Interim Management Report at March 31st, 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 Code and VAT no. 11887610159

MOLMED

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 research and development excellence with a clear and solid industrial project.

…to therapy

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

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MOLMED

General company information

Registered Office:	Via Olgettina, 58 – 20132 MILAN (MI)
Operating Unit:	OpenZone, 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.

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Corporate bodies

Board of Directors

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 Directors, 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 - providing 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.

SAB members' professional profiles are available on the Company's website (www.molmed.com).

Interim Management Report

Introduction

The Transparency II Directive (Directive 2013/50/EU) and the relevant national regulation transposing it into Italian law have abolished the requirement to prepare interim management statements, deferring the decision on whether to introduce additional quarterly reporting requirements to Consob (Italy's market regulator). MolMed decided to voluntarily approve the Interim Management Report at March 31st, 2019 consistently with past practice and in line with Italian and international best practices, reserving the right to reconsider this decision.

Key performance highlights

(amounts in Euro thousand)

	1st quarter 2019 (a)	1st quarter 2018 (b)	Variation (a-b)	Variation %
Operating Revenues	7,918	5,809	2,109	36.3%
Revenues from sales	*7,891*	*5,534*	2,357	42.6%
Other revenue	*27*	*275*	(248)	(90.2%)
Operating costs	(8,569)	(7,063)	(1,506)	21.3%
Operating result	(651)	(1,254)	603	(48.1%)
Net financial income & charges	(21)	6	(27)	(450.0%)
Result for the period	(672)	(1,248)	576	(46.2%)

Investments

(amounts in Euro thousand)

	1st quarter 2019 (a)	1st quarter 2018 (b)	Variation (a-b)	Variation %
Investments	454	208	246	118.3%

Net financial position

(amounts in Euro thousand)

	March 31, 2019	December, 31 2018
Net financial position - IFRS 16 included	**5,686**	**16,466**
IFRS 16 application - current	1,224	-
IFRS 16 application - non current	8,198	-
Net financial position IFRS 16 not included	**15,108**	**16,466**

Average number of employees

	1st January - March 31, 2019	1st January - December 31, 2018	1st January - March 31, 2018
Average number of employees	212	199	191

1. A history of excellence in cell & gene research, development and 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 and clinical validation of innovative cell and gene therapies for the treatment of cancer and rare diseases, by combining research and development excellence with a clear and solid industrial project.

Over the years, MolMed has developed a dual business model, by combining R&D activities on proprietary products and GMP 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 currently a solid company both in the CDMO (Contract Development & Manufacturing Organization) area, where it boasts important international partnerships and increasing revenues, and in the area of proprietary products, where it is able to internally 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 its own therapies.

1.1 Proprietary product pipeline

Zalmoxis® (TK)

A cell-based therapy enabling hematopoietic stem cell transplantation from partially compatible donors, in the absence of post-transplant immunosuppression. Zalmoxis® is currently in a Phase III clinical trial for the treatment of high-risk leukemia, but it has already 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"). Zalmoxis® is the first cell therapy approved in the European Union in relation to this indication. The authorization was obtained through a centralized procedure and it is therefore effective for all EU countries. As far as procedures are concerned, the Company must present a pharmaco-economic analysis to each European national authority in order to obtain the reimbursement of the sale price and commercialize the product in the different EU countries. In this regard, 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. From a commercial point of view, the Company is evaluating all possible alternatives, including the granting of new licenses or direct marketing in certain EU areas.

During the first quarter of 2019 the Company continued to enroll patients for the TK008 Phase III randomized clinical trial. As at the date of this report, 90 patients have been enrolled, including 5 patients in 2019 in 31 centers in 9 countries with 17 active centers that have enrolled at least one patient. The study involves adult patients with high-risk acute leukemia undergoing haplo-transplantation in major European countries. The study aims to demonstrate the therapeutic efficacy and tolerability of the investigational medicinal product, and compares 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.

[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.

CAR-CD44v6

An immuno-gene therapy, potentially effective in certain hematological malignancies and solid tumors. It has demonstrated a high degree of efficacy and safety in experimental animal models. Based on positive preclinical data—and also due to the funding obtained from the European Commission for the EURE-CART project—MolMed has been continuing R&D activities on CAR T CD44v6, by defining its therapeutic positioning and starting the authorization process for Phase I/II clinical trials in blood tumors, for which the enrollment of the first patient is expected in the first half of 2019. Preparatory studies are also being completed in order to submit the application for authorization to human testing of the same CAR T CD44v6 on solid tumors.

At the end of March 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.

CD44v6 is an original antigen that has never been targeted as part of CAR-T therapies and is expressed by only certain hematological tumors such as myeloma and leukemia, but also several solid tumors—including big killers such as adenocarcinomas of the pancreas, head, and neck, as well as many others. In addition, CAR-CD44v6 includes MolMed's proprietary suicide gene, which is intended to enhance the product's safety profile.

Autologous CAR T and allogeneic CAR NK

New projects in preclinical development phase for the development of innovative CARs targeting new antigens, for both hematological and solid tumors.

In the first quarter of 2019, the Company continued to cooperate with Glycostem and AbCheck with which it signed strategic agreements in 2018, aiming at building and expanding a solid CAR pipeline of both autologous and allogeneic original products to treat liquid and solid tumors.

The agreement signed with Glycostem—a Dutch biotech company, focusing on the clinical development of off-the-shelf allogeneic cell immunotherapies based on natural killer (NK) cells—will allow MolMed to expand its oncology cell & gene therapy pipeline, thereby entering the promising field of allogeneic therapies. The agreement provides for the two companies' exclusive cooperation in the development and manufacturing of NK cells that are genetically modified to recognize three different 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.

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—after signing a Master Agreement in 2018 for the development of innovative CARs for new tumor antigens, and whose therapeutic targets are both hematological and solid tumors. 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 allogeneic CAR-NK platform due be created in the future.

NGRhTNF

In light of the focus and specialization of MolMed in the cell & gene area and considering the decision to allocate the financial resources to the most innovative projects, the Company—while believing in the scientific validity of the NGR-hTNF project—does not consider it a priority to continue to invest in NGR-hTNF. It confirms, however, its strategy to search for potential industrial or financial partners for a further clinical and manufacturing development of such product.

1.2 GMP development and manufacturing activities

MolMed also participates in cell and gene therapy projects together with third parties, by providing resources and expertise to support development and manufacturing during preclinical and clinical trials (Phase I-III) 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 Boston Children's Hospital and the Telethon Foundation, 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 launched an important project aimed at expanding its production capacity through the construction 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. In 2018, after various authorization packages relating to the GMP manufacturing area of the Bresso site, 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 AIFA authorization process for all GMP manufacturing areas is complete, MolMed's production capacity will be tripled, considering both the premises and spaces of the new production site and those already operational at the San Raffaele Hospital.

In the first quarter of 2019, development and manufacturing activities on behalf of third parties continued regarding both cancer and rare diseases, and new partnerships have been signed with Genenta Science and Rocket Pharmaceutical Ltd.

In particular, 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 generation gene therapies based on transcriptional and mirNA controls. In particular, following AIFA's approval of the Investigational Medicinal Product Dossier (IMPD) for the initiation of clinical trials with TEMferon in patients with multiple myeloma and glioblastoma multiforme (TEM-MM-101 and TEM-GBM-001), Genenta entrusted MolMed with the exclusive supply of modified cells 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—initially relating to the development and manufacturing of a gene therapy to treat Fanconi anemia—Rocket Pharma will entrust MolMed with the activities related to the manufacturing of lentiviral vectors for three new therapeutic indications.

2. Financial highlights

2.1 Financial statements

2.1.1 Income statement

(amounts in Euro thousand)	Note	1st quarter 2019	1st quarter 2018
Revenues from sales	1	7,891	5,534
Other income	2	27	275
Total operating revenues		**7,918**	**5,809**
Purchases of raw materials and consumables	3	(1,773)	(1,092)
Costs for services	4	(2,718)	(1,987)
Costs for use of third-party assets	5	(11)	(376)
Personnel costs	6	(3,312)	(3,188)
Other operating costs	7	(35)	(51)
Amortization, depreciation and write-downs	8	(720)	(369)
Total operating costs		**(8,569)**	**(7,063)**
Operating result	10	**(651)**	**(1,254)**
Financial income		25	19
Financial charges		(46)	(13)
Net financial income (charges)	9	**(21)**	**6**
Pre-tax result		**(672)**	**(1,248)**
Income taxes		-	-
Profit (loss) for the period	11	**(672)**	**(1,248)**

2.1.2 Statement of comprehensive income

(amounts in Euro thousand)	1st quarter 2019	1st quarter 2018
Profit (loss) for the period	**(672)**	**(1,248)**
Other comprehensive income (not subsequently reclassified to the income	-	-
Profit (loss) actuarial	-	-
Other comprehensive income, net of taxes (not subsequently	-	-
Total comprehensive income (loss) for the period	**(672)**	**(1,248)**

2.1.3 Net financial position

(amounts in Euro thousand)	March 31, 2019	December 31, 2018
Cash on hand	8	8
Other cash	14,123	15,499
Cash equivalents	-	
A. Total cash and cash equivalents	**14,131**	**15,507**
B. Current financial receivables and other financial assets	**977**	**959**
Finance lease payables - IFRS 16	(1,224)	-
Current financial debt	-	-
C.Current financial debt	**(1,224)**	**-**
D. Net current financial position (A+B+C)	**13,884**	**16,466**
Finance lease payables - IFRS 16	(8,198)	-
Non current financial debt	-	-
E. Non-current financial debt	**(8,198)**	-
F. Net financial position (D+E) - IFRS 16 included	**5,686**	**16,466**
IFRS 16 application - current	1,224	-
IFRS 16 application - non current	8,198	-
Net financial position IFRS 16 not included	**15,108**	**16,466**

The net financial position includes cash, cash and current financial receivables represented by corporate bonds and financial debt. The application of the new standard, with the exposure under current and non-current financial payables of the debts to lenders for financial leases, led to a worsening of the net financial position. Net of the effects of the new accounting standard, the net financial position at March 31st, 2019, would have been Euro 15,108 thousand, compared to Euro 16,466 thousand at December 31st, 2018. For more details on the new principle and its scope of application, please refer to the following paragraph "*Accounting principles and valuation criteria*".

2.2 Notes

MolMed's Interim Management Report, for the period ended March 31st, 2019 has been prepared in accordance with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and endorsed by the European Union, as well as pursuant to Italian Legislative Decree 58/1998, as subsequently amended. This Interim Management Report has also been prepared in compliance with the Consob Issuers' Regulations no. 11917/98 and subsequent communications.

The adoption of the new accounting standard has determined a different accounting treatment of the lease contracts, with the recognition in the assets of the "right to use", in the liabilities the related debts, while in the income statement, the fee for rent was replaced by the depreciation of the right of use and the financial charges for the period. The user fee is recognized in the financial statements at the cost, determined on the start date of the lease and includes: the initial value of the lease liability, the amount of any payments made before the lease start date, net of any incentives received, the initial direct costs incurred by the lessee, the estimate of the costs for dismantling the asset and for restoring the area in which it was located, where applicable. The right of use, after its initial registration, is valued with the cost method.

The liability is determined at the start date of the lease and corresponds to the present value of the total net payments envisaged. After the initial recognition in the financial statements, the liability of the lease changes, without taking into account the cases in which it is necessary for specific reasons, a re-measurement of the liability, due to the recognition of the relevant interest and periodic payments made. The adoption of this new accounting standard has brought significant changes to the net financial position following the entry in the fixed assets of the leased premises and the entry in the short and long-term financial liabilities of the rents due for all the term of the lease agreement.
Except as described above, the accounting principles applied are in lines with those adopted for the preparation of the financial statements for the year ended December 31, 2018.
Income figures concern the quarter ended March 31st, 2019—i.e. the first three months of the period ending December 31st, 2019. They are compared with those recognized in the prior-year period. Figures relating to the statement of financial position and the net financial position are compared with those recognized at December 31st, 2018.
The amounts indicated in this Interim Management Report are expressed in thousands of Euro, unless otherwise stated. The Euro is the Company's functional currency. This Interim Management Report has not been audited.

Notes 1 – Revenue from contracts with customers

(importi in Euro thousand)	1st quarter 2019	1st quarter 2018
Revenues (from third parties' activities)	7,891	5,385
Revenues from Zalmoxis®	-	149
Total operating revenues	**7,891**	**5,534**

Revenues from sales in the first quarter of 2019, amount to Euro 7,891 thousand (Euro 5,534 thousand in the first quarter of 2018), consist of revenues from development and production for third parties, show an increase compared to the same period 2018, Euro 2,357 thousand or 42.6% thanks to the enlargement of our client portfolio. Following the resolution of the license and distribution agreement with Dompé Farmaceutici S.p.A. for Zalmoxis®, in Q1 2019 there were no revenues from the proprietary product (Euro 1,149 thousand in Q1 2018).
4.5% of sales revenues are generated in Italy, 80.6% in the European Union and 14.9% in non-EU countries.

Note 2 – Other income

This item, amounting to 27 thousand Euro, mainly consists of public-sector research and development grants the Company received based on its participation in public-sector subsidized projects.

Note 3 – Purchases of raw materials and consumables

Costs for raw materials and consumables, which largely consist of materials and reagents used in manufacturing and development activities, rose from Euro 1,092 thousand at March 31st, 2018 to Euro 1,773 thousand at March 31st, 2019. The Euro 681 thousand increase (+62.4%) is mainly due to growing services and manufacturing activities on behalf of third parties.

Note 4 – Costs for services

The breakdown of this item at March 31st, 2019 and March 31st, 2018 is as follows:

(amounts in Euro thousand)	1st quarter 2019	1st quarter 2018
Outsourced development costs	(718)	(334)
Consultancy and technical fees	(211)	(173)
License and patents consultancy fees	(190)	(76)
Maintenance	(281)	(221)
Transport and storage of laboratory materials	(154)	(100)
Utilities	(300)	(307)
Directors and statutory auditors' fees	(86)	(99)
Audit	(19)	(26)
Legal, administrative and managerial fees	(165)	(108)
Listing consultancy fees and other listing costs	(10)	(11)
Supervisory board fees	(29)	(21)
Communications agency fees	(90)	(57)
IT assistance and other IT costs	(103)	(86)
Other general and administrative costs	(188)	(233)
Ttravel, staff training and othe personnel costs	(174)	(135)
Total costs for services	**(2,718)**	**(1,987)**

Costs for services increased from Euro 1,987 thousand at March 31st, 2018 to Euro 2,718 thousand at March 31st, 2019. The Euro 731 thousand increase in the period is mainly attributable to the following effects:

- higher outsourced development costs, increasing from Euro 334 thousand in the first quarter of 2018 to Euro 718 thousand in the first quarter of 2019 (+Euro 384 thousand or +114.7%), due to the costs related to proprietary;
- higher costs for license fees and patents, increasing from Euro 76 thousand in the first quarter of 2018 to Euro 190 thousand in the first quarter of 2019 (+Euro 113 thousand or +148.8%), due to the costs of an extended proprietary pipeline in the onco-hematological area;
- higher maintenance costs, increasing from Euro 221 thousand in the first quarter of 2018 to Euro 281 thousand in first quarter of 2019 (+Euro 60 thousand or +27.0%), due to revamping of the facility located in Bresso.

Note 5 – Costs for use of third-party assets

Costs for use of third-party assets decreased from Euro 376 thousand at March 31st, 2018 to Euro 11 thousand at March 31st, 2019. The Euro 365 thousand reduction (-97.0%) is mainly due to the effect of the adoption of IFRS 16 on January 1st, 2019, which led to the reversal of rental costs and the recognition of depreciation and financial charges.

Note 6 – Personnel costs

Personnel costs at the end of the first quarter of 2019 were substantially in line with the costs recognized in the prior-year period (+3.9%): they slightly increased from Euro 3,188 thousand at March 31st, 2018 to Euro

3,312 thousand at March 31st, 2019. The average number of employees in the reporting period and their actual number at period-end are shown below.

	1st January - March 31, 2019	1st January - December 31, 2018	1st January - March 31, 2018
Average number of employees	212	199	191

	March 31, 2019	December 31, 2018	March 31, 2018
Number of employees	214	206	194

Note 7 – Other operating costs

Other operating costs were substantially in line with the costs recognized in the prior-year period.

Note 8 – Amortization, depreciation and impairment

Amortization, depreciation and impairment totaled Euro 720 thousand in the first quarter of 2019. They increased by Euro 352 thousand compared to the prior-year period (Euro 369 thousand) following the adoption of IFRS 16 on January 1st, 2019, which led to the recognition of depreciation on leased assets.

Note 9 – Financial income and charges

The Company's financial activities generated a negative result of Euro 21 thousand, a Euro 27 thousand deterioration compared to the prior-year period, mainly due to the negative effect arising from the recognition of interest expense after the adoption of IFRS 16 on January 1st, 2019.

Note 10–Operating Result

Operating Result, thanks to the more than proportional increase in Operating Revenues compared to Operating Costs, shows a loss of Euro 651 thousand, and shows an improvement of Euro 603 thousand or 48.1% compared to the loss in the same period of the year previous one.

Note 11 - Profit (loss) for the period

The Result for the period, a clear improvement over the first quarter of 2018 (+ 46.2%), shows a loss of Euro 672 thousand, compared to a loss of Euro 1,248 thousand recorded in the same period of the previous year.

Note 12– Changes in equity

(amounts in Euro thousands)	Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Retained earnings (accumulated losses)	Profit (loss) for the year	Total shareholders' equity
Balance at Jaunary 1st 2018	**21,514**	**58,976**	**223**	**396**	**(13)**	**(47,966)**	**(8,497)**	**24,633**
Allocation of prior year result	-	-	-	-	-	(8,497)	8,497	-
Release Stock options 2008A	-	-	-	(222)	-	222	-	-
Stock options plan 2016-2021	-	-	-	37	-	-	-	37
Profit (loss) for the period	-	-	-	-	0	-	(1,248)	(1,248)
Balance at March 31, 2018	**21,514**	**58,976**	**223**	**211**	**(13)**	**(56,241)**	**(1,248)**	**23,422**

(amounts in Euro thousands)	Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Retained earnings (accumulated losses)	Profit (loss) for the year	Total shareholders' equity
Balance at December 31, 2018	**21,819**	**61,754**	**223**	**-**	**(11)**	**(56,067)**	**(4,123)**	**23,595**
First time adoption IFRS 16*	-	-	-	-	-	-	-	-
Balance at Jaunary 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	-	-	-	-	-	-	(672)	(672)
Balance at March 31, 2019	**21,819**	**61,754**	**223**	**-**	**(11)**	**(60,190)**	**(672)**	**22,923**

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

Note 13 – Transactions with related parties

At March 31st, 2019, no transaction with related parties were recognized.

Note 14 – Share-based payments

It should be noted that the Board of Directors' meeting of March 18th, 2019 ascertained that the precondition for the 2016-2021 stock option plan (i.e. recognition of profit for the year ended December 31st, 2018) has not been met.

3. 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.

4. Significant events after the reporting period

On April 30th, the shareholders' meeting approved the financial statements for the year ended December 31, 2018, postponing the loss for Euro 4,123 thousand.
The Assembly appointed a Board of Directors composed of 9 members and a Board of Statutory Auditors, composed of 3 standing auditors and 3 alternate auditors who will remain in office for the three-year period 2019-2021.

5. Business outlook

During 2019, with reference to the proprietary product Zalmoxis®, the Company foresees to obtain from EMA the confirmation of the Conditional Marketing Authorization (CMA), for which the interactions have already started, and to proceed with the enrollment of patients for pivotal randomized Phase III trial (TK008) for the treatment of high risk leukemia, remaining particularly active into the search and identification of a new partner with the aim to restart the commercial development of Zalmoxis® in the shortest possible time. With reference to the CAR-T CD44v6 project, following the authorization to the clinical trial received by AIFA at the end of March, the Company plans to start clinical trials on humans with the commencement, subject to the set-up of the involved clinical centers, of the first clinical study of Phase I / II in hematological tumors (AML and MM). The business plan on research also foresees to continue the activities for the development of the products portfolio of the CAR pipeline, started in 2018 with the agreements with Glycostem and AbCheck, in the oncohematology field. In this area the Company continues the investigations with the new CARs on different therapeutic targets, also with the introduction of innovative technological platforms, in particular with the development of CAR NK (Natural Killer), allogeneic CARs developed from healthy donors lymphocytes.

Statement pursuant to the provisions of Article 154-bis, paragraph 2, of Legislative Decree no. 58/98

In compliance with the provisions of Article 154-bis, part IV, title III, chapter II, section V-bis of Legislative Decree no. 58 of February 24, 1998, the Executive Officer responsible for preparing MolMed's financial reports hereby states that the financial disclosure contained in this document is consistent with the entries in accounting books and records.

Milano, May 13th, 2019

[Signed by]

Carlo Incerti
Chairman of the Board of Directors

[Signed by]

Salvatore Calabrese
Executive Officer responsible for preparing company financial reports