The Financial Statement have been translated from those issued in Italy, from the Italian into English language solely for the convenience of international readers

MOLMED

Half-year financial report at June 30th, 2019

FROM GENES TO THERAPY

MOLMED S.p.A.
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Share Capital € 21,819,020.83 fully paid – REA no.1506630 – Milan Companies Register, Tax and VAT no. 11887610159

From genes…

Our mission: focusing on innovative cell and gene therapies that can meet the therapeutic needs in the treatment of tumors and rare diseases, by combining scientific and research excellence with a clear and solid industrial project.

…to therapy

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General company information

Registered Office:	Via Olgettina, 58 – 20132 MILAN (MI)
Operating Unit:	Open Zone, Via Meucci, 3 - 20091 Bresso (MI), Italy
Tax Number:	11887610159
VAT Number:	IT 11887610159
Milan Companies Register:	no. 11887610159
REA (economic and administrative index):	1506630
Share Capital:	€ 21,819,020.83, fully paid
Borsa Italiana Ticker Symbol:	MLM
ISIN:	IT0001080248
Reuters Ticker Symbol:	MLMD.MI
Bloomberg Ticker Symbol:	MLM IM
LEI Code:	815600342FDC0C3F6E10
Outstanding shares: (100% ordinary shares with no par value)	463,450,672

DISCLAIMER

This document may contain forward-looking statements that reflect the current views of the Company on future events based on information available as of today's date. Forecasts and estimates are generally identified by words such as "possible", "should", "forecast", "expected", "estimated", "believe", "intend", "plan", "objective" or by the negative form of these expressions or other variations thereof or by the use of comparable terminology.

Although the Company believes that its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties that are beyond Managers' control, including scientific, business, economic and financial factors, which could cause actual results to differ materially from those projected in the forward-looking statements.

The Company assumes no obligation to publicly update and revise forecasts and estimates following the availability of new information, future events or other factors, without prejudice to compliance with applicable laws. All subsequent forecasts and estimates, whether oral or written, attributable to the Company or any persons acting on its behalf, are expressly qualified, in their entirety, by these cautionary statements.

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

Corporate bodies

Chairman	Carlo Incerti
CEO	Riccardo Palmisano
Directors	Alberto Luigi Carletti
	Laura Iris Ferro, *independent*
	Sabina Grossi
	Mario Masciocchi, *independent*
	Alfredo Messina
	Elizabeth Robinson, *independent*
	Raffaella Ruggiero, *independent*

The Board of Statutory Auditors, appointed by the Shareholders' Meeting held on April 30th, 2019, will remain in office until the Shareholders' Meeting convened to approve the Financial Statements at December 31st, 2021.
Riccardo Palmisano is the "Director responsible for the internal control and risk management system".

Board of Statutory Auditors

Chairman	Riccardo Perotta
Statutory Auditors	Flavia Daunia Minutillo
	Michele Milano
Substitute Statutory Auditors	Alessia Bastiani
	Giuliana Maria Converti
	Tommaso Casale

The Board of Statutory Auditors, appointed by the Shareholders' Meeting held on April 30th, 2019, will remain in office until the Shareholders' Meeting convened to approve the Financial Statements at December 31st, 2021.

*Control and Risk Management Committee **

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

** It also acts as the Committee responsible for transactions with related parties.*

Remuneration and Nomination Committee

Chair	Raffaella Ruggiero, *independent*
Members	Laura Iris Ferro, *independent*
	Sabina Grossi

External Auditors

EY S.p.A.

Scientific Advisory Board

MolMed's Scientific Advisory Board (SAB), chaired by Mr. Claudio Bordignon, is an independent advisory body, peculiar of companies where the quality of projects is determined by the value of their scientific contents. The SAB provides advisory support to the Company's research and development programs.

MolMed's Scientific Advisory Board combines the knowledge and experience of leading international scientific experts. SAB members are as follows:

- Claudio Bordignon, SAB Chairman and Founder of MolMed, Founding Member of the Scientific Council of the European Research Council (ERC), Honorary Professor of Hematology at the Vita-Salute San Raffaele University in Milan (Italy);
- Malcolm K. Brenner, Director of the Center for Cell and Gene Therapy at Baylor College of Medicine in Houston, Texas (USA), Professor of Medicine and Pediatrics at the Fayez S. Sarofim (Baylor College of Medicine) in Houston, Texas (USA);
- Gianpietro Dotti, member of the UNC Lineberger Comprehensive Cancer Center, Professor at the department of Microbiology and Immunology at the UNC School of Medicine in North Carolina (USA);
- Mohamad Mohty, Professor of Hematology at the Department of Medicine of the Pierre and Marie Curie University in Paris and Director of Hematology and Cell Therapy at Saint-Antoine Hospital in Paris (France);
- Miguel-Angel Perales, Oncologist and Deputy Director of the Bone Marrow Transplant Service and Director of the Adult Bone Marrow Transplantation Fellowship Program at the Memorial Sloan Kettering Cancer Center in New York (USA).

Interim Management Report at June 30th, 2019

Key performance highlights

(amounts in Euro thousand)	1st half 2019	1st half 2018	Variation	
	(a)	(b)	(a-b)	%
Operating Revenues	16,376	12,712	3,664	28.8%
Revenues for service from third parties	*16,313*	*10,010*	*6,303*	*63.0%*
Revenues from Zalmoxis®	*-*	*2,224*	*(2,224)*	*(100.0%)*
Other revenue	*63*	*478*	*(415)*	*(86.8%)*
Operating costs	(18,273)	(15,563)	(2,710)	(17.4%)
Operating result	(1,897)	(2,851)	954	(33.5%)
Net financial income & charges	(25)	(234)	209	(89.3%)
Result for the period	(1,922)	(3,085)	1,163	(37.7%)

Investments

(amounts in Euro thousand)	1st half 2019	1st half 2018	Variation	
	(a)	(b)	(a-b)	%
Investments	619	741	(122)	(16.4%)

Net financial position

(amounts in Euro thousand)	June 30, 2019	December, 31 2018
Net financial position - IFRS 16 included	**4,391**	**16,466**
IFRS 16 application - current	1,196	-
IFRS 16 application - non current	7,930	-
Net financial position IFRS 16 not included	**13,517**	**16,466**

Average number of employees

	1st half 2019	FY 2018	1st half 2018
Average number of employees	215	199	195

1. A history of excellence in R&D and cell & gene manufacturing

MolMed ("the Company") is listed on the MTA (*Mercato Telematico Azionario*) managed by Borsa Italiana (Reuters Ticker Symbol: MLMD.MI). It is a biotechnology company focused on research, development, clinical validation and manufacturing of innovative cell and gene therapies for the treatment of tumors and rare diseases.

Over the years, MolMed has developed a dual business model, by combining R&D activities on proprietary products and GMP (Good Manufacturing Practices) development and manufacturing services on behalf of third parties.

Among the first companies in Europe with authorized GMP manufacturing facilities for cell and gene therapies, MolMed is a solid company both in the CDMO (Contract Development & Manufacturing Organization) area, where it boasts important international partnerships, and in the area of proprietary products, where it is able to perform all the typical functions of a biotechnology company, from pure research to development, manufacturing, clinical validation, regulatory activities, pricing and reimbursement negotiations in relation to therapies.

1.1 Proprietary pipeline

Zalmoxis® (TK)

Zalmoxis® is a cell-based therapy enabling hematopoietic stem cell transplantation from partially compatible donors, in the absence of post-transplant immunosuppression. Zalmoxis® has received from the European Commission the Conditional Marketing Authorization (CMA[1]) with the indication "adjunctive treatment in haploidentical hematopoietic stem cell transplantation (haplo-HSCT) of adult patients with high-risk hematological malignancies"; it is the first cell therapy approved in the European Union in relation to this indication. The authorization was obtained through a centralized procedure and is effective for all EU countries.

The marketing authorization was obtained based on effectiveness and safety data from patients participating in the Phase I/II TK007 clinical trial and the first 15 patients of the pivotal randomized Phase III TK008 clinical trial, compared retrospectively with a cohort of patients taken from the registry of the European bone marrow transplant company and analyzed independently by the same scientific society (EBMT).

To date, 92 patients have been enrolled in relation to TK008, including 7 patients in 2019, in 18 active centers—i.e. centers that have enrolled at least one patient—out of 31 centers in 9 countries. The study involves adult patients with high-risk acute leukemia undergoing haplo-transplantation and aims to demonstrate the therapeutic efficacy and tolerability of the investigational medicinal product, by comparing the results of haplo-transplantation with or without TK cells, with a randomization of 3 to 1 in favor of Zalmoxis®.

The primary objective of the study is measuring the disease-free survival in a population of 170 patients; secondary objectives include overall survival, decrease of mortality related to haplo-transplantation, and an improved safety profile and quality of life for patients.

On June 27th, 2019, based on the findings of an interim analysis—which had not been planned and the Company voluntarily conducted as part of a review of the product's place in therapy—of the first 90 patients

[1] Detailed recommendations for the use of Zalmoxis®, described in the Summary of Product Characteristic (SmPC), are attached to the European Public Assessment Report (EPAR) available on the EMA website.

participating in the TK008 clinical trial, the Company decided to suspend the enrollment of new patients : even though they were not conclusive, the findings of the interim analysis did not show an advantage of the arm treated with Zalmoxis® compared to the control arm treated with the standard of care with respect to the primary endpoint of the study, i.e. disease free survival. The analysis did not reveal any changes in the product's safety profile. The Company is currently completing the analysis of all available data as well as working together with Regulatory Authorities and the centers involved in the clinical trial to define the next steps of the study and the future development of the product.

From a commercial point of view, the Company has already obtained reimbursement in Italy and Germany, while according to France, data from Phase I and II trials are currently not sufficient to justify reimbursement from the healthcare system. The Company does not have its own marketing structure and, following the termination by mutual consent of the licensing and distribution agreement with Dompé farmaceutici S.p.A for Zalmoxis® in all European Union Member States, Switzerland, Turkey, and Australia on November 12th, 2018, it began scouting for a new marketing partner with the support of an international advisor. The talks underway at the time enrollment in the clinical trial was suspended have been temporarily put on hold pending the outcome of the mentioned discussions with European Regulatory Authorities.

CAR-T CD44v6

CAR-T CD44v6 is an immuno-gene therapy, potentially effective in certain hematological malignancies and in some solid tumors. It has demonstrated a high degree of efficacy and safety in experimental animal models. In addition, CAR-T CD44v6 includes MolMed's proprietary suicide gene, which is intended to enhance the product's safety profile.
On March 20th, 2019, AIFA authorized the launch of a Phase I/II first-in-man clinical trial in Italy with CAR-T CD44v6 to treat patients with acute myeloid leukemia (“AML”) and multiple myeloma (“MM”). The authorization from AIFA follows the positive technical opinion issued by Italy's National Institute of Health (*Istituto Superiore di Sanità* – ISS) on March 12th, 2019. The Phase I/II multicenter clinical trial is part of the European project EURE-CART Horizon 2020, coordinated and sponsored by MolMed. 5 clinical centers are to participate in the trial—two in Italy (San Raffaele Hospital of Milan, which coordinates the clinical study, and Rome's Bambino Gesù Pediatric Hospital) and three in other European countries, namely Spain, Germany, and the Czech Republic. The trial is divided into two phases: the first phase will focus on adult patients suffering from AML and MM and aim to identify the Maximum Tolerated Dose (MTD) among the levels specified in the protocol; the second phase will involve also child patients and pursue the primary goal of assessing the therapeutic activity of CAR-T cells for each pathology in a larger number of patients.

t is the intention of the Company to complete the preliminary studies to submit a similar application for authorization to human testing of the same CAR-T CD44v6 on solid tumors. The CD44v6 is in fact an original antigen, never used as a target in CAR-T therapies, and expressed not only by some hematological tumors such as myelomas and leukemias, but also by several solid tumors, including some big killers, such as pancreatic adenocarcinomas, head and neck and others.

On May 24th, 2019, the European Patent Office (EPO) announced its decision to grant patent EP3194434 titled “Chimeric Antigen Receptors” for an innovative structural component applicable to CAR technology and already used in the proprietary product CAR-T CD44v6. The patent will be valid through 2035, granting market exclusivity in all countries where it will be validated, up to a maximum of 38 countries that are signatories to

the European Patent Convention. The Company has filed equivalent patent applications in the United States, Japan, and other major emerging markets.

Autologous CAR T and allogeneic CAR NK

The Company has entered into strategic agreements, with the aim of expanding its cancer CAR pipeline capable of treating liquid and solid tumors with new original targets. The research project also involves developing both CAR-T autologous and new CAR allogeneic therapies that, unlike the first ones, use cells from healthy donors to produce therapies for different patients, leading to significant estimated manufacturing cost savings.

In the first half of 2019, the Company continued working together with AbCheck and Glycostem under the strategic agreements entered into during 2018. Specifically, the partnership with Glycostem—a Dutch biotech company focusing on the development of off-the-shelf cell immunotherapies based on natural killer (NK) cells—will allow MolMed to expand its pipeline of cancer cell and gene therapies by entering the innovative and promising sector of allogeneic therapies. Based on the agreement, the two companies cooperate in the development and manufacturing of NK cells that are genetically modified to recognize tumor antigens. Glycostem is responsible for GMP manufacturing and the release of the finished product, while MolMed has exclusive rights to use the final product in return for relevant upfront, milestone and royalty payments.

During the first half of the year, the Company has also continued to cooperate with AbCheck s.r.o.—a Czech company focusing on the research and optimization of high quality antibodies—to develop innovative CARs for new tumor antigens. According to the agreement, AbCheck will use its proprietary platform for the research, selection, optimization and manufacturing of various human single-chain variable fragments (scFvs) which are capable of specifically recognizing every potential target chosen by MolMed. The scFvs are CAR fragments which confer specificity to the CAR itself by recognizing and binding to tumor antigens. The new scFvs, optimized and manufactured by AbCheck, will allow MolMed to expand its pipeline both in relation to the autologous CAR-T platform and to the CAR-NK platform.

NGRhTNF

In light of the growing focus and specialization of MolMed in the cell & gene area, of the upcoming patent expiration concerning NGR-hTNF, and considering the strategic decision to allocate the financial resources to the most innovative projects, the Company—while believing in the scientific validity of the NGR-hTNF project—confirms that it does not consider it a priority to continue to invest in this product.

1.2 GMP development and manufacturing activities on behalf of third parties

MolMed participates in cell and gene therapy projects together with third parties, by providing resources and expertise to develop investigational therapies and manufacture products involved in preclinical and clinical trials and for commercial use. These projects include the development, validation and control strategy of the manufacturing process as well as manufacturing, for clinical and commercial use, according to current GMPs, of viral vectors and genetically modified cells.

Due to its consolidated leadership in this field, in recent years, MolMed has signed agreements with important market players in the cell and gene therapies industry, both at an academic and non-profit level, such as the Telethon Foundation and the Boston Children's Hospital, as well as with international companies such as GlaxoSmithKline (NYSE: GSK), Orchard Therapeutics (Nasdaq: ORTX), Rocket Pharma (Nasdaq: RCKT), Cellectis (Nasdaq: CLLS) and Genenta Science for the supply of development, manufacturing and technology transfer services for clinical application of gene therapies based on cell transduction with viral vectors.

In order to support both its proprietary pipeline and the projects carried out on behalf of third parties, the Company has also been developing an important project aimed at expanding its production capacity through the completion of a second facility in the Open Zone scientific park in Bresso (Milan). In July 2017, AIFA (*Agenzia Italiana del Farmaco* – Italian Medicines Agency) granted this new facility the status of "Pharmaceutical Company" for the manufacturing of investigational gene therapies. After various authorization packages relating to the GMP manufacturing area of the Bresso site were submitted, authorization was granted in 2018 by the relevant authorities relating to the GMP manufacturing area with reference to Stream 1 (approx. 600 sq. m) of the new facility. When the expansion and the relevant AIFA authorization process for all GMP manufacturing areas is complete, MolMed's production capacity will be tripled, considering both the spaces of the new manufacturing site and those already operational at the San Raffaele Hospital.

On March 7th, 2019, the Company renewed and extended its partnership agreement in the field of oncology, signed in March 2016 with Genenta Science, a biotechnology company operating in the development of new immunotherapy approach based on the modification of autologous hematopoietic stem cells. Specifically, the partnership between the two firms has allowed to successfully validate the analytical and manufacturing methods for Genenta's TemferonTM, an advanced drug for an innovative gene immunotherapy applicable to both hematopoietic and solid tumors. Genenta has selected MolMed as the exclusive supplier of the drug for use in human trials.
On March 13th, 2019, the Company renewed and extended to three new therapeutic indications the partnership started in February 2017 with Rocket Pharmaceuticals Ltd (Nasdaq: RCKT), a US company specialized in the development of innovative therapies for the treatment of rare genetic diseases. With the renewal and extension of the agreement, Rocket Pharma will entrust MolMed with the activities related to the manufacturing of lentiviral vectors for three new therapeutic indications.

2. *Main risks and uncertainties*

2.1 Risks associated with the withdrawal or suspension of the marketing and clinical development authorization for Zalmoxis®

Risks associated with the withdrawal or suspension of the Conditional Marketing Authorization
Zalmoxis® has received from the European Commission the Conditional Marketing Authorization with the indication "adjunctive treatment in haploidentical hematopoietic stem cell transplantation of adult patients with high-risk hematological malignancies". The authorization was obtained based on effectiveness and safety data from patients participating in the Phase I/II TK007 clinical trial and the first 15 patients of the pivotal randomized Phase III TK008 clinical trial. The Company decided to conduct an unplanned interim analysis of the first 90 patients participating in the TK008 clinical trial, representing approximately 50% of total patients on the protocol. Although not conclusive, this analysis did not show an advantage of the arm treated with Zalmoxis® compared to the control arm treated with the standard of care with respect to the primary endpoint of the study, i.e. disease-free survival. In the event the data from the interim analysis is confirmed, the European Regulatory Authority may withdraw or suspend the conditional marketing authorization, as the relevant conditions that the TK008 clinical trial was supposed to confirm would no longer be met.

In addition, the Conditional Marketing Authorization (CMA) must be renewed annually by the European Regulatory Authority and, although it has already been granted for the years 2017, 2018, there is no guarantee that this will happen in the future. The European Regulatory Authority may withdraw or suspend the CMA if the data from the interim analysis is confirmed.

The withdrawal or suspension of the Conditional Marketing Authorization would affect the value of the product as well as the Company's financial situation, financial performance, and outlook.

Risks associated with unforeseen additional clinical costs for the development and/or repositioning of the product

Zalmoxis® is an adjunctive treatment in haploidentical hematopoietic stem cell transplantation of adult patients with high-risk hematological malignancies allowing to transplant hematopoietic stem cells from partially matched donors in the absence of post-transplant immunosuppression. Following variations in clinical practice and the preliminary findings from the interim analysis of the pivotal TK008 clinical trial, in order to maintain or expand the current indication of the Conditional Marketing Authorization, the Company may have to conduct new clinical trials so as to reposition Zalmoxis® for a new therapeutic use consistent with current clinical practices, and maintain or expand the current indication for use. Conducting a clinical trial is complex, expensive, and time-consuming, and the outcome is uncertain. This could require funds that the Company may not have and/or may need to raise on capital markets, possibly on unfavorable terms.

Risks associated with the withdrawal or denial of the reimbursement price

The Conditional Marketing Authorization in relation to Zalmoxis® was obtained through a centralized procedure and is therefore effective for all EU countries. As far as procedures are concerned, the Company must present a pharmacoeconomic analysis to each European national authority in order to obtain the reimbursement of the sale price. The Company has already obtained reimbursement in Italy and Germany, while according to France, data from Phase I and II trials are currently not sufficient to justify reimbursement from the healthcare system. If Zalmoxis® is confirmed not to have a clinical advantage over the standard of care, there would be a risk that individual national authorities could withdraw the reimbursement price granted or deny any reimbursement price to be paid by the national health or insurance service, if any. This could have a material negative impact on the value of the product as well as the Company's financial situation, financial performance, and outlook.

Risks associated with the lack of a marketing partner

The Company does not have its own marketing structure: therefore, in 2017 it had granted Dompé farmaceutici S.p.A. a license for marketing Zalmoxis® in all European Union Member States, Switzerland, Turkey, and Australia. In 2018, the agreement with Dompé farmaceutici S.p.A. was terminated by mutual consent and the Company started scouting for a new partner, including by appointing an international advisor. Based on the preliminary findings from an unplanned interim analysis of the pivotal randomized Phase III TK008 clinical trial, which did not show an advantage of the arm treated with Zalmoxis® compared to the control arm treated with the standard of care with respect to the primary endpoint of the study, i.e. disease-free survival, the Company may struggle to find a partner for co-developing and marketing Zalmoxis®, as this would go from being authorized for marketing to a product in the testing phase, resulting in a longer and more uncertain time to market . This could have a material negative impact on the value of the product as well as the Company's financial situation, financial performance, and outlook.

2.2 Risks associated with the development of the proprietary pipeline and with development and manufacturing activities on behalf of third parties

The Company has still not completed the development of its products that are currently in the preclinical and clinical trial stage. Conducting a clinical trial is complex, expensive, and the outcome is uncertain. Failure can occur at any time during the clinical trial process. Any errors or delays in completing clinical trials and/or failure in demonstrating safety and effectiveness during clinical trials would stop the development process; this could negatively affect the Company's operating results, financial situation and outlook.

The investigational products under development could still prove to be ineffective or less effective than expected, or they also could cause side effects during clinical trials and may not obtain proper authorization from relevant Authorities or may not obtain it in time in order for them to be sold. In addition, it might happen that the non-randomized Phase I/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 relevant Authorities, in the case of a significant risk to the health of patients. Even after the marketing authorization of relevant Authorities, a product might prove to be unsafe or not to have the expected therapeutic effects (for example, side effects might emerge after the product is sold on the market or the drug effectiveness may be lower than that assessed during experimental phases), or it might not be accepted by the market (which might prefer competitors' products) or, in general, 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. This could significantly and negatively affect the Company's business, financial situation, financial performance and outlook.

The above applies to the research pipeline for autologous CAR T and allogeneic CAR NK as well as to the experimental product CAR-T CD44v6, for which the Company is about to start the Phase I/II clinical study: in this regard, there is no guarantee that the Company will be able to successfully complete the clinical trial of the experimental product. Clinical studies may be delayed or suspended for a variety of reasons , including: delay or failure in obtaining regulatory authorization to commence a clinical trial because of safety issues or failure to comply with regulatory guidelines; delay in obtaining clinical materials or manufacturing sufficient quantities for use in clinical trials; delay in obtaining the approval of ethics committees for clinical trial protocols; delay in recruiting patients; the clinical trial failing or not being conducted in accordance with applicable laws; unforeseen safety issues; inability to adequately monitor patients during or after treatment; inability of clinical trial managers to properly perform their duties, including in terms of complying with applicable laws or meeting expected deadlines; lack of sufficient funding to complete the trials. Should the Company not be able to timely complete the development program and the preclinical and clinical trials for its products, its business and financial position, results of operations, and cash flows could be negatively affected.

In addition, the Company relies on Contract Research Organizations (CROs) or other third parties to design, manage, monitor, and conduct its own clinical trials. Should such entities fail to operate in accordance with the relevant agreements, clinical protocols, or regulatory requirements, this could compromise the quality or accuracy of the data generated. Such circumstances, as well as the need to replace one of the above entities during the study, may lead to significant delays in clinical trials as well as increased costs. The Company may not be able to timely complete the development program and clinical trials for its products, and as a result, its business and financial position, results of operations, and cash flows could be negatively affected.

Clinical tests follow protocols specifying how to conduct them, including the number of patients to recruit and the characteristics of the patients that may or may not be eligible for the trial. There is a risk that, in practice,

recruiting the required number of patients with the specified characteristics may turn out to be challenging, potentially causing the trial to be delayed or even terminated. This could happen for a variety of reasons, including excessively specific patient characteristics—resulting in an extremely small population of eligible patients—or the emergence of a "competing" product already approved or in clinical development. The Company seeks to mitigate these risks by relying on expert staff and other third parties, such as Contract Research Organizations (CROs), to design, manage, monitor, and conduct its own clinical trials. In the event of delays in enrolling patients, the Company may not be able to timely complete the development program and clinical trials for its products, and as a result, its business and financial position, results of operations, and cash flows could be negatively affected.

Risks associated with strong competition on research products

The biotechnology and pharmaceutical products markets are characterized by significant competition. This is especially true in the field of oncology. In this context, 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 R&D and subsequent sale of products, the Company also faces competition from current and potential competitors benefiting from high financial resources, a significant investment budget and better in-licensing opportunities with regards to 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 the Company. 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 competitive positioning 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 the development and manufacturing activities on behalf of third parties

The Company's operations in providing GMP services are linked to the performance of customers and their products as well as the investments made by international competitors in the cell and gene therapy sector, which are increasingly scaling up. The failure of one or several research projects conducted by customers, the bankruptcy of a customer, and more competitive offerings from one or multiple competitors may limit the growth of MolMed's development and manufacturing services on behalf of third parties, jeopardizing the Company's ability to compete in this industry and meet sales growth targets.

Risks associated with industry regulations

The Company's activities—both in the field of research products and in relation to GMP development and manufacturing activities on behalf of third parties—are subject to strict international, EU and Italian regulations. The Ministry of Health, AIFA and the National Institute of Health (*Istituto Superiore di Sanità* – ISS) 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 trial stage, manufacturing and sale of therapeutic products, which, together with the complex and lengthy authorization process, may cause delays

in the launch of future trials, in the sale of the Company's products and in the Company's capacity to meet customers' GMP needs. Furthermore, changes in current regulations may delay drug manufacturing and/or trial process, with a consequent increase in the costs incurred by the Company.

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

2.3 Strategic and operating risks

Risks associated with the protection of intellectual property rights and industrial secrets
The Company is committed to protecting intellectual property and actively seeks to protect its inventions through international patents, when appropriate. In addition, the Company also actively protects its industrial secrets, including those relating to the manufacturing 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 does not become 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, restrictions or a ban on the use of the products involved in the dispute and/or lead to an outlay in order to sell them. 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 to acquire rights over a range of technologies, patents and manufacturing and supply processes for the development and sale of its own products as well as for the purchase of equipment for its own research and business activities. Should the Company 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 depends on the professional contribution of key scientific staff who actively contribute 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 largely depends on the Company's ability to attract and retain its highly qualified scientific staff and experienced top management 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 will make it necessary to recruit staff with a range of competences. The loss of any of the Company's key personnel, or the Company's failure to recruit and retain highly qualified scientific staff and experienced top management personnel or to successfully integrate staff who can manage the Company's growth, could have an adverse effect on its business, and financial position, results of operations, and cash flows.

Risks associated with reliance on key suppliers
The Company relies on single suppliers for certain manufacturing and development operations and may not be able to rapidly replace them if need be. If, for any reason, said suppliers are not able to provide the requested services or materials, or to do so on time, this could result in the Company's failure to perform its contractual obligations with third parties and/or comply with regulations, with negative repercussions on the Company's business and financial position, results of operations and cash flows.

Risks associated with operations and production capacity of the GMP manufacturing facility and laboratories
The Company owns a GMP manufacturing facility formally authorized by the Italian Medicines Agency (AIFA), for the manufacturing of genetically modified cell therapy products to be used in clinical trials and for commercial use. Besides supplying TK and CAR-T cell therapy for its own clinical trials, at the GMP facility MolMed provides cell therapy services to selected customers and partners. In addition, MolMed performs research and development activities at 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 authorizations being revoked, of the introduction of new regulatory measures or environmental regulations, including the risk that the facility is non-compliant with GMP requirements, that may prevent the Company from performing its research and development activities. 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 facilities are adequate for its current production needs and the business plans envisage an increase in the production capacity aimed at both supporting internal demand and at intensifying the development and manufacturing 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 manufacture greater quantities of existing products, the GMP 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 mitigates it by constantly expanding its facilities and production capacity at the new Bresso premises—additional to the registered offices in Milan (via Olgettina).

Risks associated with civil liability related to product trials, manufacturing and sale
So far, the Company has never been involved in legal action for its trial, manufacturing and marketing activities. However, the Company is still exposed to such risks, and, despite it has taken out specific insurance, in keeping with market practice and in compliance with current regulations, with indemnity limits which are deemed adequate for its trial activities, should it face legal proceedings, be liable for compensation, and be forced to pay damages exceeding the indemnity limits provided for by its insurance policies, the Company 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 for any damage caused to third parties.

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

2.4 *Financial risks*

Liquidity risk
Liquidity risk is the inability to obtain the financial resources necessary for the operations and development of industrial and research activities. The Company's business model, typical of biotech companies developing new therapeutic products and that have not reached a balanced income and financial position yet, 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 may not be able to obtain adequate financial resources necessary for its operations.
The Company has been operating at a loss since its inception and expects to continue incurring significant costs for its research and development pipeline. There is no guarantee that the Company will become profitable over the long term.

The Company cannot guarantee it will have and/or be able to obtain the funding necessary to meet its needs. In particular, 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 could be forced to delay, reorganize or cancel research and development programs, or to enter into loan, licensing or partnership agreements under unfavorable terms or waive rights on certain products that it would not otherwise waive, and its business and financial position, results of operations and cash flows could be negatively affected.

Based on the Company's net current financial position (positive to the tune of 12,321 thousand Euro at June 30th, 2019, net of IFRS 16 effects), the improved results for the first half of 2019 compared to the same period of 2018, and based on the expected mainly from third parties activities future cash flows, the Company deems that the financial resources and equity available are adequate enough 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 have been reported on the Company's ability to continue as a going concern.
However, it cannot be ruled out that over the coming years the Company will need to use further financial resources (through risk capital funding or third-party capital), or through the signing of further cooperation agreements, sponsored research or other means.

Credit risk
Credit risk represents the Company's exposure to potential losses resulting from the counterparty's failure to perform on its obligations. Outstanding receivables mainly consist of trade receivables due from leading foreign multinational firms. No insolvencies had been declared at the reporting date and, from an operational perspective, the Company continues monitoring the due dates for trade receivables in order to anticipate and deal promptly with positions at higher risk.

Currency and interest rate risk
At June 30th, 2019, the Company did not have significant exposure to currency fluctuations, because there were no significant receivables or payables in currencies other than the Euro, nor were there any financial instruments subject to currency risk. The Company has no financial payables or receivables. Interest rate risk exclusively concerns financial instruments used to manage liquidity such as bank accounts, corporate bonds, and other short-/medium-term cash instruments.

3. *Performance and financial highlights*

Income statement

The following income statement shows the interim EBITDA and EBIT. EBITDA represents the difference between net revenue and operating costs, including non-cash costs such as depreciation, amortization, and impairment of current and non-current assets. EBIT is calculated by deducting non-cash costs associated with the depreciation, amortization, and impairment of current and non-current assets from EBITDA.

(importi in migliaia di Euro)	1st half 2019	1st half 2018	Change	% change
Total operating revenues	16,376	12,712	3,664	28.8%
Total operative costs net of Amort. and deprec.	(16,596)	(14,824)	(1,772)	12.0%
EBITDA	**(220)**	**(2,112)**	**1,892**	**(89.6%)**
Amortization and depreciation	(1,677)	(739)	(938)	126.9%
EBIT	**(1,897)**	**(2,851)**	**954**	**(33.5%)**
Net financial results	(25)	(234)	209	(89.3%)
Pre-tax result	**(1,922)**	**(3,085)**	**1,163**	**(37.7%)**
Tax	-	-	0	0.0%
Profit (loss) for the period	**(1,922)**	**(3,085)**	**1,163**	**(37.7%)**

As the above table shows, in the first half of 2019 sales revenues confirmed their positive trend, growing by +28.8% compared to the prior-year period, despite the termination of the licensing and distribution agreement for Zalmoxis® with Dompé Farmaceutici S.p.A. The impact of the growth in revenues is more representative when looking at revenues from development and manufacturing activities on behalf of third parties, which, thanks to the expansion in the customer base, were up 6,303 thousand Euro from 10,010 thousand Euro at June 30th, 2018 to 16,313 thousand Euro at June 30th, 2019—a 63,0% increase. This was offset by the shortfall in revenues from Zalmoxis following the termination of the licensing and distribution agreement with Dompé Farmaceutici S.p.A. and the sale of the product under the Italian Medicines Agency (AIFA)' s rules, which had contributed overall 2,224 thousand Euro in the prior-year period.

Operating costs less impairment, depreciation, and amortization increased to 1,772 thousand Euro (or +12%) from 14,824 thousand Euro at June 30th, 2018 to 16,596 thousand Euro at June 30th, 2019. The change in costs was primarily attributable to (i) the increased cost of raw materials, consumables, and reagents used in manufacturing and development activities, up 854 thousand Euro as a result of rising revenues from services and manufacturing on behalf of third parties, (ii) the 902 thousand Euro increase in costs for services, largely associated with higher external research and development costs for the proprietary pipeline as well as external clinical and regulatory costs , and (iii) the 88 thousand Euro rise in maintenance costs. The increased operating costs reflected also the 654 thousand Euro growth in personnel costs as a result of the expansion in the

number of employees.
The application of IFRS 16 "Leases" 45 thousand Euro rise in financial charges: as a result, at June 30th, 2019 EBITDA increased to 671 thousand Euro (+142.8%) and depreciation and amortization expense was up compared to the prior-year period.
Amortization, depreciation and impairment costs amounted to 1,677 thousand Euro at June 30th, 2019, increasing by 938 thousand Euro compared to the prior-year period (739 thousand Euro). The change was largely attributable to the recognition of 626 thousand Euro in depreciation expense for leased assets following the adoption of the new accounting standard IFRS 16 as from January 1st, 2019 as well as the 200 thousand Euro impairment loss on a tax credit previously included in non-current tax receivables.
EBIT climbed from a 2,851 thousand Euro loss to a 1,897 thousand Euro loss, up 954 thousand Euro or 33.5% as sales revenues rose more than proportionally to operating costs.
The Company's financial activities also improved despite the recognition of 45 thousand Euro in interest expense associated with the adoption of the accounting standard IFRS 16, since in the first half of the prior year the Company had incurred 155 thousand Euro in financial expenses related to the last tranche of the SEF "Standby Equity Facility" agreement with Société Générale.

The Company reported a 1,922 thousand Euro loss for the period—an improvement of 1,163 thousand Euro (or +37.7%) compared to the 3,085 thousand Euro loss for the prior-year period.

Statement of financial position
Below we present condensed versions of the reclassified statement of financial position and the statement of cash flows to highlight Net invested capital and the Net financial position. Therefore, these statements differ from the statement of financial position included in the set of required financial statements, which was prepared by classifying assets and liabilities as current and non-current.

(amounts Euro thousand)	June 30, 2019	December 31, 2018	Variation	Variation %
Non-current assets				
Fixed assets and other non-current assets	21,433	14,676	6,757	46.0%
Total non-current assets	**21,433**	**14,676**	**6,757**	**46.0%**
Net working capital				
Inventories	2,103	1,718	385	22.4%
Trade receivables and other commercial assets	7,052	5,470	1,582	28.9%
Tax receivables	2,892	1,742	1,150	66.0%
Other receivables and current assets	1,020	622	398	64.0%
Trade payables	(9,879)	(9,620)	(259)	2.7%
Other liabilities	(3,953)	(3,525)	(428)	12.1%
Total net working capital	**(765)**	**(3,593)**	**2,828**	**(78.7%)**
Non-current liabilities				
Other non-current liabilities	(3,386)	(3,954)	568	(14.4%)
Total non-current liabilities	**(3,386)**	**(3,954)**	**568**	**(14.4%)**
TOTAL USES	**17,282**	**7,129**	**10,153**	**142.4%**
Shareholders' equity	**21,673**	**23,595**	**(1,922)**	**(8.1%)**
Net financial position	**4,391**	**16,466**	**(12,075)**	**(73.3%)**
TOTAL SOURCES	**17,282**	**7,129**	**10,153**	**142.4%**

At June 30th, 2019, non-current assets were up 6,757 thousand Euro (or +46.0%) from 14,676 thousand Euro at December 31st, 2018 to 21,433 thousand Euro. The change was largely attributable to the inclusion of a 9,128 thousand Euro "right of use" asset in tangible assets following the adoption of the accounting standard IFRS 16. This was offset by the non-recourse factoring of the 2018 VAT credit, registered on December 31, 2018 for 1,719 thousand Euro.

At June 30th, 2019, net working capital was up 2,828 thousand Euro (or +78.7%) from December 31st, 2018— largely because of the increase in trade receivables and VAT credits. These changes reflect the trend in invoicing and receipts.

At June 30th, 2019, the net financial position was down 12,075 thousand Euro (or -73.3%) from 16,466 thousand Euro at December 31st, 2018 to 4,391 thousand Euro. This was largely due to the adoption of the new IFRS 16 "Leases" accounting standard, as the Company included finance lease payables totaling 9,126 thousand Euro in current and non-current financial payables.
Below is the condensed statement of cash flows:

(importi in migliaia di Euro)		1° semestre 2019	1° semestre 2018	Variazione	Variazione %
Opening cash and cash equivalents	**A**	**15,507**	**13,105**	**2,402**	**18.3%**
Cash flow from operating activities before changes in working capital		(1,072)	(2,396)	1,324	(55.3%)
Total changes in current assets and liabilities		(2,827)	(2,274)	(553)	24.3%
Total cash flow generated (absorbed) by operating activities	B	(2,361)	1,386	(3,747)	(270.3%)
Total cash flow generated (absorbed) by investing activities	C	(619)	(483)	(136)	28.2%
Total cash flow from financing activities	D	-	3,108	(3,108)	(100.0%)
Cash flow generated (absorbed) during the period	**E=B+C+D**	**(2,980)**	**4,011**	**(6,991)**	**(174.3%)**
Closing cash and cash equivalents	**A+E**	**12,527**	**17,116**	**(4,589)**	**(26.8%)**

As the above table shows, cash flows from operating activities before changes in net working capital were up year-on-year thanks to the improved result for the period. The cash flow absorbed by operating activities was down 3,747 thousand Euro compared to the prior-year period, primarily because trade receivables rose as a result of the trend in invoicing and receipts. In addition, the first half of 2018 had seen a decline in financial assets due to the divestment of securities, causing cash and cash equivalents to increase. The cash flow absorbed by investing activities was largely unchanged. Meanwhile, unlike in the prior-year period, the Company reported no cash flows from financing activities.

4. Other information

Direction and coordination

The Company is not subject to direction and coordination pursuant to Article 2497 et seq. of the Italian Civil Code. The following should be noted:

- Information required by Article 123-bis, paragraph 1, letter i) of the Consolidated Law on Finance – *Testo Unico sulla Finanza, TUF* ("agreements between the company and directors providing for compensation in case of resignation or unfair dismissal or if their employment relationship ends due to takeover") is included in the remuneration report published pursuant to Article 123-ter of the Consolidated Law on Finance.
- Information required by Article 123-bis, paragraph 1, letter l) of the Consolidated Law on Finance ("rules governing directors' replacement and amendments to company by-laws, if different from supplementary applicable law and regulations*")* is provided in Chapter 4.1 of the corporate governance report dedicated to the board of directors.

Treasury shares

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.

Grants and funding schemes

Because of its particular segment of operations, MolMed enjoys some benefits deriving from funding schemes at European level aimed at supporting and promoting innovation. Starting from January 2017, MolMed has been sponsoring and coordinating EURE-CART (EURopean Endeavour for Chimeric Antigen Receptor Therapies), an EU co-financed project within the Horizon 2020 – Research and Innovation Framework Programme, reserved to the new therapies for chronic diseases (including tumors). A 5,903 thousand Euro grant was awarded in December 2016. MolMed received 1,995 thousand Euro: this amount will cover most R&D costs over a period of 48 months.

Government grants - Disclosures as per Article 1, paragraphs 125-129 of Italian Law no. 124/2017

With respect to the transparency and disclosure requirements for government grants, governed by Article 1, paragraphs 125-129 of Italian Law no. 124/2017 as supplemented by the 'security' decree-law (no. 113/2018) and the 'simplification' decree-law (no. 135/2018)—which, starting for annual periods beginning on or after January 1st, 2018, has introduced a series of disclosure and transparency requirements for those entities that do business with the Public Administration—and based on the interpretation given by Assonime in Circular no. 5 of February 22nd, 2019, said regulations are not considered applicable to:

- ✓ subventions, grants, or economic benefits of any kind accessible to all companies that meet certain conditions based on predetermined general criteria (e.g. measures in ministerial decrees targeting specific industrial sectors and aimed at finalizing activities associated with research and development projects);
- ✓ general measures for which all companies are eligible and that are part of the overall framework of

the relevant system established by the government (e.g. the ACE (*Aiuto per la Crescita Economica* - Aid for Economic Growth)'s mechanism intended to encourage businesses to reinvest profits);

- ✓ European/international public funds;
- ✓ interprofessional funds for the financing of training courses, as the funds are financed with the fees paid by recipients and must fulfill specific operational transparency requirements (e.g. training courses funded by Fondimpresa).

Considering the above, the Company assessed its situation and concluded it does not fall within the scope of the disclosure requirements in Article 1, paragraphs 125-129 of Italian Law no. 124/2017.

5. *Significant events after the reporting period*

No significant events occurred after the end of the reporting period up to the date of this Report.

6. *Business outlook*

With regard to the area of proprietary products, the Company plans to complete the interim analysis in the coming months on the first 90 patients included in the randomized Phase III TK008 study of Zalmoxis® and to pursue the appropriate interlocutions with the Regulatory Authorities to evaluate the next steps both relative to the conduction of the clinical confirmatory study of his place in therapy than to the development of the product itself.

With respect to the CAR-T CD44v6 project, after receiving authorization from AIFA for a clinical trial in late March, the Company plans to start human trials by activating the first phase I/II clinical trial for blood cancer, acute myeloid leukemia (AML) and multiple myeloma (MM)—after preparing the participating clinical centers—and enrolling the first patient in the second half of 2019.

Under the research plan, the Company is to continue development of the product portfolio of its proprietary CAR platform, which had already started in 2018 with the agreements signed with Glycostem and AbCheck in the onco-hematological area. In this regard, the Company plans to continue testing new CAR cells on different therapeutic targets as well as innovative technological platforms, specifically by developing CAR NK (Natural Killer) cells—i.e. allogeneic CAR cells generated from the lymphocytes of healthy donors.

With respect to GMP development and manufacturing on behalf of third parties, after renewing and expanding the agreements with Genenta Science and Rocket Pharma in the first quarter of 2019, the Company is exploring existing opportunities to extend the partnerships with its key customers as well as looking for new collaborations in both vectors and cells—thus capitalizing on the momentum of the industry, which is growing rapidly at a global level.

Condensed Interim Financial Statements for the period ended June 30th, 2019

1. Statement of financial position

(amounts in Euro thousand)		June 30th, 2019	December 31st, 2018
ASSETS			
Tangible assets	1	20,441	11,701
Intangible assets	2	532	546
Financial assets	3	210	210
Tax receivables	4	0	1,719
Other assets	5	250	500
TOTAL NON-CURRENT ASSETS		**21,433**	**14,676**
Inventories	6	2,103	1,718
Trade receivables and other commercial assets	7	7,052	5,470
Tax receivables	8	2,892	1,742
Other receivables and sundry assets	9	1,020	622
Other financial assets	10	990	959
Cash and cash equivalents	11	12,527	15,507
TOTAL CURRENT ASSETS		**26,584**	**26,018**
TOTAL ASSETS		**48,017**	**40,694**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Capital		21,819	21,819
Share premium reserve		61,754	61,754
Other reserves		212	212
Retained earnings (accumulated losses)		(60,190)	(56,067)
Profit (loss) for the period/year		(1,922)	(4,123)
TOTAL SHAREHOLDERS' EQUITY	12	**21,673**	**23,595**
Liabilities for pensions and employee severance	13	143	143
Trade payables	14	-	200
Financial debts	15	7,930	
Other liabilities	16	3,243	3,611
TOTAL NON-CURRENT LIABILITIES		**11,316**	**3,954**
Trade payables	17	9,879	9,620
Financial debts	18	1,196	
Other liabilities	19	3,953	3,525
TOTAL CURRENT LIABILITIES		**15,028**	**13,145**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**48,017**	**40,694**

2. Income statement

(amounts in Euro thousand)	Note	1st half 2019	1st half 2018
Revenues	20	16,313	12,234
Other revenue	21	63	478
Total operating revenues		**16,376**	**12,712**
Purchases of raw materials and consumables	22	(3,706)	(2,852)
Costs for services	23	(5,866)	(4,964)
Costs for use of third-party assets	24	(70)	(761)
Personnel costs	25	(6,870)	(6,216)
Other operating costs	26	(84)	(31)
Amortization and depreciation	27	(1,677)	(739)
Total operating costs		**(18,273)**	**(15,563)**
Operating result		**(1,897)**	**(2,851)**
Financial income		51	26
Financial charges		(76)	(260)
Net financial income (charges)	28	**(25)**	**(234)**
Pre-tax result		**(1,922)**	**(3,085)**
Income taxes	29	-	-
Profit (loss) for the period		**(1,922)**	**(3,085)**

(amounts in Euro)	1st half 2019	1st half 2018
Basic earnings/(loss) per share	(0.0041)	(0.0067)

3. Statement of comprehensive income

(amounts in Euro thousand)	1st half 2019	1st half 2018
Profit (loss) for the period	**(1,922)**	**(3,085)**
Other comprehensive income (not subsequently reclassified to the income statement)		
Profit (loss) actuarial	-	-
Other comprehensive income, net of taxes (not subsequently reclassified to the income statement)	-	-
Total comprehensive income (loss) for the period	**(1,922)**	**(3,085)**

4. Statement of cash flows

(amounts in Euro thousand)		1st half 2019	1st half 2018
Cash and cash equivalents		15,507	13,105
Opening cash and cash equivalents	**A**	**15,507**	**13,105**
Cash flow from operating activities:			
Profit (loss) for the year		(1,922)	(3,085)
Amortization pro-quota Bresso		(167)	(167)
Amortization of Asset		1,477	739
IFRS16 Effects		(626)	-
Receivable depreciation		200	-
Non monetary costs (Stock Options)		-	76
Reversal of non monetary financial income and charges		(34)	41
Cash flow from operating activities before changes in working capital		**(1,072)**	**(2,396)**
Changes in current assets and liabilities:			
(Increase) decrease in inventories		(385)	42
(Increase) decrease in trade and other receivables		(3,130)	(740)
Increase (decrease) in trade and other payables		259	(1,056)
Increase (decrease) in other liabilities		429	(520)
Total changes in current assets and liabilities		**(2,827)**	**(2,274)**
(Increase) decrease in non-current tax receivables		1,969	2,432
Increase (decrease) in non current trade liabilities		(200)	(400)
Increase (decrease) in other liabilities and TFR paid		(200)	-
(Increase) decrease in other financial activities		(31)	4,024
Total cash flow generated (absorbed) by operating activities	**B**	**(2,361)**	**1,386**
Cash flow from investing activities:		**-**	**-**
Net (investment) divestment in tangible assets		(547)	(453)
Net (investment) divestment in intangible assets		(72)	(30)
Total cash flow generated (absorbed) by investing activities	**C**	**(619)**	**(483)**
Cash flow from financing activities:			
Increases in capital and share premium reserve		-	3,108
Total cash flow from financing activities	**D**		**3,108**
Cash flow generated (absorbed) during the period	**E=B+C+D**	**(2,980)**	**4,011**
Closing cash and cash equivalents	**A+E**	**12,527**	**17,116**

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 January 1st 2018	**21,514**	**58,976**	**223**	**396**	**(13)**	**(47,966)**	**(8,497)**	**24,633**
Allocation of prior year result						(8,497)	8,497	
Personnel costs for stock options 2016-2021				76				76
Decadence of stock options 2008 A				(222)		222		
Capital increase dedicated to SG	305	2,803						3,108
Profit (loss) for the period							(3,085)	(3,085)
Balance at June, 30th 2018	**21,819**	**61,779**	**223**	**250**	**(13)**	**(56,241)**	**(3,085)**	**24,732**

(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 december 31, 2018	**21,819**	**61,754**	**223**	-	**(11)**	**(56,067)**	**(4,123)**	**23,595**
IFSR 16 first adoption								
Balance at January 1st 2019	**21,819**	**61,754**	**223**	-	**(11)**	**(56,067)**	**(4,123)**	**23,595**
Allocation of prior year result	-	-	-	-	-	(4,123)	4,123	-
Profit (loss) for the period	-	-	-	-	-	-	(1,922)	(1,922)
Balance at June, 30th 2019	**21,819**	**61,754**	**223**	**-**	**(11)**	**(60,190)**	**(1,922)**	**21,673**

** MolMed has decided to apply IFRS 16 prospectively from January 2019, therefore without restatemet of the comparative data*

Notes

1. General information

MolMed's Condensed Interim Financial Statements for the period ended June 30th, 2019 have been prepared in compliance with the International Accounting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as with the provisions issued pursuant to Article 9 of Italian Legislative Decree 38/2005. Where this document refers to "IFRSs" it 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 Standing Interpretations Committee ("SIC"). These Condensed Interim Financial Statements for the period ended June 30th, 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting. They do not include the disclosure required for the preparation of the annual financial statements; and therefore, they should be read together with the Annual Financial Statements for the period ended December 31st, 2018. The accounting standards and basis of measurement applied to prepare these Condensed Interim Financial Statements for the period ended June 30th, 2019 are the same as those adopted to prepare the Annual Financial Statements for the period ended December 31st, 2018, to which reference should be made, except for the new standards, amendments and interpretations applicable on or after January 1st, 2019.
The publication of this half-year financial report at 30 June 2019 was authorized by resolution of the Board of Directors on 29 July 2019.

2. Accounting standards and basis of measurement

Going concern
The Company's business model, typical of biotech companies developing new therapeutic products and that have not reached a balanced income and financial position yet, features negative cash flows. This is due to the fact that at this stage costs must be borne, and return is not certain and in any case it is expected in

forthcoming years.

The Company is subject to some uncertainties associated with the field in which it operates (notably, the current product trial stage) regarding both the results that it may actually achieve, and the relevant methods and timings. Taking account of the peculiarities of the field in which the Company operates, it should also be noted that some uncertainties persist both in relation to the number of patients that can be treated in a context of evolving alternative therapies in clinical practice and in relation to the result of negotiations over pricing and reimbursement in relation to the Company's products that may actually be different from management's expectations. 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 and it has also recognized, as of June 30, 2019, tax losses to the tune of 209,255 thousand Euro.

Considering the above, as well as the reported 12,321 thousand Euro in net current financial position at June 30th, 2019, the year-on-year improvement in the result for the period, and the estimated cash flows, mainly from third parties activities, MolMed's management and Board of Directors believe that the Company has sufficient financial resources and equity, which, combined with the cash flows expected from development and manufacturing services on behalf of third parties, guarantee that it will continue as a going concern for a foreseeable period of at least 12 months following the reporting date. Therefore, management and the Board of Directors believe that this conclusion is based on reasonable assumptions and there was no material uncertainty as to the Company's ability to continue as a going concern at the reporting date.

Specifically, should the Company need to raise spending beyond budgeted levels, or revenue and cash flows fall short of expectations, MolMed will reconsider the priorities of its development programs and potentially postpone some of them, as well as explore all potential options to borrow funds or raise capital, grant marketing licenses, or sell assets.

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 incurred at irregular intervals during the reporting period are prepaid and/or deferred at the end of the relevant periods.

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. As at 30 June 2019, no impairment indicators were identified with particular reference to the recoverable value of the assets, whose main underlying lease contracts have a contractual duration of 12 years (lease contracts 6 + 6).
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. At June 30th, 2019, there were no indications of impairment.

Accounting standards, amendments and interpretations applicable on or after January 1st, 2019

- **IFRS 16 – Leases** (issued on January 13th, 2016): in sostitution of IAS 17 – Leases; IFRIC 4 – Determining Whether an Arrangement Contains a Lease; SIC-15 – Operating Leases – Incentives and SIC-27 – Evaluating the Substance of Transactions in the Legal Form of a Lease.
  The new standard provides a new definition of lease and applies a control model (right of use) to distinguish between a lease and a service contract based on the following: identification of the asset, the right to substitute it, the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the underlying asset.

  The Company has adopted IFRS 16 using the retrospective adoption method modified with the date of initial application on 1 January 2019. According to this method, the principle is applied retroactively with the cumulative effect of the first application recognized on the date of initial application . The Company has chosen to use the practical transition expedient that allows the requirements of the principle to be applied only to contracts, which on the date of initial application were previously identified as a lease applying IAS 17 and IFRIC 4. The Company has it also made use of the exceptions proposed by the standard on leasing contracts which, on the date of first application, have a duration of 12 months or less and which do not contain a purchase option ("short-term leasing") and on leasing contracts in which the underlying asset is of modest value ("assets of modest value").

  The Company has taken over the assets for the right of use and the liabilities for leasing to all those contracts previously classified as operating leases, with the exception of short-term leases and leases relating to activities of modest value. The activity for the right of use of most leasing contracts was recognized on the basis of the book value as if the principle had always been applied, but discounted at a marginal financing rate on the date of first application. Lease liabilities were recognized based on the present value of the remaining payments due, discounted using the marginal financing rate at the date of initial application. The Company has also applied the practical devices available in which:

  - used a single discount rate to a leasing portfolio with reasonably similar characteristics;
  - It was based on its assessment of the onerous nature of the leases immediately before the date of initial application;
  - Has applied the exemption for short-term leasing, whose term expires within 12 months on the date of initial application;
  - He excluded the initial direct costs from the evaluation of the activity consisting of the right of use at the date of the initial application;
  - It was based on the experience acquired, for example in determining the lease term containing options for the extension or termination of the lease.

  The following are the patrimonial and economic effects deriving from the application of the aforementioned principle.

amounts in Euro thousand	**January 1st 2019 - IFRS16 Fisrt time Adoption**	**Increase (decrease) of the period**	**Depreciation**	**June 30th 2019**
Tangible Assets - Right of use	9,587	166		9,753
Foud of depreciation of Right of use			(625)	(625)
Total Asset	**9,587**	**166**	**(625)**	**9,128**
Lease liability (long term)	8,287	(357)		7,930
Lease liability (short term)	1,300	(104)		1,196
Total liabilities	**9,587**	**(461)**		**9,126**

amounts in Euro thousand	**IFRS16 Effect 01/01/2019-30/06/2019**
Cost for services (use of third-party assets)	671
Depreciation of Right of use	(625)
Interest costs	(45)
	1

- **Amendments to IAS 19:** they address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. In addition, an entity must determine net interest for the remainder of the period after the plan amendment, curtailment or settlement using: the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event; and the discount rate used to remeasure that net defined benefit liability (asset). These amendments had no impact on the financial statements, as the Company did not register any plan amendment, curtailment or settlement during the reporting period.

- **Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures**: they clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendments also clarify that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognized as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 – Investments in Associates and Joint Ventures. These amendments had no impact on the financial statements, as the Company does not have interests in associates and joint ventures.

- **IFRS 11 – Joint Arrangements:** a party that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured. An entity applies those amendments to transactions in

which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after January 1st, 2019. Earlier application is permitted. This amendment had no impact on the Company's financial statements, as no business combination occurred in which the Company obtained joint control.

- **IAS 12 – Income Taxes:** these amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognizes the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where the entity originally recognized those past transactions or events. An entity applies those amendments for annual reporting periods beginning on or after January 1st, 2019. When an entity first applies those amendments, it applies them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period. Since its current practices are in line with these amendments, the Company did not see any impact on its financial statements.

- **IAS 23 – Borrowing Costs:** these amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete. An entity applies those amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after January 1st, 2019. Earlier application is permitted. Since its current practices are in line with these amendments, the Company did not see any impact on its financial statements.

3. Notes to the statement of financial position

Note 1 – Tangible assets

The breakdown and changes in tangible assets at June 30th, 2019 are shown in the table below:

(amounts in Euro thousand)	Balance at December 31, 2018	IFRS 16 Application	Balance at January 1st, 2019	Purchases	Reclassifications	Disposals	Depreciation and write	Balance at June 30, 2019
Gross book value								
Plant and machinery	1,824	-	1,824	32	21	-	(12)	1,865
Industrial and commercial equipment	10,645	-	10,645	324	-	-	(310)	10,659
Leasehold improvements	10,094	-	10,094	4	-	-	-	10,098
Other tangible assets	2,022	-	2,022	34	-	-	(23)	2,033
Right of use (IFRS16)	-	9,587	9,587	166	-	-	-	9,753
Ass. under construction and payments on account	397	-	397	153	(21)	-	-	529
Total gross book value	**24,982**	**9,587**	**34,569**	**713**	**-**	**-**	**(345)**	**69,506**
Accumulated depreciation								
Plant and machinery	(630)	-	(630)	-	-	-	(73)	(703)
Industrial and commercial equipment	(5,310)	-	(5,310)	-	-	-	(205)	(5,515)
Leasehold improvements	(5,936)	-	(5,936)	-	-	-	(251)	(6,187)
Other tangible assets	- 1,406	-	(1,406)	-	-	-	(61)	(1,467)
Right of use (IFRS16)	0	-	0	-	-	-	(625)	(625)
Total accumulated depreciation	**(13,282)**	-	**(13,282)**	**-**	**-**	**-**	**(1,215)**	**(14,497)**
Net book value								
Plant and machinery	1,195	-	1,195	32	21	-	(85)	1,163
Industrial and commercial equipment	5,335	-	5,335	324	-	-	(515)	5,144
Leasehold improvements	4,158	-	4,158	4	-	-	(251)	3,911
Other tangible assets	616	-	616	34	-	-	(84)	566
Right of use (IFRS16)	-	9,587	9,587	165	-	-	(625)	9,127
Ass. under construction and payments on account	397	-	397	153	(21)	-	-	529
Total net book value	**11,701**	**9,587**	**21,288**	**712**	**-**	**-**	**(1,560)**	**20,441**

The depreciation shown in the table also includes the portion relating to leasehold improvements at the site in Bresso, totaling 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 owner.

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

"Leasehold improvements" include the cost of refurbishing pharmaceutical laboratories and offices. Such costs concern building work and work on the systems, and they are depreciated over the term of the lease agreement, i.e. 12 years starting from January 2015. Based on the agreement signed with the property's owner, the costs necessary to renovate the property and make it fully operational, up to a maximum amount of 4,000 thousand Euro, are borne by the property's owner. As provided for under the agreement, the Company transferred the costs incurred for extraordinary maintenance work to the owner up to the previously-mentioned amount.

Other tangible assets include furniture, fittings and electronic office equipment.

Tangible assets increased from 11,701 thousand Euro at December 31st, 2018 to 20,441 thousand Euro at June 30th, 2019.

Starting from January 1st, 2019, after the new standard IFRS 16 became effective, the Company included 9,587 thousand Euro's worth of Right of use assets in intangible assets, divided into the following categories:

- vehicles: 8 thousand Euro;
- car parking spaces at the Bresso and Milan facilities: 34 thousand Euro;
- buildings, offices and laboratories at the Bresso and Milan facilities: 9,546 thousand Euro.

The 166 thousand Euro increase in Right of use assets during the first half of 2019 was almost entirely attributable to the vehicles category.

During the first half of 2019 investments of 547 thousand Euro were made in tangible assets. They were made in order to (i) bring new manufacturing facilities online, and they were also attributable to (ii) routine replacement of laboratory equipment, where necessary, to (iii) the purchase of new equipment used in the manufacturing process, as well as to maintenance and improvement work on the GMP facility.

The most significant changes in the period include:

- the 324 thousand Euro increase in industrial and commercial equipment, arising from investments in the period, and
- the increase in assets under construction and payments on account, for investments in industrial and commercial equipment purchased and delivered but not yet brought into use or tested at June 30th, 2019.

In the first half of 2019, after taking stock of the assets at the manufacturing facility located in via Olgettina with the help of a consultancy, the Company derecognized 344 thousand Euro in fully depreciated items of property, plant and equipment, including the relevant accumulated depreciation.

Depreciation amounted to 1,560 thousand Euro at June 30th, 2019. Its increase compared to the prior-year period (832 thousand Euro) was due to the beginning of the depreciation period for the equipment purchased in 2018. The depreciation includes the portion relating to leasehold improvements at the facility in Bresso, totaling 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 owner up to an amount of 4,000 thousand Euro, as provided for by the relevant agreement.

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

Note 2 – Intangible assets

The breakdown and changes in intangible assets at June 30th, 2019 are shown in the table below:

(amounts in Euro thousand)	Balance at December 31, 2018	Purchases	Reclassifications	Disposals	Depreciation and write downs	Balance at June 30, 2019
Patents and intellectual property rights	183	4	-	-	(16)	171
Concessions, licenses and trademarks	313	68	-	-	(70)	311
Assets under construction	50	-	-	-	-	50
Intangible assets	**546**	**72**	-	-	**(86)**	**532**

The 68 thousand Euro increase in Concessions, licenses and trademarks, and other intangible assets is primarily due to the purchase of software to manage laboratory equipment held at the new facility.

Amortization amounted to 85 thousand Euro, in line with the same period of previous year (Euro 74 thousand).

It should be noted that there are no other intangible assets with an indefinite useful life. Furthermore, at the date of June 30th, 2019, no impairment factors were identified.

Note 3 – Financial assets

Non-current financial assets, consisting of guarantee deposits, amounted to 210 thousand Euro and were unchanged compared to December 31st, 2018.

Note 4 – Tax receivables (non-current)

Non-current tax receivables were zero at June 30th, 2019 compared to 1,719 thousand Euro at December 31st, 2018. This decrease is due to non-recourse factoring of 2018 VAT credits. The relevant amounts were received by June 30th, 2019.

Note 5 – Other assets (non-current)

"Other non-current assets" refer to the long-term portion of the amount paid as an advance on future rents to the owner of the property in the "Open Zone" scientific park in Bresso. Pursuant to the lease agreement, starting from 2018 and for the two following years, the 1,500 thousand Euro advance payment made by the lessee shall be repaid by the lessor through a reduction in the annual lease fees to the tune of 500 thousand Euro per year. At June 30th, 2019, this item amounted to 250 thousand Euro compared to 500 thousand Euro at December 31st, 2018. Such change was attributable to the fact that an amount equal to 250 thousand Euro was reclassified as current asset.

Note 6 – Inventory

Inventory at June 30th, 2019 is broken down as follows:

(amounts in Euro thousand)	**June 30, 2019**	**December 31, 2018**
Processing materials	746	543
Reagents	1,262	1,095
General materials	95	80
Total inventories	**2,103**	**1,718**

Consisting of reagents and materials used in the Company's laboratories, inventory increased by 385 thousand Euro, from 1,718 thousand Euro at December 31st, 2018 to 2,103 thousand Euro at June 30th, 2019. Such increase was due to the higher purchase of materials in relation to increasing manufacturing volumes.

Note 7 – Trade receivables and other commercial assets

The breakdown of trade receivables and other commercial assets at June 30th, 2019 is as follows:

(amounts in Euro thousand)	**June 30, 2019**	**December 31, 2018**
Trade receivables	2,460	4,140
Prepayments	524	518
Invoices to be issued	4,068	812
Total trade receivables and other commercial assets	**7,052**	**5,470**

The 1,582 thousand Euro increase in trade receivables and other commercial assets reflects the billing and collection trends in relation to the services and production provided for third parties.

Receivables are recognized net of a bad debt provision of 28 thousand Euro, created in relation to the impairment of receivables due from Fondazione San Raffaele del Monte Tabor in liquidation. Except for the above-mentioned bad debt, there are no significant amounts past due.

Note 8 – Tax receivables (current)

Tax receivables at June 30th, 2019 are broken down as follows:

(amounts in Euro thousand)	June 30, 2019	December 31, 2018
VAT receivables	1,850	522
Tax crediti R&D costs	1,041	1,041
Withholding taxes	1	179
Total tax receivables	**2,892**	**1,742**

Current tax receivables amounted to 2,892 thousand Euro at June 30th, 2019, thus increasing by 1,150 thousand Euro (or +66.1%) compared to the amount of 1,742 thousand Euro recognized at the end of the previous year. Current tax receivables mainly consist of tax credits for research and development purposes of 1,041 thousand Euro and accruing VAT credits of 1,849 thousand Euro.

Note 9 – Other receivables and sundry assets

Other receivables and sundry assets at June 30th, 2019 are broken down as follows:

(amounts in Euro thousand)	June 30, 2019	December 31, 2018
Accrued research and development grants	374	312
Prepayments relating to costs not pertaining to the period	578	310
Other receivables	68	-
Total other receivables and sundry asset	**1,020**	**622**

Other receivables and sundry assets amounted to 1,020 thousand Euro at June 30th, 2019, thus increasing by 398 thousand Euro (or +64.0%) compared to the amount of 622 thousand Euro recognized at December 31st, 2018. They primarily consist of:

- 374 thousand Euro attributable to accrued public-sector research and development grants (312 thousand Euro at December 31st, 2018);
- 578 thousand Euro (310 thousand Euro at December 31st, 2018) attributable to prepayments relating to:
  - ✓ operating costs incurred for contracts with “progress billings” and maintenance and assistance fees for information services and other minor amounts (413 thousand Euro);
  - ✓ insurance premium costs (165 thousand Euro).

The increase from the end of the previous year was largely due to the rising number of contracts with “progress billings”.

Note 10 – Other financial assets

Such item, amounting to 990 thousand Euro at June 30th, 2019, increased by 31 thousand Euro from 959 thousand Euro at December 31st, 2018. The item recognized in these Condensed Interim Financial Statements exclusively includes corporate bonds.

Note 11 – Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

(amounts in Euro thousand)	June 30, 2019	December 31, 2018
Bank and post office accounts	12,519	15,499
Cash on hand	8	8
Total cash and cash equivalents	**12,527**	**15,507**

At June 30th, 2019, cash and cash equivalents amounted to 12,527 thousand Euro (15,507 thousand Euro at December 31st, 2018), including 12,519 thousand Euro of bank deposit accounts and 8 thousand Euro of cash on hand. The above mentioned amounts are not subject to restrictions or restrictions or significant disinvestment costs.

Note 12 – Equity

At June 30th, 2019, equity totaled 21,673 thousand Euro. Its breakdown is as follows:

(amounts in Euro thousand)	June 30, 2019	December 31, 2018
Share capital	21,819	21,819
Share premium reserve	61,754	61,754
Other reserves:		
Actuarial valuation reserve	(11)	(11)
Other	223	223
Retained earnings (accumulated losses)	(60,190)	(56,067)
Profit (loss) for the year	(1,922)	(4,123)
Total shareholders' equity	**21,673**	**23,595**

Share capital

At June 30th, 2019, the fully subscribed and paid-in share capital amounted to 21,819 thousand Euro and consisted of 463,450,672 ordinary shares with no par value.

Shareholder	No. of shares (*)	%
Fininvest S.p.A. (*)	107,173,138	23.13
Airain Ltd.(*)	23,951,834	5.17
H-Invest S.p.A. (*)	7,071,534	1.53
H-Equity S.r.l. (**)	6,039,692	1.30
Other	319,214,474	68.88
Total	**463,450,672**	**100.00**

** based on the Company's figures at April 30th, 2019*
*** based on the Company's figures at October 25th, 2018*

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

Share premium reserve

Share premium reserve totaled 61,754 thousand Euro at the end of the reporting period. No changes occurred in the period.

Other reserves

Other reserves include:

a) Actuarial valuation reserve

The Actuarial valuation reserve was negative to the tune of 11 thousand Euro at June 30th, 2019, and it was unchanged compared to the end of the previous year.

b) Other reserves

Other reserves of 223 thousand Euro mainly consist of the following:

- a 45 thousand Euro reserve for unexercised rights relating to the 2014 share capital increase including income arising from the sale of such rights;
- a 178 thousand Euro reserve for unexercised rights relating to the 2015 share capital increase including income arising from the sale of such rights.

Retained earnings (accumulated losses)

This item totaled 60,190 thousand Euro at June 30th, 2019. The 4,123 thousand Euro change compared to the period ended December 31st, 2018 is attributable to the recognition of the loss for 2018 as accumulated losses, as per the Shareholders' Meeting resolution of April 30th, 2019.

Main equity items

(amounts in Euro thousand)	**Balance at June 30, 2019**	**Purpose of use**	**Amount available**
Reserves			
-Share premium reserve	61,754	A,B	61,754
-Fair value reserve			
-Other reserves	-		
- Actuarial valuation reserve	(11)	-	-
- Unexercised rights 2014 reserve	45	A,B	45
- Unexercised rights 2015 reserve	178	A,B	178
-Retained earnings (accumulated losses)	(60,190)	-	-

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

Liabilities for pensions and employee severance indemnity totaled 143 thousand Euro at June 30th, 2019, unchanged from the amount recognized at December 31st, 2018.

Changes in the period are as follows:

(amounts in Euro thousand)	**June 30, 2019**	**December 31, 2018**
Opening balance	**143**	**147**
Uses	-	(6)
Other movements	-	-
Financial loss	-	-
Actuarial (gain)/loss	-	2
Total liabilities for pensions and employee severance indemnity (TFR)	**143**	**143**

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.

Note 14 – Trade payables (non-current)

Non-current trade payables decreased to zero at June 30th, 2019 from 200 thousand Euro at December 31st, 2018. They consist of the deferred income relating to GSK's upfront payment arising from the agreement signed on March 19th, 2015, taken over by Orchard Therapeutics in 2018, and recognized in the income statement over the term of the relevant agreement.

Note 15 – Financial payables (non-current)

Non-current financial payables of 7,930 thousand Euro were recognized at June 30th, 2019, as a consequence of the adoption of IFRS 16 "Leases" starting from 2019. The standard sets out a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of the lessee. Assets held under a lease (including an operating lease) shall be recognized as assets in an entity's statement of financial position and the relevant financial payable shall be accounted for (both the current and non-current portion).

Note 16 – Other liabilities (non-current)

Other non-current liabilities amounted to 3,243 thousand Euro at June 30th, 2019. Their breakdown is as follows:

(amounts in Euro thousand)	**June 30, 2019**	**December 31, 2018**
Project pre-financing payments	964	964
Other debts	133	333
Deferred income relating to the Bresso	2,146	2,314
Total cash and cash equivalents	**3,243**	**3,611**

The item mainly consists of:

- Deferred income relating to the Bresso facility to the tune of 2,146 thousand Euro. This item mainly includes the deferred income relating to costs incurred for the Bresso facility. Based on the agreement signed with the property's owner, the costs to renovate the property and make it fully operational, up to a maximum amount of 4,000 thousand Euro, shall be borne by the property's owner. As provided for by the agreement, the Company shall transfer the costs incurred for extraordinary maintenance work to the owner. Costs are recorded as 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.

  The Company reclassified most of said deferral as non-current following the formal delivery of the offices in 2014 and the laboratories in 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, as current liabilities.

  The 167 thousand Euro decrease in the period is due to the reclassification of the depreciation relating to the January-to-December 2020 period from long to short term.

- Project pre-financing payments to the tune of 964 thousand Euro. The amount is related to the pre-

financing payment that MolMed (as project coordinator) received on December 22nd, 2016 in relation to the EURE-CART project funded by the European Union, within the Horizon 2020 – Research and Innovation Framework Programme. The project funding will cover a portion of R&D costs relating to the CAR-T project over a period of 48 months. The item has not changed compared to the end of the previous year.

- Long-term portion of the amount owed to the former Chairman of the Board of Directors for the award of 800 thousand Euro in one-off gross compensation during the third quarter of 2018 following the termination of his employment with the Company on September 24th, 2018 and the 24-month non-compete agreement signed on January 26th, 2017. Said compensation is to be paid in installments over 24 months, resulting in a 133 thousand Euro non-current payable and a 412 thousand Euro current payable net of the installments already paid during 2018.

Note 17 – Trade payables

Trade payables amounted to 9,879 thousand Euro at June 30th, 2019, compared to 9,620 thousand Euro at December 31st, 2018, and are broken down as follows:

(amounts in Euro thousand)	June 30, 2019	December 31, 2018
Trade payables	8,641	7,547
Deferred income concerning revenues pertaining to future periods	1,238	2,073
Total trade payables	**9,879**	**9,620**

At June 30th, 2019, payables to suppliers included 7,405 thousand Euro due in Italy, 933 thousand Euro due in other European Union countries and 303 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 2019. This item, decreasing by 835 thousand Euro compared to the end of the previous year, mainly includes:

- deferred income of 600 thousand Euro (compared to 1,100 thousand Euro at December 31st, 2018) arising from the agreement signed with GSK and taken over by Orchard Therapeutics in 2018. The agreement and its subsequent amendments provide for the recognition of deferred income relating to the up-front payment and advances recorded in the income statement over the duration of the agreement and when the service is actually provided, respectively;
- deferred income of 638 thousand Euro (compared to 973 thousand Euro at December 31st, 2018) relating to invoices issued before services are provided pursuant to the relevant agreements signed with customers.

Note 18 – Financial payables (current)

Current financial payables of 1,196 thousand Euro at June 30th, 2019 consist in the current portion of the payables recognized after the adoption of IFRS 16 “Leases” starting from 2019, as better previously described

in paragraph *2. Accounting standards and basis of measurement* and in *Note 15 - Financial payables (non-current)*.

Note 19 – Other liabilities

This item is broken down as follows:

(amounts in Euro thousand)	June 30, 2019	December 31, 2018
Amounts due to employees for holidays and bonuses	1,990	1,474
Amounts due to social security institutions	356	551
Tax payables	201	360
Other payables	893	762
Deferred income (Bresso)	513	378
Total other liabilities	**3,953**	**3,525**

Amounts due to employees for holiday and bonus pay increased by 516 thousand Euro, from 1,474 thousand Euro at December 31st, 2018 to 1,990 thousand Euro at June 30th, 2019.

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 December 2018, paid to the authorities the following month.

During the reporting period, the Company recorded tax losses and it has no taxable income for IRAP purposes, too.

Accrued liabilities and deferred income mainly relate to the current amount of 333 thousand Euro: the depreciation for the next 12 months of an amount equal to 4,000 thousand Euro, recorded as tangible assets and charged to the owner of the property in the Open Zone park in Bresso.

5. Notes to the income statement

Notes 20 – Revenue from contracts with customers

(amounts Euro thousand)	1st half 2019	1st half 2018
Revenues from development and manufacturing activities	16,313	10,010
Revenues from Zalmoxis®	-	2,224
Total operating revenues	**16,313**	**12,234**

Sales revenues amounted to 16,313 thousand Euro in the first half of 2019, recognized at the time the obligations are satisfied at a given time ("at point in time"), increasing by 4,079 thousand Euro (or +33.3%) compared to the prior-year period. Such increase is attributable to the expansion of the customer portfolio that generated a 6,303 thousand Euro (or +63,0%) increase in revenues from development and manufacturing activities on behalf of third parties (from 10,010 thousand Euro at June 30th, 2018 to 16,063 thousand Euro at June 30th, 2019). This offset the lack of revenues relating to Zalmoxis after the termination of the license and distribution agreement entered into with Dompé Farmaceutici S.p.A. which contributed 2,000 thousand Euro in the prior-year period.

4.8% of sales revenues were generated in Italy (19.1% in the first half of 2018), 83.3% (71.5% in the first half 2018) in the European Union and 11.9% (9.4% in the first half 2018) in non-EU countries.

Note 21 – Other income

At June 30th, 2019, other income, recognized as part of operating revenues and amounting to 63 thousand Euro (compared to 478 thousand Euro in the first half of 2018), consists of research and development grants the Company received based on its participation in public-sector subsidized projects.

Note 22 – Purchases of raw materials and consumables

This item is broken down as follows:

(amounts Euro thousand)	1st half 2019	1st half 2018
Processing materials	1,092	986
Reagents	1,973	1,508
General laboratory materials	641	359
Total purchases of raw materials and consumables	**3,706**	**2,852**

Costs for raw materials and consumables, which largely consist of materials and reagents used in manufacturing and development activities, rose from 2,852 thousand Euro at June 30th, 2018 to 3,706 thousand Euro at June 30th, 2019. The 854 thousand Euro increase (+30.0%) is mainly due to growing services and manufacturing activities on behalf of third parties.

Note 23 – Costs for services

The breakdown of this item at June 30th, 2019 and June 30th, 2018 is as follows:

(amounts Euro thousand)	1st half 2019	1st half 2018
Outsourced development costs	1,815	1,349
Consultancy and technical fees	516	387
License and patents consultancy fees	266	242
Maintenance	536	448
Transport and storage of laboratory materials	276	229
Utilities	562	563
Directors and statutory auditors' fees	191	185
Audit	41	43
Legal, administrative and managerial fees	237	236
Listing consultancy fees and other listing costs	38	79
Supervisory board fees	61	46
Communications agency fees	118	101
IT assistance and other IT costs	255	183
Other general and administrative costs	537	540
Ttravel, staff training and othe personnel costs	417	333
Total costs for services	**5,866**	**4,964**

Costs for services increased from 4,964 thousand Euro at June 30th, 2018 to 5,866 thousand Euro at June 30th, 2019. The 902 thousand Euro increase (or +18.2%) in the period is mainly attributable to:

- higher outsourced development costs to the tune of 466 thousand Euro (or +34.6%), from 1,349 thousand Euro at June 30th, 2018 to 1,815 thousand Euro at June 30th, 2019, following the increase in outsourced research and development activities aimed at developing the proprietary pipeline;
- higher costs for consultancy and technical fees to the tune of 129 thousand Euro (or +33.3%), from 387 thousand Euro at June 30th, 2018 to 516 thousand Euro at June 30th, 2019, following the increase in clinical and regulatory consultancy services requested in relation to Zalmoxis®;
- higher maintenance costs to the tune of 88 thousand Euro (or +19.4%), from 448 thousand Euro at June 30th, 2018 to 536 thousand Euro at June 30th, 2019, due to revamping of the facility located in Bresso.

Note 24 – Costs for use of third-party assets

(amounts Euro thousand)	1st half 2019	1st half 2018
Rental of premises	9	660
Other rentals	61	101
Total costs for use of third-party assets	**70**	**761**

Costs for use of third-party assets decreased from 761 thousand Euro at June 30th, 2018 to 70 thousand Euro at June 30th, 2019. The 691 thousand Euro decrease was mainly due to the adoption of IFRS 16, starting from

January 1st, 2019, which generated the reclassification of lease costs and the recognition of depreciation and financial charges.

Note 25 – Personnel costs

These costs are broken down as follows:

(amounts Euro thousand)	1st half 2019	1st half 2018
Wages and salaries	5,142	4,653
Social security contributions	1,457	1,245
Defined contribution plans	256	230
Stock option costs	-	75
Other personnel costs	15	13
Total personnel costs	**6,870**	**6,216**

Personnel costs increased by 10.5% compared to the prior-year period, from 6,216 thousand Euro in the first six months of 2018 to 6,870 thousand Euro in the first six months of 2019. This increase is mainly attributable to the increase in the number of employees.

Personnel costs include the fixed fees paid to the Chairman and the Chief Executive Officer and their relevant variable bonuses for 2019 connected to the achievement of corporate performance objectives. Such amounts refer to the agreements entered into with the Company by virtue of the activities they perform within the framework of the powers granted by the Shareholders' Meeting and the Board of Directors on April 30th, 2019 and following the appointment of corporate bodies on the same date.

At June 30th, 2019, the actual number of employees was 219, while in the first six months of 2019 the average number of employees was 215 (195 in the first half of 2018). The breakdown by position is as follows:

	1st half 2019	1st half 2018
Executives	9	9
Middle management	35	33
Clerical staff	167	149
Technicians	4	4
Total	**215**	**195**

Note 26 – Other operating costs

Other operating costs increased by 53 thousand Euro, from 31 thousand Euro at June 30th, 2018 to 84 thousand Euro at June 30th, 2019.

Note 27 – Amortization, depreciation and impairment

This item amounted to 1,677 thousand Euro in the first half of 2019, increasing by 938 thousand Euro compared to the prior-year period (739 thousand Euro). Such change is mainly due to:

- the recognition of depreciation on leased assets to the tune of 626 thousand Euro, after the adoption of the new IFRS 16 starting from January 1st, 2019;
- the impairment of tax receivables to the tune of 200 thousand Euro, previously recognized as part of non-current tax receivables.

This item was recognized net of the relevant depreciation on leasehold improvements at the facility in Bresso totaling 167 thousand Euro and charged to the site's lessor. This was neutralized in profit or loss following the pro rata reversal of the relevant deferred income. For further details, reference should be made to **Note 15**.

(amounts Euro thousand)	**1st half 2019**	**1st half 2018**
Amortization of intangible assets	86	74
Depreciation of tangible assets	1,391	665
Write-downs	200	-
Total amortization, depreciation & write-downs	**1,677**	**739**

Note 28 – Financial income and charges

This item is broken down as follows:

(amounts in Euro thousand)	**1st half 2019**	**1st half 2018**
FINANCIAL INCOME:		
Interest and other financial income	50	12
Exchange gains	1	14
Total financial income	**51**	**26**
FINANCIAL CHARGES:		
Exchange losses	(4)	(8)
Finacial charges (IFRS16)	(45)	-
Other charges	(27)	(252)
Total financial charges	**(76)**	**(260)**
Total financial income (charges)	**(25)**	**(234)**

The Company's financial activities generated a negative result of 25 thousand Euro, improving by 209 thousand Euro on the prior-year period.

This improvement is mainly attributable to the decrease in financial charges. At the end of the prior-year period, they included the fees paid following subscription for shares, as provided for by the SEF agreement entered into with Société Générale, in May 2018 (fifth and last installment of 155 thousand Euro).

It should be noted that this item also includes interest expense of 45 thousand Euro arising from the adoption of the new IFRS 16.

Note 29 – Income taxes

No current or deferred taxes were recorded at the date of this Report. The Company did not recognize any tax credit that could arise from calculation of deferred taxes on temporary differences deductible in future years. Pursuant to reference accounting standards, the Company will recognize deferred tax assets only if it is likely that such amounts will be recovered through future taxable income. At June 30, 2019 the tax losses to be carried forward totaled 209,255 thousand Euro and the theoretical deferred tax assets totaled 50,211 thousand Euro.

Note 30 – Basic and diluted earnings (loss) per share

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

(amounts in Euro)	**1st half 2019**	**1st half 2018**
Basic earnings/(loss) per share	(0.0041)	(0.0067)

As required under IAS 33, diluted earnings (loss) per share take into account the effects of all dilutive potential ordinary shares. The calculation of the basic earnings (loss) per share is based on the net losses recorded in the first half of 2019 and 2018 (1,922) thousand Euro and (3,085) thousand Euro, respectively—and on the weighted average number of ordinary shares outstanding in the relevant periods—463,450,672 and 457,600,584, respectively.

6. Other notes

Note 31 – Net financial position

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

(amounts Euro thousand)	June 30, 2019	December 31, 2018
Cash on hand	8	8
Other cash	12,519	15,499
Cash equivalents	-	-
A. Total cash and cash equivalents	**12,527**	**15,507**
B. Current financial receivables and other financial assets	**990**	**959**
Finance lease payables	(1,196)	-
Current financial Debts	-	-
C. Current financial debt	**(1,196)**	-
D. Net current financial position (A+B+C)	**12,321**	**16,466**
Finance lease payables	(7,930)	-
Non current financial Debts	-	-
E. Non-current financial debt	**(7,930)**	-
F. Net financial position (D+E)	**4,391**	**16,466**
G. Finance lease payables current (ex IFRS 16)	1,196	-
H. Finance lease payables non current (ex IFRS 16)	7,930	-
I. Net current financial position (F+G+H) excepted IFRS 16 effects	**13,517**	**16,466**

The net financial position includes cash and cash equivalents and current financial receivables consisting in corporate bonds and financial debt. The adoption of the new IFRS 16 generated a deterioration in the net financial position, since finance lease payables were recognized as current and non-current financial payables. Net of the effects arising from the adoption of the above-mentioned standard, the net financial position would have amounted to 13,517 thousand Euro at June 30th, 2019, compared to 16,466 thousand Euro at December 31st, 2018.

Note 32 – Contingent liabilities

With respect to Zalmoxis®, under existing agreements, the Company may have to pay a contingent liability of up to 1,950 thousand USD depending on whether particular events occur. Below are the conditions that might require paying such contingent liability:

- the Company shall pay a 800 thousand USD milestone payment upon the earliest of the following three events occurring
  - ✓ the conditional marketing authorization still being effective in the European Union or a major market in August 2021;

- ✓ the Company obtaining an unconditional marketing authorization, and therefore the full approval of the European Commission or the relevant authority in a major market;
- ✓ the sales of the product reaching 50,000 thousand USD.

- the Company shall pay a 1,150 thousand USD milestone payment upon obtaining an unconditional marketing authorization, and therefore the full approval of the European Commission.

With respect to CAR-CD44v6, under existing agreements the Company is to pay a third party a fee amounting to 2% of the sales of the product and 20% of the proceeds from licensing the product to third parties.

Under the co-development agreement for the CAR pipeline, upon meeting certain goals related to purchases and IP licenses on the targets, the Company shall pay a milestone payment of up to approximately 580 thousand Euro.

Finally, under the agreement for the development of the project CAR-CD44v6 with NK cells, the Company shall pay a milestone payment of up to 11,700 thousand Euro upon the occurrence of particular events such as the beginning and end of the clinical trial, the obtaining of the first approval for the product, and the extension of said approval. In addition, it shall pay royalties of 5% of sales in the countries covered by the patent and 2.5% in those not covered by patents.

The above conditions had not been met at the reporting date.

Note 33 – Commitments and guarantees

Commitments and guarantees are broken down as follows:

(amounts in Euro thousand)	June 30, 2019	December 31, 2018
Guarantees	365	439
Total guarantees and commitments	**365**	**439**

Guarantees mainly include bank guarantees issued for the payment of real estate leases.

Note 34 – Transactions with related parties

At June 30th, 2019, no transaction with related parties were recorded.

Note 35 – Share-based payments

.At the date of this Report, no stock option plans were available.

Note 36 – Significant non-recurring events and transactions

During the first half of 2019, the Company has not been involved in any significant non-recurring transaction.

Note 37 – Transactions resulting from atypical and/or unusual events

Pursuant to Consob Communication of July 28th, 2006, it should be noted that, during the reporting 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 business net assets and of the minority shareholders, due to their significance/importance, the counterparties 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 38 – Fees due to Directors and Statutory Auditors

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

(amounts in Euro thousand)	1st half 2019	1st half 2018
Directors' fee	631	612
Statutory auditors' fee	52	37
Total Directors' and Statutory auditors' fee	**683**	**649**

On April 30th, 2019, the Board of Directors decided to award the CEO an amount equal to his fixed remuneration, totaling 450 thousand Euro per year, for the remainder of his term in office or until the approval of the financial statements as at December 31st, 2021 only in the event of termination under "good leaver" circumstances. The following are regarded as "good leaver" circumstances: (i) removal from the position of director without just cause; (ii) resignation as board member in the event the CEO is substantially divested of his powers, resulting in a substantive alteration of his relationship with the Company, without just cause.

In addition to the above-mention agreement, no further agreements have been signed by other Directors, and no compensation was paid to Directors resigning from their office in the period.

Note 39 – 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 effects 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 cash flows of a financial instrument following variations in the market price due to changes in exchange or interest rates, or in the price of equity-related financial instruments.

Interest rate risk

The Company has not recognized any financial payables—except for those recognized under IFRS 16—or receivables. Available cash was invested in current account deposits and bonds. Their yield depends on the trend in short-term interest rates. In order to limit the risk of counterparties' default in performing their obligations, investments were made at 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, including 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 in leading financial institutions and widely recognized companies.

Liquidity risk

Liquidity risk is the inability to obtain, under reasonable conditions, the financial resources necessary for the operations and business development.

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 operations and of the net financial position, in order to promptly implement the necessary actions;
- monitoring of prospective liquidity conditions related to corporate planning.

Finally, it should be noted that the current net financial position is equal to 12,321 thousand Euro.

For further information, reference should be made to the section "Going concern" in these Notes, and to the section "Financial risks" in the Management Report.

Note 40 – 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*.

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

During the Board of Directors' meeting of November 12th, 2012, based on the amendments to Articles 70 and 71 of the Issuers' Regulations introduced by Consob Resolution no. 18214 dated May 9th, 2012, the Company resolved to depart from the disclosure requirement as described in paragraph 6 and paragraph 1, respectively, communicating this decision in the financial reports published pursuant to Article 154-ter of the Consolidated Law.

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

The undersigned, Mr. Carlo Incerti, Chairman, and Mr. Salvatore Calabrese, 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 24th, 1998, hereby certify the following:

- 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 period ended June 30th, 2019;

measurement of the adequacy of the administrative and accounting procedures used for the preparation of the Condensed Interim Financial Statements for the period ended June 30th, 2019 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. It is also stated that:

the Condensed Interim Financial Statements for the period ended June 30th, 2019:

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 19th, 2002, as subsequently amended and supplemented;
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 Management Report 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 Management Report also includes reliable disclosure on significant transactions with related parties.

Milan, July 29th, 2019

[Signed by]

Carlo Incerti
Chairman of the Board of Directors

[Signed by]

Salvatore Calabrese
Executive Officer responsible for preparing company financial reports

Independent Auditors' Report

Building a better working world

MolMed S.p.A.

Review report on the interim condensed financial statements

(Translation from the original Italian text)

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Building a better working world

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, the income statement, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows and the related explanatory notes of MolMed S.p.A. as of 30 June 2019. 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 as of June 30, 2019 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 paragraph "Liquidity risk" of the interim management report, and in the paragraph "Going concern" of the explanatory notes to the interim condensed financial statements, describing the Directors' assessment on going concern. Specifically, the Directors deem that financial resources and equity available are adequate enough 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.

Milan, 30 July 2019

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

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