Interim financial report at March 31, 2016

English translation for convenience

FROM GENES TO THERAPY

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

From gene...

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

...to therapy

Table of contents

Corporate information

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

DISCLAIMER

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

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

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

Corporate bodies

Board of Directors

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

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

Board of Statutory Auditors

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

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

Committee for Control and Risks(*)

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

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

Remuneration and Nomination Committee

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

External auditing firm

Reconta Ernst & Young S.p.A.

Scientific Advisory Board

MolMed's Scientific Advisory Board (SAB), chaired by Professor Claudio Bordignon, is an independent advisory body - characteristic of companies in which the quality of projects is determined by the value of their scientific content - which plays an important role in guiding the research and development of new therapeutic strategies, and in the external objective assessment of the results obtained.

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

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

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

Interim financial report

Foreword

The EU Directive "Transparency II" (Directive 2013/50 / EU) and the Italian legislation implementing it have repealed the obligation to prepare the quarterly financial reports, delegating to the Italian stock market supervisory authority (Consob) the possible re-introduction of quarterly disclosure obligations. While waiting for Consob to define its own rules on the matter, MolMed decided to approve the interim financial report at March 31, 2016 on a voluntary basis, while retaining the right to review this choice also following the regulatory evolution on the matter.

Key financial figures

Financial data

(amounts in Euro thousand)	**1st quarter 2016**	**1st quarter 2015**	**Variation**	
	(a)	**(b)**	**(a-b)**	**%**
Operating Revenues	5,343	2,658	2,685	101.0%
Revenues from activities for third parties	*4,408*	*2,499*	*1,909*	*76.4%*
Operating costs	9,383	6,799	2,584	38.0%
Operating result	(4,040)	(4,141)	101	2.4%
Net financial income & charges	(86)	(91)	5	5.5%
Result for the period	(4,126)	(4,232)	106	2.5%

Investments

	1st quarter 2016	**1st quarter 2015**	**Variation**	
	(a)	**(b)**	**(a-b)**	**%**
Investments	211	252	(41)	(16.3%)

Net financial position

(amounts in Euro thousand)	**March 31, 2016**	**December, 31 2015**	**Variation**	
	(a)	**(b)**	**(a-b)**	**%**
Net financial position	23,831	29,938	(6,107)	(20.4%)

Average number of employees

	March 31, 2016	**December 31, 2015**	**March 31, 2015**
Average number of employees	161	132	120

1. A history of excellence

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

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

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

MolMed's pipeline includes three anti-tumour therapeutics in clinical and preclinical development, with the first two in Phase III clinical trials: Zalmoxis® (TK), a cell-based therapy enabling bone marrow transplants from partially compatible donors, in absence of post-transplant immune-suppression, currently in Phase III in high-risk acute leukaemia and under evaluation by EMA for a Conditional Marketing Authorisation; NGR-hTNF, a novel therapeutic agent for solid tumours which displays antitumor activity through its specific binding to blood vessels feeding the cancer and to the concentration of immune system cells into the tumour mass, investigated in a broad clinical programme; project CAR-CD44v6, an immuno-gene therapy project potentially effective for many haematological malignancies and several epithelial tumours, currently in preclinical development. MolMed also offers top-level expertise in cell and gene therapy to third parties to develop, conduct and validate projects from preclinical to Phase III trials, including scale-up and cGMP production of clinical-grade viral vectors, and manufacturing of patient-specific genetically engineered cells.

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

In 2013, MolMed started a major project at the Open Zone science park in Bresso (Milan), aimed at expanding its manufacturing capacity; upon its completion, MolMed will be endowed with a second GMP facility assuring the highest qualitative standards and technological expertise already recognised to the manufacturing site at the DIBIT.

Thanks to its consolidated leadership in cell and gene therapy, MolMed has entered into agreements with some of the major players in this field, including *Fondazione Telethon* and GlaxoSmithKline, for the provision of development, manufacturing and knowledge transfer services for the clinical application of gene therapies based on viral vector cell transduction.

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

2. Report on operations

2.1 Summary of main events occurred in the first quarter of 2016

Zalmoxis® (TK)

In the first quarter 2016, MolMed continued interaction with the European authorities in order to obtain a Conditional Marketing Authorisation (CMA) for Zalmoxis®, and after the end of the first quarter 2016 the Company processed a third list of outstanding issues (LoOi) on details requested by the committees called upon to provide the final opinion on the application filed. At the same time, the Company started preparatory activities for access of the product on different European markets, which may be managed both directly and through distributors/dealers, following the issuance of any positive opinion by the Committee for Medicinal Products for Human Use (CHMP).

NGR-hTNF

In the first quarter 2016, MolMed carried on the follow up of patients enrolled in Phase III trial as second-line treatment of mesothelioma (NGR015) and in randomised Phase II trials for the treatment of soft tissue sarcomas (NGR016), ovarian carcinoma (NGR018) and mesothelioma as first-line treatment (NGR019). In addition, the Company continued a preclinical analysis aimed at in-depth insight on the product's effects on the immune system, which were already highlighted in previous Phase II trials, in order to strengthen and better define the potential of the product, in combination with immunotherapeutic agents too.

MolMed continued the search for partnerships for the further development of the product, in which priority will be given to the indications deemed most promising on the basis of results obtained in the randomised Phase II trials and of unmet medical needs indicated by clinicians and the market; finally, the industrial development of NGR-hTNF was carried on, aimed at validating the manufacturing process to be used for the market.

CAR CD44v6

In the first quarter 2016, MolMed carried on the research and development activities on the CAR CD44v6 project, aimed at the characterisation of the anti-tumour activity of CAR CD44v6-expressing T cells in animal models of human (both solid and liquid) and murine tumours, as well as at the development of production systems for viral vectors encoding CAR CD44v6 in association with the suicide gene HSV-TK.

Development and GMP production activities

In the first quarter 2016, MolMed carried on the activities covered by the major agreements signed in 2011, 2013 and 2015 with GlaxoSmithKline and Fondazione Telethon for development and production of investigational gene therapy treatments for patients affected by severe inherited diseases (see chapter *6: Main events occurred after the end of the first quarter 2016*).

In the first quarter 2016, the new production facility located at the Open Zone science park in Bresso (Milan) has been completed. On the 20th of April, following an official notification by AIFA (*Agenzia Italiana del Farmaco*), the Company started the activities for the authorisation process of the facility, which should be gradually authorised by the authority starting from the second half of 2016. The Bresso site will provide MolMed with a further production facility of about 3,300 m^2 in addition to the currently operating one of about 1,400 m^2 located in Milan at the DIBIT, thereby significantly increasing the current production capacity. This expansion -

necessary to support the treatment of patients with Zalmoxis® - combined with the technological leadership of the Company in the field of therapies for rare genetic diseases and immune-gene therapy of tumours, will also allow to consolidate MolMed's position as strategic partner for biotech and big pharma companies.

Finally MolMed continued, as planned, the activities aimed at industrialising the Zalmoxis® manufacturing process, mainly focused on the development of an automated production and quality control system.

Business Development activities

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

Regarding the former, MolMed terminated the agreement on Zalmoxis® entered into with Takara Bio Inc. in 2003, as the Japanese company did not achieve the results planned by MolMed for the development and commercialisation of the TK therapy in Asian countries. Pursuant to the terms of the termination agreement, MolMed will get back all commercial rights of Zalmoxis® in Asian territories, which could thus be transferred to third parties with no outstanding obligations to Takara. Moreover, Takara will owe no royalties to MolMed and MolMed will not give back to Takara any payment received prior to the termination date. Following this termination, MolMed promptly started the search for a new partner that could contribute to the successful clinical development and commercialisation of Zalmoxis® in Asia.

As to strengthening partnerships for development and production for third parties, a multi-year agreement for a new industrial collaboration was signed with Genenta Science to develop and manufacture a gene therapy for the treatment of multiple myeloma. Under this agreement, MolMed will provide development and validation services for the manufacturing methods, as well as analytical methods, within the preparatory activities for the clinical investigation phase of Genenta's product, and will support Genenta in preparing and updating the regulatory dossier required to obtain authorisation to start clinical investigation from the competent authorities. The contract also provides that the collaboration between the two companies will continue once such authorisation will be granted, and MolMed will support Genenta in the exclusive production of the batches to be used in all Phases of the clinical development of the gene therapy of multiple myeloma.

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

Organisation structure optimisation and further corporate governance strengthening

In the first quarter of 2016, MolMed's board of directors approved the establishment of a nomination committee and the renewal of the Company's organisation structure.

Regarding corporate governance, a nomination committee was established - unified with the remuneration committee – composed by a majority of independent directors, with an advisory and proposing role to the board of directors about the optimal composition of the board itself. The renewal of the organisation provided for the establishment of a single general manager office, held by Dr. G. Paolo Rizzardi, and for the deletion of the General Manager Corporate Governance & Administration office, whose main functions now directly report to the CEO.

2.2 Other information

Grants and other financial support

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

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

At the date of this report, "SUPERSIST" is the most significant project under the scope of the grants of the Seventh Framework Programme. The project, officially launched in May 2013, has a duration of 42 months and, in addition to MolMed, involves four national and international partners. The total amount of the grant awarded by the European Union to the project is approximately Euro 6 million and corresponds to 75% of the total expected cost of the project. The contribution to which MolMed is entitled, following a budget review, is approximately Euro 2.4 million. The activities relating to the above-mentioned projects will continue in forthcoming periods. Subsidies consist of a contribution to expenses of 75% of the costs incurred by the Company throughout the duration of the projects.

3. Comments on financial results

(amounts in Euro thousand)	1st quarter 2016	1st quarter 2015	Variation	
	(a)	(b)	(a-b)	%
Operating Revenues	5,343	2,658	2,685	101.0%
Revenues from activities for third parties	*4,408*	*2,499*	*1,909*	*76.4%*
Operating costs	9,383	6,799	2,584	38.0%
Operating result	(4,040)	(4,141)	101	2.4%
Net financial income & charges	(86)	(91)	5	5.5%
Result for the period	(4,126)	(4,232)	106	2.5%

Operating revenues at March 31, 2016 totalled Euro 5,343 thousand and increased by 101,1% with respect to the same period of previous year. This increase was mainly driven by development and GMP production activities for third parties. In particular, GMP development and production activities on behalf of third parties generated revenues of Euro 4,408 thousand compared to Euro 2,499 thousand recognized in the prior-year period (+76.4%), due to the intensification of GMP production and development activities carried out on behalf of both GlaxoSmithKline and new customers. In this regard, under the agreement, MolMed will provide its expertise in process development as well as the manufacturing capabilities and competencies for the production of viral vectors as well as cell transduction. The agreement signed between the two companies provides for MolMed a minimum total amount of Euro 34 million in upfront and milestone payments as well as services until 2020.
Other income, registered in operative revenues for Euro 935 thousand, include grants for research and development granted on the basis of the company's participation in subsidized projects activities for an amount of Euro 535 thousand and income related to tax credit for research and development purposes pursuant to Ministerial Decree of May 27, 2015 (2015 Stability Law) for an amount of about Euro 400 thousand. the proceeds resulting from such tax credits have already been accounted for in 2015 for an amount of Euro 2,397 thousand. The amount recognized in income in the first quarter of 2016 is an adjustment based on Circular 5/E issued by Tax Authority on March 16, 2016. This document has provided clarifications and more detailed information about the credit calculation.
Operating costs for the first three months of 2016 amount to Euro 9,383 thousand, higher (+38.0%) in respect of the same period of previous year. The increase, for an amount of Euro 2,584 thousand, is mainly due to:

- increase in services costs for an amount of Euro 1,552 thousand (+51.4%);
- increase in personnel costs, with a variation of Euro 640 thousand (+26.4%);
- increase of costs for raw materials for an amount of Euro 285 thousand (+33.9%).

The operative loss for the first quarter 2016 amounts to Euro 4,040 thousand, lower for Euro 101 (+2.4%) thousand with respect of the same period of previous year (Euro 4,141 thousand).

Financial result, negative for Euro 86 thousand in the first three months of 2016, is substantially in line with the same period of previous year (Euro 91 thousand).

Net result of the first quarter 2016 points out a loss of Euro 4,126 thousand, in respect of a loss of Euro 4,232 thousand registered in the same period of 2015. Period result is slightly improved (+2.5%) with respect of the same period of previous year.

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

The net financial position at March 31, 2016, is positive for Euro 23,831 thousand (form Euro 29,938 thousand at December 31, 2015), and is entirely composed of cash and cash equivalents, and financial receivables mainly represented by time deposits, in absence of financial indebtedness. Net financial position of thousand 29,938 Euro at December 31, 2015 decreased by Euro 6,107 thousand in the first quarter of 2016, mainly due to the Company's ordinary operations.

4. Economic and financial data

4.1 Financial statements

4.1.1 Income statement

(amounts in € thousand)	1st quarter 2016	1st quarter 2015	Variation	Variation
	(a)	(b)	(a-b)	%
Revenues (from activities from third parties)	4,408	2,499	1,909	76.4%
Other income	935	159	776	488.1%
Total operating revenues	**5,343**	**2,658**	**2,685**	**101.0%**
Purchases of raw materials and consumables	1,125	840	285	33.9%
Costs for services	4,570	3,018	1,552	51.4%
Costs for use of third-party assets	350	381	(31)	(8.1%)
Personnel costs	3,066	2,426	640	26.4%
Other operating costs	41	29	12	41.4%
Amortization, depreciation and write-downs	231	105	126	120.0%
Total operating costs	**9,383**	**6,799**	**2,584**	**38.0%**
Operating result	**(4,040)**	**(4,141)**	**101**	**2.4%**
Financial income	30	2	28	1,400.0%
Financial charges	(116)	(93)	(23)	(24.7%)
Net financial income (charges)	**(86)**	**(91)**	**5**	**5.5%**
Pre-tax result	**(4,126)**	**(4,232)**	**106**	**2.5%**
Income taxes	-	-	-	-
Profit (loss) for the period	**(4,126)**	**(4,232)**	**106**	**2.5%**

4.1.2 Statement of comprehensive income

(amounts in € thousand)	1st quarter 2016	1st quarter 2015	Variation	Variation
	(a)	(b)	(a-b)	%
Profit (loss) for the period	**(4,126)**	**(4,232)**	**106**	**2.5%**
Other comprehensive income (not subsequently reclassified to the income statement)	-	-		
Profit (loss) actuarial	1	-	-	(100.0%)
Other comprehensive income, net of taxes (not subsequently reclassified to the income statement)	**1**	**-**	**-**	**(100.0%)**
Other comprehensive income (subsequently reclassified to the income statement)	-	-	-	-
Gains and losses on available-for-sale financial assets	-	-	-	-
Other comprehensive income, net of taxes (subsequently reclassified to the income statement)	-	-	-	-
Total comprehensive income (loss) for the period	**(4,125)**	**(4,232)**	**107**	**2.5%**

4.1.3 Net financial position

(amounts in € thousand)	March 31, 2016	December 31, 2015
Cash on hand	18	14
Other cash	13,776	11,756
Cash equivalents	-	-
A. Total cash and cash equivalents	**13,793**	**11,770**
B. Current financial receivables and other financial assets	**10,038**	**18,168**
Finance lease payables	-	-
Current financial debt	-	-
C.Current financial debt	-	-
D. Net current financial position (A+B+C)	**23,831**	**29,938**
Finance lease payables	-	-
Non current financial debt	-	-
E. Non-current financial debt	-	**-**
F. Net financial position (D+E)	**23,831**	**29,938**

4.2 Notes

Accounting standards

MolMed's Interim Financial Report for the period ending March 31, 2016 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 Legislative Decree 58/1998 and subsequent amendments.

This Interim Financial Report has also been prepared in compliance with the Consob Issuers' Regulations and subsequent communications.

The accounting standards applied are the same as those adopted to prepare the annual financial statements at December 31, 2015.

Income figures concern the quarter ending March 31, 2016 – i.e. the first three months of the annual period ending December 31, 2016. They are compared with those recorded in the same period of previous year. The figures relating to the statement of financial position and the net financial position are compared with those at December 31, 2015.

The amounts indicated in this Interim Financial Report are expressed in thousands of Euro, unless otherwise indicated. The Euro is the Company's functional currency.

This Interim Financial Report has not been audited.

Note 1 – Operating revenues

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

(importi in migliaia di Euro)	1st quarter 2016 (a)	1st quarter 2015 (b)	Variation (a-b)	Variation %
Revenues (from activities from third parties)	4,408	2,499	1,909	76.4%
Other income	935	159	776	488.1%
Total operating revenues	**5,343**	**2,658**	**2,685**	**101.0%**

GMP development and production activities on behalf of third parties generated revenues of Euro 4,408 thousand compared to Euro 2,499 thousand recorded in the same prior-year period (+76.4%), due to the intensification of GMP production and development activities carried out on behalf of both GlaxoSmithKline and new customers. In this regard, in 2015 a strategic agreement was entered into with the British company which had a positive impact on revenues both for the year and for the quarter under review. Specifically, the period upfront payment provided for by the agreement is recognized in profit or loss over the duration of the agreement – until March 2020 and revenues on the basis of services provided in the first three months of 2016.

Other income of Euro 935 thousand was mainly generated by:

- income deriving from subsidized project activities (Euro 535 thousand), up on the same prior-year period. Public sector grants are accounted for based on the costs actually incurred for the research projects eligible for grants. Income from grants accrued in the first three months of 2016 related to two projects under the Seventh Framework Programme of the European Union (the "CELL-PID" and "SUPERSIST" projects);
- tax credit for research and development purposes pursuant to Ministerial Decree of May 27, 2015, implementing Law no. 190 of December 23, 2014 (2015 Stability Law) amounting to Euro 400 thousand and consisting of an adjustment to the credit recognized in 2015 financial statements (2,397 Euro thousand) as determined based on Circular 5/E issued by the Inland Revenue on March 16, 2016 providing a clearer and more detailed analysis on the tax calculation.

Note 2 – Purchases of raw materials and consumables

Costs for raw materials and consumables, which largely consist of materials and reagents used in production and development activities, rose from Euro 840 thousand at March 31, 2015 to Euro 1,125 thousand at March 31, 2016.

The Euro 285 thousand increase in the aforementioned costs (+33.9%) was mainly due to growing GMP development and production activities on behalf of third parties.

Note 3 – Costs for services

At March 31, 2016, costs for services amounted to Euro 4,570 thousand, up 51.4% as compared to the same prior-year period. They are broken down as follows:

(importi in Euro thousand)	1st quarter 2016 (a)	1st quarter 2015 (b)	Variation (a-b)	Variation %
Outsourced development costs	2,818	1,333	1,485	111.4%
Option rights	86	129	(43)	(33.3%)
Consultancy and technical fees	200	159	41	25.8%
License and patents consultancy fees	91	115	(24)	(20.6%)
Maintenance	119	103	16	15.1%
Transport and storage of laboratory materials	118	122	(4)	(3.3%)
Utilities	310	302	8	2.6%
Directors and statutory auditors' fees	92	140	(48)	(34.4%)
Audit	20	18	2	11.1%
Legal, administrative and managerial fees	105	156	(51)	(32.7%)
Listing consultancy fees and other listing costs	26	15	11	73.3%
Supervisory board fees	37	37	-	0.0%
Communications agency fees	154	79	75	94.9%
IT assistance and other IT costs	98	70	28	40.0%
Other general and administrative costs	188	143	45	31.5%
Ttravel, staff training and othe personnel costs	108	97	11	11.3%
Totale service costs	**4,570**	**3,018**	**1,552**	**51.4%**

The increase in the period was almost exclusively due to the rise in outsourced development costs, growing from Euro 1,333 thousand in the first quarter of 2015 to Euro 2,818 thousand in the first quarter of 2016 (up by Euro 1,485 thousand, +111.4%). Such increase is mainly due to the costs incurred for the industrial development of one of the products in the pipeline (NGR-hTNF), the continuation of one of the EU-subsidized projects (SUPERSIST) and the increase in services provided on behalf of third parties. Higher fees due to communication agencies and BD firms are attributable to a TK-related project.
The remaining items making up this entry are almost unchanged on the same prior-year period.

It should be pointed out that the costs relating to option rights include the portion, pertaining to the period, of costs arising from the option agreement for the purchase of research projects entered into in December 2001 by the Company with the shareholder Science Park Raf in liquidation and its parent company, *Ospedale San Raffaele*. The aforementioned agreement expired in March 2016.

Note 4 – Costs for use of third-party assets

Costs for use of third-party assets of Euro 350 thousand in the first three months of 2016 are in line with the prior-year period (down Euro 31 thousand).

Note 5 – Personnel costs

Personnel costs rose by Euro 640 thousand (+26.4%) from Euro 2,426 thousand in the first three months of 2015 to Euro 3,066 thousand in the first three months of 2016. This rise was due to the increase in the number

of employees performing operating tasks within the organization. Specifically, the Company employed 162 people at March 31, 2016.

Finally, the average number of employees at period end was as follows:

	March 31, 2016	December 31, 2015	March 31, 2015
Average number of employees	161	132	120

Note 6 – Other operating costs

Other operating costs of Euro 41 thousand at March 31, 2016 are almost unchanged compared to the same prior-year period.

Note 7 – Amortization, depreciation and impairment

Amortization, depreciation and impairment totaled Euro 231 thousand in the first quarter of 2016. They increased by Euro 126 thousand compared to the same prior-year period following the beginning of the amortization/depreciation period for the assets relating to the new facility in Bresso. Investments of Euro 211 thousand for the period were mainly due to the premises in Bresso, to routine replacement of laboratory equipment and the purchase of new machinery to be used in the TK production process, as well as to maintenance and improvement work on the GMP facility.

Note 8 – Financial income and charges

The Company's financial activities generated a negative balance of Euro 86 thousand, despite improving by Euro 5 thousand on the same prior-year period.

Financial income of Euro 30 thousand in the first quarter 2016 rose by 1,400.0% as opposed to the first quarter 2015. This positive result is due to income from short-term investments made in the second quarter of previous year.

Financial charges of Euro 116 thousand (Euro 93 thousand at March 31, 2015) are mainly attributable to foreign exchange losses in the period.

Note 9 – Net financial position

The net financial position at March 31, 2016, is positive for Euro 23,831 thousand (form Euro 29,938 thousand at December 31, 2015), and is entirely composed of cash and cash equivalents, and financial receivables mainly represented by time deposits, in absence of financial indebtedness. Net financial position of Euro 29,938 thousand at December 31, 2015 decreased by Euro 6,107 thousand in the first quarter 2016, mainly due to the Company's ordinary operations.

Note 10 – Changes in equity

The changes in the Company's equity for the first three months of 2016 are shown in the following table:

(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 2016	**19,842**	**45,764**	**223**	**416**	**(12)**	**(13,520)**	**(20,784)**	**31,929**
Allocation of prior year result	-	-	-	-	-	(20,784)	20,784	-
Personnel costs for stock options 2012	-	-	-	12	-	-	-	12
Other variations - stock options, Plan 2012	-	-	-	(32)	-	32	-	-
Profit (loss) for the period	-	-	-	-	1	-	(4,126)	(4,125)
Balance at December, 31 2015	**19,842**	**45,764**	**223**	**396**	**(11)**	**(34,272)**	**(4,126)**	**27,816**

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

Note 11 - Transactions with related parties

MolMed adopted the procedures for transactions with related parties (the "Procedures"). The Committee for Control and Risks, consisting of three non-executive Directors (mainly independent), was assigned by the Board of Directors the function of Committee for transactions with related parties (as per the approved Procedures and Article 7 of Consob Regulation): it was deemed suitable to carry out such duties by virtue of its composition, competencies and nature.

Procedures are available on the Company's website under the "Investors/Corporate Governance/Documents" section.

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

Note 12 – Share-based payments

The following table shows a breakdown of the options granted and held at March 31, 2016:

		Option assigned at 1.1.2016			Option assigned in the	Option exercited in the	Option expired in the period	Options held March 31,2016		
		(1)	(2)	(3)	(4)	(5)	(6)		(8)	(9)
Name and Surname	Position held at the moment of assignment	N. Options	Average Strike price (Euro)	Average expiry date	N. Options	N. Options	N. Options	N. Options	Average Strike price (Euro)	Average expiry date
Claudio Bordignon	Board Chairman, Chief Executive Officer	1,160,000	0.45140	(*)	-	-	-	1,160,000	0.45140	(*)
Marina Del Bue	Executive Officer, General Manager B&A	420,000	0.45140	(*)	-	-	420,000	-	0.45140	(*)
Germano Carganico	General Director R&D e Operations	420,000	0.45140	(*)	-	-	-	420,000	0.45140	(*)
Other managers with strategic responsability		620,000	0.47311	(*)	-	-	-	620,000	0.47311	(*)
	Totale	**2,620,000**			**-**	**-**	**420,000**	**2,200,000**		

(*) For information related to the option average expiry date, reference should be made to stock options plans as described in these Notes

420,000 type B options initially granted to Ms. Marina Del Bue, who left the Company in February 2016 following the restructuring process started in December 2015, shall be considered as expired.

Further information on share-based payments are provided in the Notes to the Financial Statements at December 31, 2015 to which reference should be made.

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

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

6. Main events occurred after the end of the first quarter 2016

Application for a conditional marketing authorisation for Zalmoxis®

The evaluation of the application for a conditional marketing authorisation - filed with the European Medicines Agency (EMA) in March 2014 - is ongoing, according to the procedure laid down for such authorisation processes.

Positive opinion of the CHMP on the gene therapy for ADA SCID

On April 1st, 2016, the Committee for Medicinal Products for Human Use (CHMP) of the EMA issued a positive opinion, recommending marketing authorisation, on GlaxoSmithKline's (GSK) stem cell-based gene therapy for patients affected by ADA-SCID (Adenosine Deaminase Deficiency – Severe Combined Immune Deficiency) for whom no suitable human leukocyte antigen (HLA)-matched related stem cell donor is available.

GSK's treatment for ADA-SCID patients is the tangible and promising result of the strategic collaboration involving GSK, the San Raffaele Telethon Institute for Gene Therapy (HSR-TIGET) and MolMed. Initially, MolMed produced the investigational gene therapy on behalf of Fondazione Telethon, by inserting the correct form of the ADA gene into the patients' own bone marrow-derived stem cells. From 2010, GSK took the responsibility of the clinical development of the ADA-SCID gene therapy in collaboration with HSR-TIGET, from which GSK in-licensed the rights to develop and commercialise the therapy, and with MolMed for the optimisation, standardisation and characterisation of the manufacturing process as well as for the drug product supply to be used for compassionate treatment of patients, under the agreements signed in 2011 and 2013.

Furthermore, as provided for in the agreement signed in March 2015, MolMed will produce GSK's ADA-SCID gene therapy once it will be fully authorised for commercialisation.

It is worth mentioning that in December 2015 the Italian healthcare authority AIFA (*Agenzia Italiana del Farmaco*) granted to MolMed's operating facility located in Milan at the San Raffaele Biotechnology Department (DIBIT) the authorisation to manufacture this stem cell-based gene therapy for the market.

Shareholders' meeting: approval of the statutory financial statements for FY 2015 and appointment of the new corporate bodies

On April 18th, 2016, the shareholders' meeting of MolMed, *inter alia*, approved the statutory financial statements for year 2015 and appointed the members of the board of directors and of the board of statutory auditors, confirming professor Claudio Bordignon as Chairman of the board of directors. After the end of the shareholders' meeting, the newly appointed board of directors held its first meeting, confirming Riccardo Palmisano as Chief Executive Officer and appointing the members of the board's internal committees. The new board of directors, in compliance with applicable legislation on "gender quotas" and number of

independent directors, is composed as follows: Claudio Bordignon (Chairman), Riccardo Palmisano (CEO), Alfredo Messina, Alberto Luigi Carletti, Laura Iris Ferro (independent), Sabina Grossi, Carlo Incerti (independent), Elizabeth Robinson (independent), Mario Masciocchi (independent), Didier Trono (independent), Raffaella Ruggiero (independent).

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

7. Business outlook

provided for FY 2016 (please refer to the press release issued on March 7th, 2016), with respect to the pursuance of the clinical and industrial development of its main investigational products, as well as of activities and investments designed to significantly increase its manufacturing capacity, to be devoted to development and manufacturing of cell and gene therapy products, including both its own and those of third parties.

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.

Milan, May 10, 2016

[Signed by]

Claudio Bordignon

Chairman of the Board of Directors

[Signed by]

Andrea Quaglino

Executive Officer responsible for preparing company financial reports