. These transactions are regulated at market conditions, taking account of the features of the goods and services provided.

Transactions with Science Park Raf in liquidation, its parent company and some associates (until 18 April 2016)

Introduction

Fondazione Centro San Raffaele del Monte Tabor in liquidation, parent company of Science Park Raf in liquidation, experienced economic and financial troubles and in October 2011 was forced to file an arrangement with creditors with the Court of Milan. This was intended to ensure the continuation of hospital as well as clinical and scientific research activities. As stated in the Decree of 28 October 2011, the Chairman of the Court of Milan accepted the proposal submitted, and the relevant operating procedures.

On the basis of these procedures, the Foundation transferred to a new company "Ospedale San Raffaele S.r.l" ("Ospedale San Raffaele") the business consisting of the hospital, clinic and research facilities, the relationships, including contract relationship, as well as staff involved in the hospital, clinical, scientific and research activities carried out by the Foundation, in addition to the control over Science Park Raf in liquidation, which, in turns, has stakes in MolMed.

On 11 May 2012, Ospedale San Raffaele, in addition to transferring the aforementioned business, also acquired ownership of all the authorizations required in the health industry and at relevant Institutions – with the necessary agreements being entered into with the relevant local health authorities. As part of this procedure, it was also classified as a Research Hospital (Istituto di Ricovero e Cura a Carattere Scientifico, IRCCS) as had the Foundation been since 1972 (most recently confirmed on 11 December 2009) for the area of Molecular Medicine ("Research Hospital Classification").

It should be noted that, on the date of this transfer, following a single binding offer, the Foundation assigned all the shares of Ospedale San Raffaele to Velca S.p.A.

In light of the above, the contracts governing the relationships described below with the Foundation were transferred to Ospedale San Raffaele effective from 11 May 2012, when the transfer was formalized.

It should also be pointed out that from 10 May 2012 Fondazione Centro San Raffaele del Monte Tabor changed its name to "Fondazione Centro San Raffaele del Monte Tabor in liquidazione e in concordato preventivo" (in liquidation and under arrangement with creditors), and that from the same date the Foundation ceased to be a MolMed related party.

Transaction description

In December 2001 MolMed, Science Park Raf in liquidation and Ospedale San Raffaele entered into an agreement, under which Science Park Raf in liquidation and Ospedale San Raffaele have granted MolMed an option right to purchase or to license or sublicense research projects involving genetic or molecular therapies for cancer and AIDS, as well as the rights to take economic advantage of these projects, plus any technology or know-how that are part of or otherwise instrumental to said projects, with the right for MolMed to access any and all information regarding such projects. The effectiveness of the agreement, under which the Company paid a fee of 4,131 thousand Euro plus VAT in 2008, was subject to the admission of the Company's shares to trading on a regulated market. This condition being met in March 2008, the contract is effective for eight years, with the possibility of renewal on a four-year basis.

As Ospedale San Raffaele raised some concerns about said agreement, the two parties met to clarify a number of issues relating to their previous exchange as well as to discuss potential improvements to the methods for exercising the right. Following this meeting, on 16 December 2013 an additional agreement was signed to further simplify the performance of said agreement, making it easier for MolMed to exercise its option right as well as reducing the overall burden of administrative and bureaucratic requirements to be complied with by Ospedale San Raffaele.

The fairness of the consideration for the transaction in relation to market values was confirmed by an opinion issued by an independent expert.

On 10 February 2015, Ospedale San Raffaele notified the Company and Science Park it would terminate the option agreement effective 4 March 2016.

Between 2001 and 2008 MolMed signed in-licensing contracts with Science Park Raf in liquidation and its parent company, by which it acquired (exclusive and non-exclusive) rights over patents or claims on patents owned by related parties, in order to be able to develop its products, both those which are currently in the clinical stage, such as Zalmoxis® (TK) and NGR-hTNF, and those which are in the preclinical stage. The duration of these contracts is linked to the expiry of the patent. These contracts establish different types of payment (up-front payments, milestones and royalties), based on the product development stages.

MolMed also signed scientific research and cooperation agreements, which are generally associated with in-licensing contracts, by which the Company commissioned Science Park Raf in liquidation and Ospedale San Raffaele to carry out fee-based research projects, making use of the know-how of their researchers, in order to develop technologies and products on behalf of and which are held by MolMed. A number of contracts signed by MolMed and Ospedale San Raffaele focus on some Zalmoxis and NGR-hTNF clinical trials. The fees for the purchase of these services are in line with market prices for contracts signed with other clinical centers.

MolMed signed a lease with Science Park Raf S.p.A. in liquidation for the premises located in Milan, Via Olgettina 58, where the Company has its headquarters. This contract, which was signed at the start of 2010,

annulled and replaced the previous leases which were in force up to 2009. The new contract, expiring at the end of 2015, represents an improvement for the Company compared to the previous version. After said premises were transferred to Ospedale San Raffaele S.r.l. and subsequently negotiating with the counterparty, the Company entered into a new agreement on even more favourable terms, which superseded the previous one. It will last for six years (2015-2020). In calculating the rental fee, a series of services offered by the San Raffaele Science Park are taken into account, such as security and reception services, maintenance service, and access to animal research laboratories, the library and the cafeterias by MolMed's staff. As part of facility management services, Science Park Raf S.p.A. in liquidation and Ospedale San Raffaele S.r.l. agreed to provide maintenance of scientific equipment, and health physics and radiation safety services.

As part of the Company's operations involving its GMP facility, MolMed signed a series of contracts with Ospedale San Raffaele under which it supplies cell manipulation services, as well as services involving the development and GMP production of materials for clinical trials managed by the facility researchers. Economic conditions set in the agreements are decided by the Company, based on the relevant costs incurred, plus the portion of overheads attributable to the service performed and a suitable profit margin.

As part of its operations, MolMed has commercial relationships with Diagnostica e Ricerca San Raffaele S.p.A. (merged into Ospedale S. Raffaele since 1 April 2014) and HSR Resnati S.p.A., which are directly or indirectly controlled by Ospedale San Raffaele.

Specifically, Diagnostica e Ricerca San Raffaele S.p.A. (merged into Ospedale S. Raffaele since 1 April 2014) performed microbiological analyses on the samples generated by MolMed's clinical trials, while HSR Resnati S.p.A. carries out diagnostics and clinical tests for MolMed's personnel and consultants, in compliance with the provisions on workers' health and safety. Services provided also include other occupational medicine activities, such as definition and management of a healthcare protocol for preventive and periodic monitoring of the personnel's health conditions.

Transactions with other related parties

The Company has current and deposit account with Banca Esperia S.p.A and a current and deposit account with Banca Mediolanum S.p.A.. Part of these relationships is the management of the investment of liquidity which exceeds the Company's operating needs. Transactions are regulated at market conditions.

Income and equity impact

Income impact

The following table shows the effects of transactions with related parties, identified in accordance with IAS 24, on the Company's Income Statement and Statement of Financial Position as at 30 June 2016:

(amounts in Euro thousand)	Financial income	Financial charges
Banca Esperia S.p.A.	1	-
Banca Mediolanum S.p.A.	-	-
Total	**1**	**-**
Financial statements item	**82**	**225**
% on financial statements item	**1%**	**0%**

Balance Sheet impact

(amounts in Euro thousand)	Cash and cash equivalents
Banca Esperia S.p.A.	3,190
Banca Mediolanum S.p.A.	275
Total	**3,465**
Financial statements item	**12,114**
% on financial statements item	**29%**

Cash and cash equivalents consist of bank deposit accounts.

For information on stock options assigned to Directors and Managers with strategic responsibilities, reference should be made to **Note 31.**

As for the main impacts on financial flows of transactions with related parties, it should be noted that these concern the dealings and transactions described above and a detailed breakdown is provided in the Statement of Cash Flows.

Note 33 – Significant non-recurring events and transactions

Pursuant to Consob Communication of 28 July 2006, it should be noted that, during the first half of 2016, the Company did not undertake any significant non-recurring transactions.

Note 34 - Transactions resulting from atypical and/or unusual events

Pursuant to Consob Communication of 28 July 2006, it should be noted that, during the period, the Company did not enter into any atypical or unusual transactions. The Communication defines as atypical or unusual transactions those transactions that may raise doubts as to the accuracy/completeness of the information in the Financial Statements, the existence of conflicts of interest, the safeguarding of the Company's net assets and of the minority shareholders, due to their significance/importance, the parties involved in the transaction, the subject of the transaction, the way the transfer price was determined and when the event/transaction takes place (close to year end).

Note 35 - Fees due to Directors and Statutory Auditors

The fees due to MolMed's Directors and Statutory Auditors are shown in the following table:

(amounts in Euro thousand)	1st half 2016	1st half 2015
Directors' fees	571	583
Statutpory auditors' fees	44	40
Total	**615**	**623**

On April 18, 2016, the Board of Directors resolved to pay Company President Prof. Claudio Bordignon a fixed remuneration totalling 400 thousand Euro per year, gross of legal deductions, to carry out Chairman duties. The Board of Directors also resolved to pay Prof. Bordignon, as compensation for a non-competition obligation for 24 months following the termination, for whatever reason, of his term of office, 800 thousand Euro gross of taxes, to be paid all at once at the end of the related mandate and should it not be renewed, providing for a penalty in case of breach of contract.

On the basis of the resolutions passed by the Board of Directors on 18 April 2016, approval was also granted for the payment of compensation equal to the total gross annual remuneration of 400 thousand Euro, required for the position of Chairman, multiplied by the number of years remaining until the date of the meeting convened to approve the 2018 financial statements, in the event that without just cause attributable to the latter, the Assembly should proceed to the revocation of his appointment as Director, or all of his powers and/or conferred powers were revoked, including those relating to the role of Chairman of the Scientific Advisory Board and of the Strategy Committee and/or such authorities and powers were attributed, even only in part, to other parties, or in the event that the Company was placed in liquidation.

On April 18, 2016, the Board of Directors resolved to pay Company CEO Dr. Riccardo Palmisano a fixed remuneration totalling 450 thousand Euro per year, gross of legal deductions. The Board of Directors also voted to pay Dr. Palmisano, as compensation for the non-competition obligation that the Company may require the latter to respect, for the period of 24 months following the termination, for any reason, of the Directorship, an amount of 225 thousand Euro, gross of withholding taxes, and to pay Dr. Palmisano compensation equal to the total gross annual remuneration of 450 thousand Euro, in the event of revocation of the office of Chief Executive Officer without just cause before the expiry of the current mandate of the company's Board of Directors, or before the date of approval of the financial statements on 31 December 2018.

No agreements have been signed by other Directors, and no compensation was paid to Directors ceasing to hold office in the year.

Note 36 – Information on financial risks

The Company constantly monitors the financial risks to which it is exposed, in order to detect the potentially negative effects in advance and take the necessary action to mitigate them. The following section provides qualitative and quantitative disclosure on the effect that these risks may have on the Company.

The quantitative data reported in the following paragraphs should not be considered as forecasts; specifically, the sensitivity analysis on market risks is unable to reflect the complexity of the market and the reactions that may result from any estimated changes.

Capital management

The Company manages its capital with the aim of pursuing the best interests of its stakeholders while also maintaining a sound capital structure.

Market risk

Market risk is the risk of fluctuations in the fair value or the financial flows of a financial instrument following variations in the market price due to changes in exchange rates or interest rates, or in the price of equity instruments.

Interest rate risk

The Company has no significant financial payables or receivables. Cash obtained by the listing has been invested in current account deposits and government securities and bonds, remunerated at a rate that is affected by changes in short-term interest rates. In order to limit the risk of default in the performance of obligations by the counterparties, the investments were made at various top-flight banks and financial institutions with high credit ratings, in order to diversify the counterparty risk.

Currency risk

The Company's exposure to fluctuations in exchange rates is marginal, since there are no significant debit or credit positions in foreign currency, or financial instruments subject to currency risks. Financial assets are denominated in Euro. The Company does not use instruments aimed at hedging against the currency risk.

Credit risk

This is the risk that a client or counterparty causes a loss by defaulting on an obligation and it is primarily related to financial transactions. Given the nature of the Company's business, and the relevant asset structure, the Company is subject to limited credit risk. The maximum credit risk relating to the Company's current assets, which include cash and cash equivalents, other financial assets, tax receivables, trade receivables and other assets is equal to the value of these assets in the event that the counterparty becomes insolvent. There are no significant amounts past due. It should also be noted that all the main counterparties consist of leading financial institutions and widely respected companies. In addition, investments were made at a number of different credit institutions, in order to diversify the counterparty risk. With regard to recent events involving Fondazione Centro San Raffaele del Monte Tabor in liquidation, reference should be made to **Note 32.**

Liquidity risk

Liquidity risk is the inability to obtain, under reasonable conditions, the financial resources necessary for the operations and business development. The Company's indebtedness is not significant and, as at 30 June 2016, it recorded a positive net financial position of 22,167 thousand Euro, mainly consisting of cash and cash equivalents and financial receivables. The two main factors that determine the Company's liquidity are, on the one hand, the resources generated or absorbed by the operating and investing activities and, on the other hand, the characteristics of the financial investments in terms of their maturity and renewal, as well as market conditions.

The Company has implemented a series of policies and processes designed to optimize the management of financial resources and reduce liquidity risk:

- keeping an adequate level of cash and cash equivalents;
- constant monitoring of cash flows arising from the company's business operations and net financial position, in order to promptly implement the necessary actions;

- monitoring of prospective liquidity conditions related to corporate planning.

For more information reference should be made to the section “Going concern” in these Notes, and to the section on “Financial risks” in the Report on Operations.

Note 37 – Significant events after the reporting period

For further information on significant events after the reporting period, reference should be made to paragraph *6. Significant events after the reporting period*.

Right to depart from disclosure requirements in the event of significant transactions

During the Board of Directors’ meeting of November 12, 2012, based on the amendments to Articles 70 and 71 of the Issuers' Regulations introduced by Consob resolution 18214 dated May 9, 2012, the Company resolved to depart from the disclosure requirement as described in paragraph 6 and paragraph 1, respectively, disclosing this decision in the financial reports published pursuant to Article 154-ter of the Consolidated Law.

Certification of the Condensed Interim Financial Statements pursuant to Article 81-ter of Consob Regulation no. 11971 of May 14, 1999 and subsequent amendments and additions

1. The undersigned, Mr. Claudio Bordignon, Chairman, and Mr. Andrea Quaglino, Executive Officer responsible for preparing MolMed's financial reports, having taken into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree no. 58 of February 24, 1998, hereby certify:
   - the adequacy in relation to the characteristics of the Company; and
   - the effective implementation of the administrative and accounting procedures for the preparation of the Company's Condensed Interim Financial Statements for the first half of 2016.

2. Measurement of the adequacy of the administrative and accounting procedures used for the preparation of the Condensed Interim Financial Statements at June 30, 2016 is based on a process defined in keeping with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organizations of the Treadway Commission which is a reference framework generally accepted internationally.

3. It is also stated that:
   - the Condensed Interim Financial Statements at June 30, 2016:
     a. were prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002 and subsequent amendments and additions;
     b. are consistent with the entries in accounting books and records;
     c. provide a true and fair view of the financial position, results of operations and cash flows of the issuer;
   - the Interim Report on Operations includes a reliable analysis of the important events which occurred in the first six months of the year and their impact on the Condensed Interim Financial Statements, as well as a description of the main risks and uncertainties to which the Company is exposed for the rest of the year. The Interim Report on Operations also includes reliable disclosure on significant transactions with related parties.

Milan, August 1, 2016

[Signed by]

Claudio Bordignon
Chairman

Andrea Quaglino
Executive Officer responsible for preparing
Company Financial Report

Report of the external auditors

EY S.p.A.
Via Meravigli, 12
20123 Milano

Tel: +39 02 722121
Fax: +39 02 722122037
ey.com

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Review report on the interim condensed financial statements
(Translation from the original Italian text)

To the Shareholders of
MolMed S.p.A.

Introduction

We have reviewed the interim condensed financial statements, comprising the statement of financial position as of June 30, 2016, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the period then ended and the related explanatory notes of MolMed S.p.A.. The Directors of MolMed S.p.A. are responsible for the preparation of the interim condensed financial statements in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

We conducted our review in accordance with review standards recommended by Consob (the Italian Stock Exchange Regulatory Agency) in its Resolution no. 10867 of 31 July 1997. A review of interim condensed financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISA Italia) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the interim condensed financial statements.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of MolMed S.p.A. as of June 30, 2016 are not prepared, in all material respects, in conformity with the International Financial Reporting Standard applicable to interim financial reporting (IAS 34) as adopted by the European Union.

Emphasis of matter paragraph

We draw attention to the information provided in the Report on Operations, “Risk associated with funding research and development activities”, and in the Explanatory Notes, “Going Concern” of the interim condensed financial statements describing the Directors’ assessment on going concern. In detail, the Directors state that financial means and equity available can guarantee adequate resources to continue the business operations for a foreseeable future of at least 12 months from the date of approval of interim condensed financial statements by the Board of Directors. Our review report does not include any qualification in this respect.

EY S.p.A.
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Other matters

The financial statements for the year ended 31 December 2015 and the interim condensed financial statements for the half-year period ended 30June 2015 have been respectively audited and reviewed by another auditor who expressed an unqualified opinion on the financial statements on March 25, 2016 and expressed an unqualified conclusion on the interim condensed financial statements on August 4, 2015.

Milan, Italy

August 2, 2016

EY S.p.A.

Signed by: Luca Pellizzoni, Partner

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