Half-year financial report at 30 June 2018

FROM GENES TO THERAPY

MOLMED S.p.A.
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Share capital: Euro 21,819,020.83 fully paid - Office of Milan Company Registry number 1506630 - Tax identification no. 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 scientific and research excellence with a clear and strong industrial project

…to therapy

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General corporate information

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

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

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

The Board of Directors was appointed by the Shareholders' Meeting of April 18th, 2016, and shall remain in office until the Shareholders' Meeting called to approve the Financial Statements of December 31st, 2018.
Riccardo Palmisano also serves as "Director in charge of the internal control and risk management system".

Board of Statutory Auditors

Chairman	Riccardo Perotta
Standing statutory auditors	Flavia Daunia Minutillo
	Enrico Scio
Deputy statutory auditors	Alessia Bastiani
	Giuliana Maria Converti

The Board of Statutory Auditors was appointed by the Shareholders' Meeting of April 18th, 2016, and shall remain office until the Shareholders' Meeting called to approve the Financial Statements of December 31st, 2018.

Control and Risks Committee *

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

** Also carries out the function of Committee for Transactions with Related Parties*

Remuneration and Nomination Committee

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

External Auditing Firm

EY S.p.A.

Scientific Advisory Board

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

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

- Claudio Bordignon, Chairman and Founder – Founding member of the Scientific Advisory Board of the European Research Council; Professor of haematology at the University Vita-Salute San Raffaele in Milan (Italy);
- Malcolm K. Brenner, Director of the Centre for Cell and Gene Therapy at the Baylor College of Medicine, Houston, Texas, USA; Professor of Medicine and Paediatrics at Fayez S. Sarofim (Baylor College of Medicine), Houston, Texas, USA.
- Gianpietro Dotti, member of the UNC Lineberger Comprehensive Cancer Centre, Professor of the Department of Microbiology and Immunology at the University North Carolina School of Medicine, North Carolina, USA;
- Mohamad Mohty, Professor of Haematology in the Faculty of Medicine of the Pierre and Marie Curie University, Paris, France and Director of Haematology and Cell Therapy at the Saint-Antoine Hospital, Paris, France;
- Miguel-Angel Perales, Oncologist and Vice-Director of the Bone-marrow Transplant Service and Director of the Adult Bone Marrow Transplantation Fellowship Program at the Memorial Sloan Kettering Cancer Centre, NY, USA.

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

Interim report on operations at June 30th, 2018

Summary of income results

(amounts in Euro thousand)	1st half 2018	1st half 2017	Variation	
	(a)	(b)	(a-b)	%
Operating Revenues	12,712	9,819	2,893	29.5%
Revenues	*12,234*	*8,935*	*3,299*	*36.9%*
Other revenue	*478*	*884*	*(406)*	*(45.9%)*
Operating costs	(15,563)	(16,320)	757	4.6%
Operating result	(2,851)	(6,501)	3,650	(56.1%)
Net financial income & charges	(234)	(21)	(213)	1,014.3%
Result for the period	(3,085)	(6,522)	3,437	(52.7%)

Investments

(amounts in Euro thousand)	1st half 2018 (a)	1st half 2017 (b)	Variation (a-b)	Variation %
Investments	483	741	(258)	(34.8%)

Net financial position

(amounts in Euro thousand)	June 30, 2018	December, 31 2017	Variation	
	(a)	(b)	(a-b)	%
Net financial position	18,098	18,111	(13)	(0.1%)

Average number of employees

	1st half 2018	FY 2017	1st half 2017
Average number of employees	195	185	184

1. A history of excellence

MolMed is a medical biotechnology company, focused on research, development and clinical validation of novel gene and cell therapies to treat tumors and rare diseases, by combining scientific and research excellence with a clear and solid industrial project.

Created in 1996 as a spin-off of the San Raffaele Scientific Institute of Milan, dedicated to research, development and production in the field of gene and cell therapy, applied to both rare genetic diseases and hematologic neoplasms, over the years MolMed has developed a dual business model, where R&D activities for its own products are placed alongside GMP development and production services on behalf of third parties. Among the leading companies in Europe to boast laboratories authorised for the GMP production of gene and cell therapies, and the first and only facility authorised in Europe for ex vivo cell&gene production for the market, MolMed is now a consolidated company, both in the area of research and development of its products and for GMP services on behalf of third parties, like CDMO (Contract Development & Manufacturing Organisation), a sector in which it boasts major international partnerships and double-digit growth in revenues, also thanks to the new Bresso facility. As regards proprietary products, MolMed is able to internally carry out all the functions typical of a biotechnology company, from basic research, to development, production, up to clinical approval, to regulatory activities and negotiation of the price and reimbursement of its therapies, and is one of the first companies in the world to have obtained the marketing authorisation for a gene-cell therapy which is the result of immune system engineering.

The current proprietary product portfolio of MolMed includes three therapies:

Zalmoxis® (TK), a cell therapy that allows the transplants of haematopoietic stem cells from donors partially compatible with patients with high-risk haematological malignancies, eliminating post-transplant immunosuppression, currently at Phase III of clinical trials, but has already received the Conditional Marketing Authorisation – CMA from the European Commission. Based on the CMA of 2016, Zalmoxis® was the object of licence agreements for all EU countries, as well as Switzerland, Israel, Turkey, Australia and a number of South-East Asian countries. At the start of 2018, it received reimbursement in the two main markets for bone marrow transplants, Italy and Germany, while access, price and reimbursement activities are continuing in the other national markets;

CAR-CD44v6, an original immune gene therapy project, potentially effective for haematological neoplasms and some solid tumours, currently at the last phase of pre-clinical development, which demonstrated a high level of effectiveness and safety in experimental animal models;

NGR-hTNF, a therapeutic agent for treating several solid tumours which displays anti-tumour activity through its specific binding to blood vessels feeding the tumour and to the concentration of immune system cells into the tumour mass, involved a large program of advanced clinical development (phases II and III), which involved more than 1,000 patients.

MolMed also conducts cell&gene therapy projects in collaboration with third parties, offering resources and expertise in support of development and production for pre-clinical and clinical studies (Phase I-III) and for commercial use. These projects include the development and the validation of the manufacturing process as well as its control strategy, and the cGMP production of clinical and commercial-grade viral vectors and genetically modified cells. Thanks to its consolidated leadership in this sector, in the last few years, MolMed has entered into close agreements with some of the major players in the gene and cell therapy sector, including Fondazione Telethon, GlaxoSmithKline (GSK), Orchard Therapeutics, Genenta Science, Rocket Pharma, Boston Children Hospital and Cellectis, for the provision of development, manufacturing and technology transfer services for the clinical application of gene therapies based on viral vector cell transduction. In particular, according to the agreements signed in 2011 and 2013, MolMed worked on the development and validation of the production process, the analytical methods and the supply process for the compassionate use of Strimvelis™ (autologous CD34+ cells transduced to express the gene encoding for ADA) of GSK, an ex-

vivo gene therapy based on stem cells, for the treatment of patients with an extremely rare disease called ADA-SCID (Severe Combined Immunodeficiency due to Adenosine Deaminase deficiency) that obtained the EMA marketing authorisation in 2016. Following a successful collaboration process, based on the agreement signed with GSK in March 2015, and thanks to the AIFA authorisation of the manufacturing facility at DIBIT (Department of Biotechnologies at the San Raffaele Hospital) and the price & reimbursement guaranteed by AIFA to GSK, MolMed manufactures Strimvelis™ for the market.

In fact, MolMed has had the status of "Pharmaceutical Company" (Officina farmaceutica) since 2003 for its GMP facility located at 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. Thanks to the additional authorisation received from AIFA on December 1st, 2015, MolMed is the only Pharmaceutical Company authorised to manufacture gene therapies for the market.

In 2013, MolMed started a major project aimed at expanding its manufacturing capacity, which led to the construction of a second manufacturing facility at the Open Zone science park in the Municipality of Bresso (Milan). In July 2017, the AIFA granted this new facility the status of "Pharmaceutical Company" for the manufacturing of gene therapy experimental drugs. On completion of the AIFA authorisation process for other areas of GMP Manufacturing, MolMed will have trebled its production capacity, adding the rooms and areas built in Bresso to those already operating at San Raffaele Hospital.

MolMed is a public company listed since March 2008, on the Mercato Telematico Azionario (MTA - screen-based equity market) managed by Borsa Italiana (Ticker Reuters: MLMD.MI).

2. Report on operations

2.1 Summary of main activities in the first half of 2018

Zalmoxis® (TK)

Following the obtainment, in December 2017, of the price and reimbursement from AIFA in Italy, on February 14th, 2018, the Company announced the publication, in Official Journal of the Italian Republic, of Determination no. 139/2018 of January 29th, 2018, regarding the system of reimbursement and price of Zalmoxis®, indicated as an extra treatment in the haploidentical transplantation of hematopoietic stem cells (HSCT) in adult patients with high-risk hematologic neoplasms. The Determination took effect on March 1st, fifteen days after the publication. The supply of Zalmoxis® based on the agreement with AIFA makes provision for an ex factory reimbursement price (excluding VAT) of Euro 149,000 per infusion, before legal reductions, including a flat reimbursement per patient and a revenue protection clause for the first 24 months.
On January 16th, 2018, the company also announced that Dompé farmaceutici S.p.A. ("Dompé"), licence holder of Zalmoxis® for Europe, filed the AMNOG dossier (Gesetz zur Neuordnung des Arzneimittelmarkt) at the Joint Federal Institution (Gemeinsamer-Bundesausschuss G-BA) relating to the product. Following this filing and the simultaneous publication of the sale price of LauerTaxe®, as of January 15th Zalmoxis® can be prescribed and reimbursed in Germany at a proposed sale price of Euro 163,900 per infusion (ex-factory price excluding VAT). The approved treatment is 1 or more infusions, until immune reconstitution is achieved, with a maximum of 4 allowed. These sale conditions are valid for 12 months, during which, in application of the AMNOG model, and as indicated on the G-BA site, an evaluation will be conducted on the additional benefit of the new therapy in patients in order to negotiate the final price on this basis.
Despite the expxectations, sales have still not commenced neither in Italy nor in Germany due to the difficulties encountered in the initial phases of product marketing. This situation is currently being carefully examined by MolMed in order to evaluate the appropriate actions to be taken, also in relation to certain disagreements that have arisen regarding to fulfilment of the obligations of the marketing contract stipulated with Dompé, whose outcomes are not foreseeable at present.

In February, Dompé also exercised the option for the development and marketing of Zalmoxis® in Switzerland, Turkey and Australia set out in the strategic agreement for the marketing and supply of MolMed's proprietary therapy signed with the Company. Exercising of the option allows Dompé to launch the activities involving access to the market in the listed areas, including the activities targeted at obtaining the marketing authorisation and obtainment of the price and reimbursement from the reference regulatory authorities, therefore expanding the potential reference market for Zalmoxis®.

MolMed is proceeding with Phase III studies. In particular, the Phase III study is targeted at confirming the safety and effectiveness of Zalmoxis® in combination with haploidentical transplantation, in terms of disease-free survival and overall survival, versus control subjects undergoing haploidentical transplantation only. As regards the US market, the Company is working with the American transplantation community and the reference American scientific company to identify the most suitable strategy for obtaining accelerated access from the FDA.
In May the inspection visit at the Olgettina facility by TFDA (the Regulatory Agency of Taiwan) was also passed successfully, in collaboration with AIFA (joint inspection), targeted at the production of Zalmoxis® for its future marketing in Taiwan.

CAR CD44v6

With regards to the CAR CD44v6 project, based on the promising pre-clinical data collected in 2016 and 2017 and the grant obtained from the European Commission for the EURE-CART project, MolMed is continuing to invest in research and development activities, in order to increase the value of the special and unique characteristics of the product, demonstrating its effectiveness and safety and accurately defining its therapeutic positioning, thanks to the start of the first clinical human trial, planned for the end of 2018.
In particular, the first half saw the launch and the conclusion of the phases of development of the processes for the GMP manufacturing of the coding retroviral vector for CAR CD44v6 and CAR T cells. At the same time, experiments commenced and continued involving the transduction on T cells from patients affected by multiple myeloma in order to optimise the process that will be applied during the clinical trial.
At pre-clinical level, effectiveness and safety experiments were conducted, to be presented to the regulatory authorities together with the results of the bio-distribution study commenced on March 20th and completed after around 85 days of observation.
The final version of the clinical protocol was finally drafted, which was shared and validated with members of the EURE-CART Consortium, alongside the Steering Committee on June 28th. At the end of May, Nature Medicine, one of the most prestigious magazines in the international scientific committee, also published additional data relating to the safety profile of CAR-CD44v6, which emerged from a study conducted by researchers at the IRCCS San Raffaele Hospital of Milan on the safety of immunotherapy based on CAR-T cells in the treatment of tumours, highlighting their scope and potential repercussions in making CAR-T lymphocytes therapy much safer and manageable.
The study, which used CAR-Ts, including CAR-T CD44v6 of MolMed and CAR-T CD19 (already approved by the FDA), actually demonstrated the effectiveness of a strategy for controlling the main side effects observed up until now in these types of therapies, i.e. cytokine release syndrome (CRS) and neurotoxicity, which requires the administration of anakinra, a drug now marketed for the prevention and treatment of arthritis.

New products (CAR pipeline)

In the second quarter, MolMed strengthened new strategic agreements to expand and construct a solid CAR pipeline of original products, both autologous and allogenic, capable of fighting liquid and solid tumours.
In particular, on May 31st, MolMed signed a binding term sheet with the Dutch biotech firm Glycostem for the development and production of CAR-NK allogenic therapies, focused on the clinical development of off-the-shelf allogenic cell immunotherapies based on NK (Natural Killer) cells. The agreement will allow MolMed to expand its oncological pipeline by entering the promising field of allogenic therapies. The agreement is expected to be finalised by September 30th, 2018, subject to the positive outcome of the due diligence conducted by MolMed. Based on the contract, Glycostem and MolMed will collaborate exclusively in the development and production of genetically modified NK cells to recognise three different tumour antigens: Glycostem will be responsible for GMP production and the release of the finished product and MolMed will have the exclusive rights to use the end product, after payment of the associated upfront fees, milestones and royalties.
On June 28th, MolMed announced that it had signed a 3-year Master Agreement with AbCheck s.r.o., a Czech company focused on the research and optimisation of high-quality antibodies for the development of innovative CARs targeted at new tumour antigens, with both liquid and solid tumours as the therapeutic target. Based on the agreement, AbCheck will use its proprietary platform for the research, selection, optimisation and production of different human single-chain variable fragments (scFvs) capable of specifically recognising each potential target chosen by MolMed. The ScFvs are fragments of the CAR that, by recognising and binding with the tumour antigens, give said CAR unique qualities.

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The new scFvs optimised and created by AbCheck, will allow MolMed to expand its pipeline both in relation to the platform of autologous CAR-T, and as regards the future creation of allogenic CAR-NK.

NGR-hTNF

In the second quarter of 2018, as confirmation of the clinical effectiveness of NGR-hTNF, the complete results of the phase III study in mesothelioma were published in a prestigious oncological journal - *The Lancet Oncology* - and the preliminary data of a phase II study in patients with primary brain lymphoma, were presented at the annual convention of the American Society of Clinical Oncology (ASCO). The results of this study highlighted the ability of NGR-hTNF to permeabilise the vessels that feed the tumour mass and increase the effectiveness of the combined chemotherapy administered in these patients resistant or refractory to the standard therapies. Thanks to the excellent effectiveness and tolerability results the therapy demonstrated in clinical trials on more than 1,000 patients, the Company confirms its strategy to search for potential partners for the clinical and industrial development of the product, reserving the right to go ahead with new applications for marketing authorisations in the future.

Development and GMP production

Development and production activities continued in the first half of 2018, which MolMed is managing on behalf of third parties, as part of the pathologies forming the object of the partnerships and collaborations in place with GSK, Orchard Therapeutics, Telethon/TIGET, Genenta, Rocket Pharmaceutical, Cellectis and Boston Children's Hospital.

The company is also continuing to look for new partners and customers and to carry out feasibility studies with the aim of further increasing the number of collaborations, both as regards the production of viral vectors and genetically modified cells.

In particular, on April 12th, MolMed announced the start of a collaboration with Orchard Therapeutics, a UK biotech company, in the gene therapy for rare diseases sector, deriving from the latter's acquisition of the GSK portfolio of therapies for rare diseases, with the objective of reinforcing its position of global leader in gene therapies for rare diseases.

Orchard Therapeutics' replacement of GSK in the contract ensures the continuity of the development of programmes and of patient access to all the therapies developed previously and produced for GSK: Strimvelis, the first ex-vivo autologous gene therapy for the treatment of children suffering from ADA-SCID immunodeficiency, approved by EMA in 2016, the two advanced clinical experimental programmes for registration purposes relating to metachromatic leukodystrophy (MLD), and Wiskott Aldrich Syndrome (WAS), and a programme at the clinical development phase on beta thalassemia. On June 22nd, Orchard Therapeutics extended the agreement to two additional therapeutic indications, entrusting to MolMed some activities connected with the production of ex-vivo autologous gene therapies for two additional indications: Mucopolysaccharidosis type IIIA ("MPSIIIA") and Mucopolysaccharidosis type IIIB ("MPS-IIIB").

On May 4th, MolMed also signed a 5-year Master Service Agreement, together with the first associated Project Agreement, with the Boston Children's Hospital, for the production of lentiviral vectors to be used in clinical applications for rare diseases. The Boston Children's Hospital is one of the most important paediatric institutions in the world in the treatment of complex pathologies, which has strong affiliations including the one with the Harvard Medical School.

In the first half of 2018, as a result of various submissions of authorisation packages relating to the GMP Manufacturing area, which took place between the end of 2017 and the start of 2018, the authorisation was granted by the competent authorities of the GMP Manufacturing area relating to Stream 1 (around 600 sq. metres) of the new Bresso Facility for the production of viral vectors and genetically modified cells relating to therapies for clinical research purposes.

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2.2 Other events occurred during the first six months of 2018

On June 29th, the Executive Officer responsible for preparing company financial reports resigned, effective from September 30th, 2018, to take up a new career. In order to ensure business continuity and a smooth transition, Mr. Andrea Quaglino will retain his roles and responsibilities as Chief Financial Officer and Executive Officer responsible for preparing the company financial reports of MolMed S.p.A., until his successor is appointed, for which the selection process has already started.

3. Other information

Grants and other financial support

In its particular area of activity, MolMed takes advantage of the benefits resulting from European, national or regional subsidised loans intended to support and encourage innovation.
From January 2017, MolMed has been a strategic partner and coordinator of EURE-CART (EURopean Endeavour for Chimeric Antigen Receptor Therapies), a project co-financed by the European Union as part of the funds intended for new therapies for chronic diseases (including tumors) of the research and innovation framework programme "Horizon 2020". The role of project coordinator and Sponsor of Phases I/II of the Project was assigned to MolMed given that, as recognised by the competent Commission «*MolMed Spa is uniquely endowed in the EU with the know-how and experience necessary to meet this ambitious objective, as demonstrated by its unparalleled track record*»
It was assigned a grant of Euro 5,903 thousand in December 2016; MolMed holds a share of the total amount of Euro 1,995 thousand, which will cover a large part of the R&D costs for a period of 48 months. In December 2016, the first portion of the financing (pre-financing) was disbursed for an amount of roughly 50% of the grant awarded.

Direction and coordination activities

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

Please note that:

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

Treasury shares

The Company does not – either directly or indirectly - own treasury shares, nor were purchases or sales of such shares made - either directly or indirectly – during this period.

4. Main risks and uncertainties to which MolMed is exposed

4.1 Risks associated with external factors

Risks associated with products in the clinical development stage

The Company has still not completed the development of its experimental products that are currently at the clinical trial stage. As regards Zalmoxis®, on December 13th, 2017, the company obtained the first national marketing authorisation for its product Zalmoxis®: In fact, the Board of Directors of AIFA (Italian Medicines Agency) approved the negotiated agreement between the Price and Reimbursement Committee of AIFA and MolMed, which defined the price and reimbursement of the medicinal speciality Zalmoxis®. On January 16th, 2018, Dompé farmaceutici S.p.A, filed the AMNOG dossier (Gesetz zur Neuordnung des Arzneimittelmarkt) at the Joint Federal Institution (Gemeinsamer-Bundesausschuss G-BA) relating to the product. Following this filing and the simultaneous publication of the sale price on LauerTaxe®, at January 15th, 2018 Zalmoxis® can be prescribed and reimbursed in Germany. For NGR-hTNF, a similar application was filed on December 6th, 2016 with the European Medicine Agency (EMA) for the Conditional Marketing Authorisation (CMA). Following the meetings in the second quarter of 2017 with the European Medicines Agency (EMA), in which some issues relating to the list of questions formulated at the LoQ were discussed, MolMed decided to withdraw the application for the conditional marketing authorisation once completed, as it did not have sufficient time to complete, in the time window granted by the competent Authority for the CMA procedure, the activities targeted at obtaining the data relating to the production and control of the product.

With regards to the experimental products Zalmoxis®, CAR-CD44v6 and NGR-hTNF, no guarantee can be provided that the Company will successfully complete the clinical trial.
A situation may arise whereby, despite having received the necessary approvals from the competent authorities, as well as the guaranteed price, the number of patients that actually access the therapy may actually determine different results than those expected by management in terms of profitability.

The experimental products which are being developed by the Company could still prove to be ineffective or cause side effects during clinical trials and may not receive the necessary approvals (or confirmations of authorisation, in the case of a CMA already granted) from the competent authorities or may not obtain such approvals promptly enough to sell the products. In addition, it might happen that the non-randomized Phase II trials, which were successfully completed, do not provide the same positive results in subsequent stages of development. Moreover, clinical trials may be suspended at any time by the Company, or by the competent authorities in the interest of the patients' health. Even after approval by the competent authorities, a product might prove to be unsafe or not to have the expected effects (for example, side effects might emerge after the product is sold on the market or the product's real effectiveness may be lower than that emerging in the experimental stages), or, in any case, it might not be accepted by the market (which might prefer rival products) or, generally, for other reasons which are beyond the Company's control, thus preventing the product's use on a wide scale or forcing the Company to withdraw it from the market. Should the Company not be able to timely complete the development programs and clinical trials for its products, its business and financial position, results of operations, and cash flows could be negatively affected.

Risks associated with strong competition

The biotechnology and pharmaceutical product markets are characterised by intense competition. This is especially true in the field of oncology. The Company may face competition from pharmaceutical multinationals and often larger companies that can take advantage of economies of scale, and can more effectively and timely develop their products. Both during the development and the product sales stage, the Company also

faces competition from current and potential competitors benefitting from higher financial resources, investment budget and better capacity to acquire (in-license) new products and technologies.

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

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

Risks associated with sector regulations

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

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

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

4.2 Strategic and operating risks

Risks associated with research, clinical and pre-clinical trials, and production

The Company undertakes research, pre-clinical and clinical trials on its products as well as production activities both directly and through third parties on the basis of cooperation agreements (with entities, institutions and companies operating in the medical biotechnology industry). The Company's strategy involves maintaining the current cooperation and possibly signing other agreements to develop these products with third parties, to perform a number of clinical trials and any subsequent drug production.
In addition, despite there are numerous companies specialising in the sector and the Company is not contractually bound, it may happen that third parties appointed to carry out research, pre-clinical and clinical trials, and production activities on behalf of the Company do not fulfil their obligations in whole or in part or in an appropriate manner or do not meet the deadlines required or do not comply with the quality standards requested by the Company. Should such circumstances occur, the pre-clinical and clinical trials could be delayed or it may become necessary to replace the third party that had been appointed.
Should these circumstances occur in the future, they could have negative effects on the Company's business

and financial position, results of operations, and cash flows.

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

MolMed is committed to protecting intellectual property and actively seeks to protect its inventions through international patents, when appropriate. In addition, MolMed also actively protects its industrial secrets, including those relating to the production of biologically active products. The effectiveness of this intellectual property protection policy is essential for the success of the Company's business. In this regard, it should be noted that it is not possible for the Company to ensure it will be able to develop new patentable products or processes, or that currently pending or future patent applications will be accepted, or that the validity of a Company's patent is not challenged or that a patent becomes invalid, or, finally, that it acquires the right to use third-party patents which are necessary to carry out its business at arm's length. In addition, exclusive rights conferred by a patent might not be sufficiently comprehensive in terms of scope or geographical area, and/or its duration might not be long enough for its purposes. Moreover, patent applications are usually published 18 months after the filing date; therefore, it is impossible to rule out the possibility of the same invention being already developed by others who had previously filed the patent application.
In addition, the Company relies on proprietary and non-patented technologies, processes, know-how and data considered as industrial secrets and protected under confidentiality agreements entered into with its employees, consultants and a number of counterparties, including third-party manufacturers. In this regard, it should be noted that it is not possible to ensure: (i) that such agreements or measures aimed at protecting industrial secrets will, in fact, provide adequate protection, or that such agreements will not be breached; (ii) that the Company can effectively enforce remedies in the event of any breach of contract; or (iii) that the industrial secrets of the Company will not become known to the public or will not be developed by competitors.
Finally, it should be noted that the protection of intellectual or industrial property or exclusive rights is normally very complex and often leads to legal disputes on ownership. Therefore, during its sales and research and development activities, the Company could be involved in disputes on breach of third-party intellectual or industrial property rights, or could be forced to take legal action against third parties to protect its own rights. Any claims and/or disputes for breach of patent and/or other intellectual or industrial property rights – filed by the Company or against it – could entail significant legal expense, limits or a ban on the use of the products involved in the dispute and/or lead to the payments for their marketing.
Should these circumstances occur in the future, they could have negative effects on the Company's business and financial position, results of operations, and cash flows.

Risks associated with license and supply agreements
As part of its operations, the Company has entered into several license agreements with different companies (including biotechnology and pharmaceutical companies, universities and research institutes) to acquire rights over a range of technologies, patents and manufacturing and supply processes for the development and future sale of its own products as well as for the purchase of equipment for its own research and business activities. Should MolMed not be able to maintain the current contract conditions and/or sign new licence 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
Up to how, the Company heavily depends on the professional contribution of key scientific and managerial staff who have been actively contributing to the Company's growth and to the development of its strategies. Should MolMed lose any of the key personnel, there would be no assurance that the Company can promptly

find adequate substitutes with the same operational and professional skills.
In addition, the development and future sale of new products will largely depend on the Company's ability to attract and retain its highly qualified scientific staff and other senior personnel, also in light of the intense recruitment competition by biotech and pharmaceutical companies, universities and research institutes. Moreover, the Company's ongoing expansion in areas and activities, which require greater know-how (for example in commercial development), will make it necessary to recruit managerial and technical staff with a range of competences.
The loss of any of the Company's key personnel, or the Company's failure to recruit, successfully integrate or retain qualified scientific staff or other senior personnel, could have an adverse effect on its business, and financial position, results of operations, and cash flows.

Risks associated with operations and production capacity of the GMP Pharmaceutical Company and the laboratories

MolMed owns a GMP Pharmaceutical Company formally authorized by the Italian Medicines Agency (AIFA), for the production of genetically modified cell therapy products to be used in clinical trials. Besides supplying TK cell therapy for its own clinical trials, at the GMP facility MolMed provides cell therapy services to selected customers or partners. In addition, MolMed performs research and development activities in its own laboratories.
This facility is subject to operating risks, such as breakdowns or delays in manufacturing processes, equipment failure or malfunction, crashes, delays in the supply of raw materials, strikes, natural disasters, the risk of the authorisations being revoked, new regulatory measures or environmental regulations, including the risk that the facility be non-compliant with GMP regulations, that may prevent the Company from performing its research and development activities and treating patients as part of clinical trials, and promptly processing its customers' orders. In addition, although the Company has taken out relevant insurance, the negative impact of such events might not be fully covered by the policies that the Company has entered into or may exceed the indemnity limits. Should these circumstances occur in the future, they could have negative effects on the Company's business and financial position, results of operations, and cash flows. The Company's GMP facility is adequate for its current production needs and the business plans provide for an increase in the production capacity aimed at both supporting patients being treated with the TK cell therapy so that the Phase III trial can continue and the product will be able to be sold in the future, and at intensifying the development and production activities for new gene and cell therapy treatments on behalf of third parties. However, should the Company increase the number of products under development in the future or should it be necessary to produce greater quantities of existing products, the facility production capacity might reach saturation point, with consequent possible delays in the clinical trial process and/or in the product time-to-market. The Company constantly monitors this risk and has mitigated it by expanding its facilities and production capacity in the new Bresso premises – additional to the current registered offices in Milan (via Olgettina).
This risk is mitigated through the lease of laboratories in Bresso, as detailed in the Notes.

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

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

out. Although the Company, in line with industry regulations, has taken out insurance for the trials performed at these clinics, it is exposed to the risk of claims by the clinics and their insurers. In addition, contracts signed with clinics and testing facilities generally exclude the Company's liability if the clinical protocol is not complied with. However, should the clinical or testing facilities deviate from the clinical protocols, the Company could be exposed to the risk of being involved in compensation suits and claims and be sentenced to pay compensation for any damage caused to third parties.
Should these circumstances occur in the future, the Company's business and its financial position, result of operations and cash flows could be negatively affected.

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

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

4.3 Financial risks

Risks associated with funding research and development activities

The financial risk that the Company could be subject to is the failure to obtain adequate financial resources necessary for its operations.
As is well-known, the Company's business model, typical of biotech companies developing new biopharmaceutical products and that have not reached economic and financial equilibrium, foresees negative cash flows, due to the fact that, at this stage, significant costs must be borne, mostly in relation to product testing and development, whose economic return is, due to its nature, uncertain, and, nonetheless, forecast in future years.
The Company is also subject to some uncertainties associated with the sector in which it operates (notably the current product trial stage) regarding both the results that it may effectively achieve, and the relevant methods and timings.
Consistently with the accounting policies adopted, requiring full recognition of research and development costs in the income statement of the year they are incurred, the Company has always reported a loss since its incorporation. In particular, the loss in the first half of 2018 was Euro 3,085 thousand, down Euro 3,437 thousand from the Euro 6,522 thousand loss recorded in the corresponding period of the previous year. This performance is primarily the result of the impact, in the first half of 2018, of the revenues deriving from the services for third-party customers, the milestones connected with the Zalmoxis® contract and the lower impact of the Business Development costs connected to consultancy for pricing and reimbursement of Zalmoxis® incurred in 2017. Further details of the main events that occurred in the first half of 2018 are provided in the section *2.1 Summary of main activities in the first half of 2018*.
In the second half of 2018, the Company plans to continue the clinical and industrial development of the main proprietary experimental products.
In relation to the delay experienced in the initial phase of the sale of Zalmoxis® and certain disagreements that came to light regarding the fulfilment of the obligation of the sale contract stipulated with Dompé, outlined

previously, the Company will carefully evaluate the appropriate actions to be taken to protect the value of the product.
With reference to the CAR CD44v6 project, the progress of all the preliminary activities completed in the half, instils the Company with confidence that it will be able to submit an application for the authorisation of the first human trials in the planned times.
Over the next few months, in addition to the development of the current portfolio of products in the onco-haematological area, the company will continue to carry out the activities already commenced in the second quarter of the year, through the stipulation of agreements with Glycostem and AbCheck, and targeted at expanding the proprietary pipeline of CAR T, through the development of further therapeutic targets and the introduction of new technological platforms.
As regards NGR-hTNF, the Company will continue to engage in dialogue with a view to potential partnerships.
Lastly, in the second half of 2018 the new facility in Bresso will be gradually activated, in line with the evolution of the portfolio of existing and future collaborations. Also on the basis of the new areas available, business development activities will be ramped up, targeted at extending the current collaborations and strengthening new partnerships regarding the development and production of cell and gene therapy products on behalf of third parties.
Although the financial position at the date of this Report can guarantee enough resources for the Company to continue its operations in the foreseeable future, it cannot be ruled out that in the future the Company, even before the completion the clinical development of its products, may require additional financial resources, to be collected through venture capital or debt financing, or by entering into further cooperation agreements, through sponsored research, or by any other means.
In this respect, it should be noted that it is impossible to guarantee that further funds will be available or, if found, they will be provided at satisfactory conditions for the Company. 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's activity could be negatively influenced and the latter could be forced to delay, reorganise or cancel research and development programs, enter into loan, licensing or cooperation agreements under unfavourable terms or waive rights on certain products that it would not otherwise waive.
Should these circumstances occur in the future, they could have negative effects on the Company's business and financial position, results of operations, and cash flows.

Currency and interest rate risk

At June 30th, 2018, the Company did not have significant exposure to currency fluctuations, because there were no significant receivables or payables in a currency other than the Euro, nor were there any financial instruments subject to currency risk.
The Company has no financial payables or receivables. Interest rate risk exclusively concerns financial instruments used to manage liquidity such as bank accounts, government bonds, corporate bonds, repurchase agreements and other short-/medium-term cash instruments.
Further information on risk management is provided in the Notes to which reference should be made.

5. Economic and financial data

(amounts in Euro thousand)	1st half 2018	1st half 2017	Change	% change
Revenues	12,234	8,935	3,299	36.9%
Other revenue	478	884	(406)	(45.9%)
Total operating revenues	**12,712**	**9,819**	**2,893**	**29.5%**
Purchases of raw materials and consumables	(2,852)	(2,424)	(428)	17.7%
Costs for services	(4,964)	(5,729)	765	(13.4%)
Costs for use of third-party assets	(761)	(729)	(32)	4.4%
Personnel costs	(6,216)	(6,714)	498	(7.4%)
Other operating costs	(31)	(79)	48	(60.8%)
Amortization and depreciation	(739)	(645)	(94)	14.6%
Total operating costs	**(15,563)**	**(16,320)**	**757**	**(4.6%)**
Operating result	**(2,851)**	**(6,501)**	**3,650**	**(56.1%)**
Financial income	26	37	(11)	(29.7%)
Financial charges	(260)	(58)	(202)	348.3%
Net financial income (charges)	**(234)**	**(21)**	**(213)**	**1014.3%**
Pre-tax result	**(3,085)**	**(6,522)**	**3,437**	**(52.7%)**
Income taxes	-	-	-	-
Profit (loss) for the period	**(3,085)**	**(6,522)**	**3,437**	**(52.7%)**

Comments on the main items and indicators of the income statement for the first half of 2018 are provided below. For more information, please refer to the Notes.

Operating revenues

Operating revenues in the first half of 2018, amounting to Euro 12,712 thousand, (Euro 9,819 thousand in the first half of 2017), are composed of:

- Revenues from sales of Euro 12,234 thousand, an increase of +36.9% compared to the same period in the previous year, composed of:
  - revenues from development and production activities on behalf of third parties of Euro 10,010 thousand, an increase of +26.1% compared to the same period in the previous year;
  - revenues from the product Zalmoxis ® amounting to Euro 2,224 thousand, deriving from the Zalmoxis® licence and distribution agreement signed on July 26th, 2017 with Dompé and the sale of the product based on the AIFA fund;
- Other income, amounting to Euro 478 thousand, comprised mainly of contributions to research and development granted on the basis of the company's participation in public-sector subsidised projects.

Operating costs

Operating costs amounted to Euro 15,563 thousand in the first six months of 2018, decreasing by Euro 757 thousand (-4.6%) compared to the same period of the previous year (Euro 16,320 thousand).

This net change was primarily due to:

- a decrease of Euro 765 thousand (-13.4%) in costs for services, due to the decrease in Business Development costs, for an amount of Euro 667 thousand (86.8%) in relation to consultancy connected to the pricing & reimbursement of Zalmoxis® incurred in 2017 until the obtainment of reimbursement in Italy.

- decrease in personnel costs of Euro 498 thousand (-7.4% compared to the first half of 2017), mainly due to the cancellations of the positions of General Manager and Head of Strategic Affairs;
- increase in the purchase costs of raw materials and consumables, primarily due to the increase in research and development activities and the development of one of the pipeline products.

Operating result

The operating result for the first six months of 2018 improved by 56.1% compared to the corresponding period in the previous year. In fact, the operating loss amounted to Euro 2,851 thousand, down by Euro 3,650 thousand from the Euro 6,501 thousand loss recognised in the first half of 2017.
The aforementioned positive change is attributable mainly to the combined effect of the decrease in operating costs which, as reported previously, recorded a reduction of 4.6% in the first half of 2018 compared to the first six months of 2017 and an increase in revenues, marking a positive change of 29.5% compared to the previous year.
It should be noted that, based on the Company's operations and the characteristics of the trials performed, research and development costs are fully expensed as incurred.
MolMed's operating losses are typical of the business model of biotech companies developing new bio-pharmaceutical products that have still not achieved economic and financial balance. At this stage significant costs must be borne, mostly relating to the testing and development of products, whose return is expected in forthcoming years.

Net financial income and charges

The Company's financial activities generated a negative result of Euro 234 thousand, marking a decrease of Euro 213 thousand compared to the previous year, deriving primarily from commissions on the use of the tranche of the Standby Equity Facility (SEF) for an amount of around Euro 155 thousand (for more details please refer to the **Notes** to this report).

Result for the period

Due to the above, the result in the first six months of 2018 was a loss of Euro 3,085 thousand, a net improvement (+52.7%) compared to a loss of Euro 6,522 thousand recorded in the corresponding period of the previous year.

Equity and financial results

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

(amounts Euro thousand)	June 30, 2018	December 31, 2017
Non-current assets		
Fixed assets and other non-current assets	13,022	15,918
Total non-current assets	**13,022**	**15,918**
Net working capital		
Inventories	1,712	1,754
Trade receivables and other commercial assets	4,979	4,896
Tax receivables	1,121	1,079
Other receivables and current assets	1,941	1,326
Trade payables	(8,710)	(9,766)
Other liabilities	(3,240)	(3,927)
Total net working capital	**(2,197)**	**(4,638)**
Non-current liabilities		
Other non-current liabilities	(4,191)	(4,758)
Total non-current liabilities	**(4,191)**	**(4,758)**
TOTAL USES	**6,634**	**6,522**
Shareholders' equity	**24,732**	**24,633**
Net financial position	**18,098**	**18,111**
TOTAL SOURCES	**6,634**	**6,522**

Non-current assets

Non-current assets at June 30th, 2018 and December 31st, 2017 are detailed in the table below:

(amounts Euro thousand)	June 30, 2018	December 31, 2017	Change	% change
Tangible assets	11,440	11,860	(420)	(3.5%)
Goodwill	77	77	-	0.0%
Intangible assets	545	589	(44)	(7.5%)
Financial assets	210	210	0	0.0%
Tax receivables	-	2,182	(2,182)	(100.0%)
Other assets	750	1,000	(250)	(25.0%)
	-			
Total non-current assets	**13,022**	**15,918**	**(2,896)**	**(18.2%)**

Non-current assets amounted to Euro 13,022 thousand at June 30th, 2018.

Investments in tangible and intangible assets, amounting to Euro 483 thousand, were essentially offset by amortisation/depreciation in the period.

Tax receivables were zero, reporting a negative change of Euro 2,182 thousand compared to December 31st, 2017, as a result of the non-recourse transfer of the 2017 VAT credit to a bank, carried out at the end of June 2018.

Other non-current assets include an advance on future rents paid in 2013 to the owners of the property located in the "Open Zone" science park in Bresso (Milan) that belongs to the Zambon chemical-pharmaceutical group. The decrease, amounting to Euro 250 thousand, is due to the fact that the lease sets forth that, starting from 2018 and for the next two years, the amount paid in advance by the lessor will be repaid by the lessee through the reduction of rent by three annual amounts of Euro 500 thousand. In respect of the above, an amount of Euro 250 thousand was reclassified under current assets.

Net working capital

Net working capital at June 30th, 2018 and December 31st, 2017 is broken down as follows:

(amounts Euro thousand)	June 30, 2018	December 31, 2017	Change	% change
Inventories	1,712	1,754	(42)	(2.4%)
Trade receivables and other commercial assets	4,979	4,896	83	1.7%
Tax receivables	1,121	1,079	42	3.9%
Other receivables and current assets	1,941	1,326	615	46.4%
Trade payables	(8,710)	(9,766)	1,056	10.8%
Other liabilities	(3,240)	(3,927)	687	17.5%
Total net working capital	**(2,197)**	**(4,638)**	**2,441**	**(52.6%)**

Net working capital at June 30th, 2018 was negative to the tune of Euro 2,197 thousand, improving by 2,441 thousand (+52.6%) compared to December 31st, 2017 (negative to the tune of Euro 4,638 thousand).

Inventories were essentially unchanged (-2.4%) compared to December 31st, 2017.

The Euro 615 thousand increase in Other receivables and current assets (+46.4%) was primarily due to the increase in receivables relating to grants for subsidised projects at a European level amounting to Euro 457 thousand (+46.2%).

The Euro 1,056 thousand reduction in Trade payables (-10.8%), down from Euro 9,766 thousand at December 31st, 2017 to Euro 8,710 thousand at June 30th, 2018, was mainly attributable to the combined effect of the decrease in payables to suppliers amounting to Euro 2,042 million (-23.9%) and the increase in deferred income for revenues accruing in the future amounting to Euro 986 thousand (+80.5%). These changes are related to routine billing activities.

The Euro 687 thousand decrease in Other liabilities, from Euro 3,927 thousand at December 31st, 2017 to Euro 3,240 thousand at June 30th, 2018, was mainly due to the payment of the amount relating to 40% of the pre-financing of the partners of the financed project EURE-CART, which MolMed coordinates.
For more information in this regard please refer to the Notes.

Non-current liabilities

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

(amounts Euro thousand)	June 30, 2018	December 31, 2017	Change	% change
Liabilities for pensions and employee severance indemnity (TFR)	147	147	-	0.0%
Trade payables	600	1,000	(400)	(40.0%)
Other liabilities	3,444	3,611	(167)	(4.6%)
Total non-current liabilities	**4,191**	**4,758**	**(567)**	**(11.9%)**

Non-current liabilities decreased by 567 thousand, from Euro 4,758 thousand at December 31st, 2017 to Euro 4,191 thousand at June 30th, 2018. This variation is essentially attributable to the Euro 400 thousand decrease in Non-current trade payables, after the deferred income relating to the GSK's up-front payment pursuant to the agreement signed on March 19th, 2015 was reclassified as a short-term payable.

Equity and capital transactions

Details about changes in shareholders' equity from January 1st, 2018 to June 30th, 2018 are provided in the table below:

(amounts in Euro thousand)	Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Retained earnings (accumulated losses)	Profit (loss) for the period	Total shareholders' equity
Balance at 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**

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

Net financial position

(amounts Euro thousand)	June 30th, 2018	December 31st, 2017
Cash on hand	13	12
Other cash	17,103	13,093
Cash equivalents	-	-
A. Total cash and cash equivalents	**17,116**	**13,105**
B. Current financial receivables and other financial assets	**982**	**5,006**
Finance lease payables	-	-
Current financial Debts	-	-
C. Current financial debt	-	-
D. Net current financial position (A+B+C)	**18,098**	**18,111**
Finance lease payables	-	-
Non current financial Debts	-	-
E. Non-current financial debt	-	-
F. Net financial position (D+E)	**18,098**	**18,111**

The net financial position was a positive Euro 18,098 thousand at June 30th, 2018. It consists solely of cash and cash equivalents and current financial receivables represented by “available-for-sale” corporate bonds, since no financial debt was recognised.

6. Significant events after the reporting period

On July 13th, MolMed S.p.A. announced the signing of an important three-year agreement with GSK for the development and production of lentiviral vectors targeted at clinical applications as part of the GSK oncological projects.

7. Business outlook

In the second half of 2018, the Company plans to continue the clinical and industrial development of the main proprietary experimental products.
In relation to the delay registered in the initial phase of the sale of Zalmoxis® and certain disagreements that came to life regarding the fulfilment of the obligation of the sale contract stipulated with Dompé, outlined previously, the Company will carefully evaluate the appropriate actions to be taken to protect the value of the product.
With reference to the CAR CD44v6 project, the progress of all the preliminary activities completed in the half, instils the Company with confidence that it will be able to submit an application for the authorisation of the first human trials in the planned times.
Over the next few months, in addition to the development of the current portfolio of products in the onco-haematological area, the company will continue to carry out the activities already commenced in the second quarter of the year, through the stipulation of agreements with Glycostem and AbCheck s.r.o., and targeted at expanding the proprietary pipeline of CAR T, through the development of further therapeutic targets and the introduction of new technological platforms, through the research of new partnerships and fresh opportunities aimed at enhancing the internal pre-clinical research capacities.
As regards NGR-hTNF, the Company will continue to engage in dialogue in the search for potential partnerships.
Lastly, in the second half of 2018 the new facility in Bresso will be gradually activated, in line with the evolution of the portfolio of existing and future collaborations. Also on the basis of the new areas available, business development activities will be ramped up, targeted at extending the current collaborations and strengthening new partnerships regarding the development and production of cell and gene therapy products on behalf of third parties.

Interim condensed financial statements at June 30th, 2018

1. Statement of financial position

(amounts in Euro thousand)		June 30th, 2018	December 31st, 2017
ASSETS			
Tangible assets	1	11,440	11,860
Goodwill	2	77	77
Intangible assets	2	545	589
Financial assets	3	210	210
Tax receivables	4	0	2,182
Other assets	5	750	1,000
TOTAL NON-CURRENT ASSETS		**13,022**	**15,918**
Inventories	6	1,712	1,754
Trade receivables and other commercial assets	7	4,979	4,896
Tax receivables	8	1,121	1,079
Other receivables and sundry assets	9	1,941	1,326
Other financial assets	10	982	5,006
Cash and cash equivalents	11	17,116	13,105
TOTAL CURRENT ASSETS		**27,851**	**27,166**
TOTAL ASSETS		**40,873**	**43,084**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Capital		21,819	21,514
Share premium reserve		61,779	58,976
Other reserves		460	606
Retained earnings (accumulated losses)		(56,241)	(47,966)
Profit (loss) for the period/year		(3,085)	(8,497)
TOTAL SHAREHOLDERS' EQUITY	12	**24,732**	**24,633**
Liabilities for pensions and employee severance indemnity (TFR)	13	147	147
Trade payables	14	600	1,000
Other liabilities	15	3,444	3,611
TOTAL NON-CURRENT LIABILITIES		**4,191**	**4,758**
Trade payables	16	8,710	9,766
Other liabilities	17	3,240	3,927
TOTAL CURRENT LIABILITIES		**11,950**	**13,693**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**40,873**	**43,084**

2. Income statement

(amounts in Euro thousand)	Note	1st half 2018	1st half 2017
Revenues	18	12,234	8,935
Other revenue	19	478	884
Total operating revenues		**12,712**	**9,819**
Purchases of raw materials and consumables	20	(2,852)	(2,424)
Costs for services	21	(4,964)	(5,729)
Costs for use of third-party assets	22	(761)	(729)
Personnel costs	23	(6,216)	(6,714)
Other operating costs	24	(31)	(79)
Amortization and depreciation	25	(739)	(645)
Total operating costs		**(15,563)**	**(16,320)**
Operating result		**(2,851)**	**(6,501)**
Financial income		26	37
Financial charges		(260)	(58)
Net financial income (charges)	26	**(234)**	**(21)**
Pre-tax result		**(3,085)**	**(6,522)**
Income taxes	27	-	-
Profit (loss) for the period		**(3,085)**	**(6,522)**

3. Statement of comprehensive income

(amounts in Euro thousand)	1st half 2018	1st half 2017
Profit (loss) for the period	**(3,085)**	**(6,522)**
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)	**-**	**1**
Other comprehensive income (subsequently reclassified to the income statement)		
Net change in fair value of assets available for sale	-	-
Other comprehensive income, net of taxes (subsequently reclassified to the income statement)	**-**	**-**
Total comprehensive income (loss) for the period	**(3,085)**	**(6,521)**

4. Statement of cash flows

(amounts in Euro thousand)		1st half 2018	1st half 2017
Cash and cash equivalents		13,105	19,701
Opening cash and cash equivalents	**A**	**13,105**	**19,701**
Cash flow from operating activities:			
Profit (loss) for the period		(3,085)	(6,522)
Amortization/Depreciation of intangible/tangible assets		739	645
Change in liabilities for pensions and employee severance indemnity		-	(1)
Non-cash costs for stock options		76	68
Reversal of financial income and charges		234	21
Cash flow from operating activities before changes in working capital		**(2,036)**	**(5,789)**
Changes in current assets and liabilities:			
(Increase) decrease in inventories		42	(453)
(Increase) decrease in trade and other receivables		(740)	1,577
Increase (decrease) in trade and other payables		(1,056)	619
Increase (decrease) in other liabilities		(520)	(2,297)
Total changes in current assets and liabilities		**(2,274)**	**(554)**
(Increase) decrease in non-current tax receivables and other non current asset		2,432	-
Increase (decrease) in non current trade liabilities		(400)	(400)
Increase (decrease) in other liabilities and TFR paid		(167)	(167)
Interest paid		(199)	(2)
Total cash flow generated (absorbed) by operating activities	**B**	**(2,644)**	**(6,912)**
Cash flow from investing activities:		**-**	**-**
Net (investment) divestment in tangible assets		(453)	(567)
Net (investment) divestment in intangible assets		(30)	(13)
Net (investment) in other financial assets		4,024	(5,006)
Interest received		6	1
Total cash flow generated (absorbed) by investing activities	**C**	**3,547**	**(5,335)**
Cash flow from financing activities:		**-**	**-**
Increases in capital and share premium reserve		3,108	-
Total cash flow generated (absorbed) by financing activities	**D**	**3,108**	**-**
Cash flow generated (absorbed) during the period	**E=B+C+D**	**4,011**	**(12,247)**
Closing cash and cash equivalents	**A+E**	**17,116**	**7,454**

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 2017	**20,313**	**49,347**	**223**	**251**	**(13)**	**(34,096)**	**(13,876)**	**22,149**
Allocation of prior year result						(13,876)	13,876	
Personnel costs for stock options 2016-2021				83				83
Other variations - stock options, Plan 2016-2021				(3)				(3)
Profit (loss) for the period					1		(6,522)	(6,521)
Balance at June, 30th 2017	**20,313**	**49,347**	**223**	**331**	**(12)**	**(47,972)**	**(6,522)**	**15,708**

(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**

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

(amounts in Euro thousand)	Notes	June 30, 2018	December 31, 2017
ASSETS			
Tangible assets	1	11,440	11,860
Goodwill	2	77	77
Intangible assets	2	545	589
Financial assets	3	210	210
Tax receivables	4	-	2,182
Other assets	5	750	1,000
TOTAL NON-CURRENT ASSETS		**13,022**	**15,918**
Inventories	6	1,712	1,754
Trade receivables and other commercial assets	7	4,979	4,896
Tax receivables	8	1,121	1,079
Other receivables and sundry assets	9	1,941	1,326
Other financial assets	10	982	5,006
Cash and cash equivalents	*32*	17,116	13,105
of which with related parties	11	*24*	*24*
TOTAL CURRENT ASSETS		**27,851**	**27,166**
TOTAL ASSETS		**40,873**	**43,084**
LIABILITIES AND SHAREHOLDERS' EQUITY		-	-
Capital		21,819	21,514
Share premium reserve		61,779	58,976
Other reserves		460	606
Retained earnings (accumulated losses)		(56,241)	(47,966)
Profit (loss) for the year		(3,085)	(8,497)
TOTAL SHAREHOLDERS' EQUITY	12	**24,732**	**24,633**
Liabilities for pensions and employee severance indemnity (TFR)	13	147	147
Trade payables	14	600	1,000
Other liabilities	15	3,444	3,611
TOTAL NON-CURRENT LIABILITIES		**4,191**	**4,758**
Trade payables	16	8,710	9,766
Other liabilities	17	3,240	3,927
TOTAL CURRENT LIABILITIES		**11,950**	**13,693**
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY		**40,873**	**43,084**

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

(amounts in Euro thousand)	Notes	1st half 2018	1st half 2017
Revenues	18	12,234	8,935
Other income	19	478	884
Total operating revenues		**12,712**	**9,819**
Purchases of raw materials and consumables	20	(2,852)	(2,424)
Costs for services	21	(4,964)	(5,729)
Costs for use of third-party assets	22	(761)	(729)
Personnel costs	23	(6,216)	(6,714)
Other operating costs	24	(31)	(79)
Amortization, depreciation and write-downs	25	(739)	(645)
Total operating costs		**(15,563)**	**(16,320)**
Operating result		**(2,851)**	**(6,501)**
Financial income		26	37
of which with related parties	32	-	-
Financial charges		(260)	(58)
Net financial income (charges)	26	**(234)**	**(21)**
Pre-tax result		**(3,085)**	**(6,522)**
Income taxes	27	-	-
Profit (loss) for the period		**(3,085)**	**(6,522)**

Explanatory Notes

1. General information

MolMed's interim condensed financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and approved by the European Union, as well as the provisions issued pursuant to art. 9 of Italian Legislative Decree 38/2005. "IFRS" is also intended as including the International Accounting Standards (IAS) currently in force, as well as all the interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC"). These interim condensed financial statements are drafted according to IAS 34 - Interim financial reporting. The interim condensed financial statements do not show all the information required by the annual financial statements and, for that reason, the interim condensed financial statements must be read together with the financial statements at December 31st, 2017. The accounting standards and measurement criteria adopted to prepare these interim condensed financial statements at June 30th are the same as those used to draft the financial statements at December 31st, 2017, to which reference should be made, with the exception of the adoption of the new standards, amendments and interpretations in force from January 1st, 2018.

The formats of the interim condensed financial statements have been prepared on the basis of the revised version of IAS 1 – Presentation of Financial Statements, as approved by Regulation no. 1274/2008 issued by the European Commission on December 17th, 2008 and effective as from January 1st, 2009. The Financial Statements formats adopted are consistent with those indicated in IAS 1. In particular, the Statement of Financial Position has been prepared by classifying assets and liabilities into current and non-current; the Income Statement is based on the classification of costs by nature. This form of presentation is considered more representative of the Company's business.

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

In compliance with the requirements of Consob Resolution no. 15519 of July 27th, 2006 as to the format of the Financial Statements, specific supplementary formats have been provided for related party transactions so as not to compromise an overall reading of the statements.

These interim condensed financial statements are presented in thousands of Euro, unless indicated otherwise. The Euro is the Company's functional currency.

The publication of these interim condensed financial statements for the period ended at June 30th, 2018 was approved by the Board of Directors on July 30th, 2018.

2. *Accounting standards and measurement criteria*

Going concern

As is well-known, the Company's business model, typical of biotech companies developing new biopharmaceutical products and that have not reached economic and financial equilibrium, foresees negative cash flows, due to the fact that, at this stage, significant costs must be borne, mostly in relation to product testing and development, whose economic return is, due to its nature, uncertain, and, nonetheless, forecast in future years.

The Company is also subject to some uncertainties associated with the sector in which it operates and, in particular, the current product trial stage, uncertainties regarding both the results that it may effectively achieve, and the relevant methods and timings. Considering the unique characteristics of the sector in which the Company operates, and despite having received the necessary approvals from the competent authorities, it is also appropriate to point out the uncertainties relating to both the number of treatable patients in respect of potential developments in alternative therapies in clinical practice, and the outcome of the price/reimbursement negotiations for its products, which could cause a deviation from the expected results. Consistently with the accounting policies adopted, requiring full recognition of research and development costs in the income statement of the year they are incurred, the Company has always reported a loss since its incorporation. In particular, the loss in the first half of 2018 was Euro 3,085 thousand, down Euro 3,437 thousand from the Euro 6,522 thousand loss recorded in the corresponding period of the previous year. This performance is primarily the result of the impact, in the first half of 2018, of the revenues deriving from the services for third-party customers, the milestones connected with the Zalmoxis® contract and the lower market access costs for consultancy for pricing and reimbursement of Zalmoxis® incurred in 2017.

In the first six months of 2018, it is also important to note that:

- as regards Zalmoxis®:
  - On January 16th, 2018, the Company announced that Dompé had filed the AMNOG dossier

(Gesetz zur Neuordnung des Arzneimittelmarkt) at the Joint Federal Institution (Gemeinsamer-Bundesausschuss G-BA) relating to the product. Following this filing and the simultaneous publication of the sale price of LauerTaxe®, as of January 15th Zalmoxis® can be prescribed and reimbursed in Germany at a proposed sale price of Euro 163,900 per infusion (ex-factory price excluding VAT).

- On February 14th, 2018, Determination no. 139/2018 of January 29th, 2018 was published in the Official Journal of the Italian Republic, regarding the system of reimbursement and price of Zalmoxis®, indicated as an extra treatment in the haploidentical transplantation of hematopoietic stem cells (HSCT) in adult patients with high-risk hematologic neoplasms. The Determination took effect on March 1st, fifteen days after the publication. The supply of Zalmoxis® based on the agreement with AIFA makes provision for an ex-factory reimbursement price (excluding VAT) of Euro 149,000 per infusion, before legal reductions, including a flat reimbursement per patient and a revenue protection clause for the first 24 months.

- In February, Dompé exercised the option for the development and marketing of Zalmoxis® in Switzerland, Turkey and Australia as set out in the strategic agreement for the marketing and supply of MolMed's proprietary therapy signed with the Company.

- Despite the expectations, sales have still not commenced neither in Italy nor in Germany due to the difficulties encountered in the initial phases of product marketing. This situation is currently being carefully examined by MolMed in order to evaluate the appropriate actions to be taken, also in relation to certain disagreements that have arisen regarding to fulfilment of the obligations of the marketing contract stipulated with Dompé, whose outcomes are not foreseeable at present.

- as regards CAR CD44v6:
  - the Company continued to invest in research and development activities, in order to increase the value of the special and unique characteristics of this product, demonstrating its effectiveness and safety and accurately defining its therapeutic positioning, thanks to the start of the first clinical human trial, planned for the end of 2018.

- in relation to development and GMP production;
  - on April 12th, MolMed announced the start of a collaboration with Orchard Therapeutics, a UK biotech company, in the gene therapy for rare diseases sector, deriving from the latter's acquisition of the GSK portfolio of therapies for rare diseases, with the objective of reinforcing its position of global leader in gene therapies for rare diseases.

  - On May 4th, MolMed signed a 5-year Master Service Agreement, together with the first associated Project Agreement, with the Boston Children's Hospital, for the production of lentiviral vectors to be used in clinical applications for rare diseases. The Boston Children's Hospital is one of the most important paediatric institutions in the world in the treatment of complex pathologies, which has strong affiliations including the one with the Harvard Medical School.

  - In the first half of 2018, as a result of various submissions of authorisation packages relating to the GMP Manufacturing area, which took place between the end of 2017 and the start of

2018, the authorisation was granted by the competent authorities of the GMP Manufacturing area relating to Stream 1 (around 600 sq. metres) of the new Bresso Facility for the production of viral vectors and genetically modified cells relating to therapies for clinical research purposes.

Furthermore, it should be noted that, on July 13th, 2018, a three-year agreement was signed with GSK, a global research-based pharmaceutical company, for the development and production of lentiviral vectors targeted at clinical applications as part of the GSK oncological projects.

Lastly, the Company will continue with the clinical and industrial development of the main products, in particular:

- access to the market by Zalmoxis® in additional countries
- the continued investments in pre-clinical research and development activities, in order to enhance the unique characteristics of the CAR CD44v6 project;
- the search for potential partners to support the clinical and industrial development of NGR-hTNF;
- continuous research targeted at identifying new service agreements regarding development activities and manufacturing on behalf of third parties.

Taking into account the above, despite the delay in the launch of marketing of Zalmoxis, based on the Company's positive net financial position of Euro 18,098 thousand at June 30th, 2018, the improvement in the result for the period compared to the previous year and future cash flows projected by the business plan, the Company deems that the financial means and equity available are adequate enough to continue its business operations for a foreseeable future period of at least 12 months from the date of this report. As of today, no significant uncertainties were reported regarding the Company's ability to continue as a going concern.

Other information

Seasonality

The income statement for the period is not greatly affected by aspects connected to business seasonality.

Taxes

Note that the company does not present any taxable income.

Costs

The costs incurred in a non-homogeneous or non-linear manner during the year are paid in advance and/or deferred at the end of the reference periods only to the extent in which the advance and/or the deferment of said costs conforms to the accounting standards for the drafting of the annual financial statements.

Use of estimates

The preparation of interim financial statements requires that management make estimates and assumptions, which impact the amounts of revenues, costs, assets and liabilities and the disclosure of contingent assets and liabilities at the end of the interim reporting period. If, in the future, these estimates and assumptions, which are based on the best assessment by management, should differ from the actual circumstances, they would be modified accordingly in the period in which these circumstances change.

It should also be noted that certain valuation processes, in particular the more complex ones such as the determination of any impairment of non-current assets, are generally only carried out in complete form at the time of drafting of the annual financial statements, when all the necessary information is available, except in cases where impairment indicators require an immediate evaluation of any impairment.

At June 30th, 2018, no impairment indicators were identified. It should be noted that the company's assets underwent an impairment test at December 31st, 2017. The analyses did not identify any impairment. Also

note that the carrying amount of tangible and intangible assets, and of Company shareholders' equity at June 30th, 2018, and December 31st, 2017, was considerably lower than the Company's market capitalisation.

Accounting standards, amendments and interpretations applicable from January 1st, 2018

- **IFRS 15 – Revenue from Contracts with Customers** (published on May 28th, 2014 and supplemented with further clarifications published on April 12th, 2016), which will replace the standards IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the interpretations IFRIC 13 – Customer Loyalty Programmes, IFRIC 15 – Agreements for the Construction of Real Estate, IFRIC 18 – Transfers of Assets from Customers and SIC 31 – Revenues - Barter Transactions Involving Advertising Services. The new revenue recognition model provided for by this standard will apply to all contracts with customers, except for contracts that are within the scope of other IASs/IFRSs such as leases, insurance contracts and financial instruments. The key steps to recognise revenue according to the new model are:
  - identify the contract with the customer;
  - identify the performance obligations in the contract;
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract;
  - recognise revenue when a performance obligation is satisfied.

  As a result of the application of the new standard, there were no significant impacts on the equity/financial position and on equity, nor on the financial statements disclosure.
- Final version of **IFRS 9** – Financial Instruments (published on July 24th, 2014). This document contains the results of the IASB project aimed at the replacement of IAS 39:
  - it introduced new classification and measurement requirements for financial assets and liabilities (together with the evaluation of the non-substantial modifications of financial liabilities);
  - As for the impairment model, the new standards require credit losses to be recognised based on expected losses (as opposed to incurred losses in IAS 39), using all supportable information, that is available without undue costs or unreasonable efforts that include current and future historical data;
  - it introduced a new hedge accounting model (increase of the types of transactions eligible for hedge accounting, change in the accounting method for forward contracts and options when included in a hedge accounting relationship, changes to effectiveness testing).

  As a result of the application of the new standard, there were no significant impacts on the equity/financial position and on equity, nor on the financial statements disclosure.

IFRS accounting standards, amendments and interpretations endorsed by the European Union or applicable from January 1st, 2019

- **IFRS 16 – Leases** (published on January 13th, 2016), intended to replace IAS 17 – Leases, as well as interpretations IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.
  The new standard provides a new definition of a lease and introduces a method based on control

(right of use) of an asset to distinguish leases from service contracts, identifying the following as discriminating factors: identification of the asset, the right to replace it, the right to obtain substantially all economic benefits from use of the asset and the right to direct use of the asset underlying the contract.

The standard establishes a single model for the recognition and valuation of leases for the lessee which involves the recognition of the asset forming the object of the lease, including operating lease, under assets with a contra-entry in financial payables, also providing the possibility of not recognising as leases the contracts involving "low-value assets" and leases with a term of 12 months or less. On the contrary, the standard does not include significant amendments for lessors.

The standard applies from January 1st, 2019, but early application is permitted, only for the companies that have already applied IFRS 15 - Revenue from Contracts with Customers. The Company is evaluating the implementation and the impact of adoption of this new standard. No early application of this standard is expected.

Lastly, the other standards or amendments still not endorsed by the European Union are summarised in the table below:

Description	Endorsed on the date of these financial statements	Date of effectiveness envisaged for the standard
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (issued in September 2014)	NO	Not defined
Amendments to IFRS 2: Classification and measurement of Share-based payment transactions (issued in June 2016)	NO	01/01/2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (issued in September 2016)	NO	01/01/2018
IFRS 17 Insurance Contracts	NO	01/01/2021
Annual Improvements to IFRS Standards 2014-2016 Cycle (issued in December 2016)		
IFRIC Interpretation 22 Foreign Currency Transactions and Advance Consideration (issued in December 2016)	NO	01/01/2018
IFRIC 23 Uncertainly over Income Tax Treatment (issued in June 2017)	NO	01/01/2019
Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - Amendments to IFRS 4	NO	01/01/2018
IAS 28 Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice	NO	01/01/2018

3. *Segment reporting*

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

FROM GENES TO THERAPY

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

4. Notes to the statement of financial position

Note 1 – Tangible assets

The breakdown and changes of tangible assets at June 30th, 2018 are shown in the table below:

(amounts in Euro thousand)	Balance at December 31, 2017	Purchases	Reclassifications	Disposals	Depreciation and write downs	Balance at June 30, 2018
Gross book value						
Plant and machinery	1,800	8	-	(11)	-	1,797
Industrial and commercial equipment	9,368	213	48	(122)	-	9,507
Leasehold improvements	9,880	5	35	-	-	9,920
Other tangible assets	1,911	17	-	(12)	-	1,916
Assets under construction and payments on account (Plant Bresso)	43	11	(35)	-	-	19
Assets under construction and payments on account (Industrial equipment Bresso)	515	199	(48)	-	-	666
Assets under construction and payments on account (Leasehold improvements Bresso)	17	-	-	-	-	17
Total gross book value	**23,535**	**453**	**-**	**(145)**	**-**	**23,842**
Accumulated depreciation						
Plant and machinery	(477)	-	-	11	(80)	(546)
Industrial and commercial equipment	(4,517)	-	-	83	(425)	(4,859)
Leasehold improvements	(5,435)	-	-	-	(244)	(5,679)
Other tangible assets	(1,247)	-	-	12	(83)	(1,318)
Total accumulated depreciation	**(11,676)**	**-**	**-**	**106**	**(832)**	**(12,402)**
Net book value						
Plant and machinery	1,323	8	-	-	(80)	1,251
Industrial and commercial equipment	4,851	213	48	(39)	(425)	4,648
Leasehold improvements	4,445	5	35	-	(244)	4,241
Other tangible assets	664	17	-	-	(83)	598
Assets under construction and payments on account (Plant Bresso)	43	11	(35)	-	-	19
Assets under construction and payments on account (Industrial equipment Bresso)	515	199	(48)	-	-	666
Assets under construction and payments on account (Leasehold improvements Bresso)	17	-	-	-	-	17
Total net book value	**11,860**	**453**	**-**	**(39)**	**(832)**	**11,440**

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

The item “plant and machinery” refers to specific equipment and machinery used to develop the Company's products and provide services.

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

“Leasehold improvements” include the cost of renovating the premises used by the Company, in particular its pharmaceutical laboratories and offices. The above-mentioned costs concern building work and work on the systems that form an integral part of the premises. The costs accounted for and invoiced to the property owner in accordance with the relevant agreements, concerned building work, and work planning services carried out

by the “General Contractor”. The aforementioned costs are depreciated over the term of the lease agreement, i.e. 12 years. The depreciation of all areas held under the lease agreement began in January 2015, when the last portion of the building to be used for laboratories was delivered. 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 Euro 4 million, will be borne by the property’s owner. As provided for under the agreement, the Company transferred the costs incurred for extraordinary renovation work and commissioning of the building to the owner up to the previously mentioned amount.

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

Tangible assets rose from Euro 11,860 thousand at December 31st, 2017 to Euro 11,440 thousand at December 31st, 2017.

Investments of Euro 453 thousand were made in tangible assets in the first half of 2018. The most significant changes in the period are shown below:

- increase of Euro 139 thousand in the item “industrial and commercial equipment”. This variation is the result of actual investments in the year of Euro 213 thousand and the reclassification of Euro 48 thousand from assets under construction when the assets involved became fully operational and the disposal of assets for a gross value of Euro 122 thousand;

- increase of Euro 151 thousand in the item “assets under construction and payments on account” (equipment and other assets). This variation is the result of actual investments in the half of Euro 199 thousand, net of the reclassification of Euro 48 thousand when the assets involved became fully operational.

The above-mentioned investments were primarily incurred in relation to the fitting out of new premises for manufacturing following the acquisition of new customers and normal upgrading, where necessary, of the laboratory equipment, the purchase of the new equipment used in the manufacturing process, as well as works to adjust and optimise the existing GMP plant.

Depreciation amounted to Euro 832 thousand, marking an increase compared to the first half of 2017 (Euro 757 thousand), due to the beginning of the depreciation period of the equipment held at the facility in Bresso, acquired in the second half of 2017. The depreciation also includes the portion relating to leasehold improvements at the facility in Bresso, totalling Euro 167 thousand. This was neutralised 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 Euro 4 million, as provided for by the relevant agreement.

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

Note 2 – Intangible assets and goodwill

The breakdown and change in intangible assets at June 30th, 2018 are shown in the table below:

(amounts in Euro thousand)	Balance at December 31, 2017	Purchases	Reclassifications	Disposals	Depreciation and write downs	Balance at June 30, 2018
Merger with Genera S.p.A.	77	-	-	-	-	77
Goodwill	**77**	-	-	-	-	**77**
Patents and intellectual property rights	225	5	-	-	(27)	203
Concessions, licenses and trademarks	347	25	-	-	(47)	325
Assets under construction	17	-	-	-	-	17
Intangible assets	**589**	**30**	-	-	**(74)**	**545**
Total	**666**	**30**	-	-	**(74)**	**622**

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

The recoverability of this goodwill is linked to the know-how of technical personnel carrying out research activities in relation to the GMP laboratory and activities relating to new product development projects with potential revenues that could be generated by their commercial development.

The Euro 30 thousand increase in the gross amount of Intangible assets was primarily due to the purchase of software to manage laboratory equipment at the new facility.

Overall amortisation amounted to Euro 74 thousand.

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

As for the recoverability of intangible assets, reference should be made to the section “Use of estimates” in these Notes.

Note 3 – Financial assets

Non-current financial assets of Euro 210 thousand are in line with the prior-year figures and mainly consist of guarantee deposits.

Note 4 – Tax receivables (non-current)

Non-current tax receivables, amounting to Euro 2,182 thousand at December 31st, 2017, were zero at the close of the first half of 2018. The decrease is due to the non-recourse transfer of the 2017 VAT credit to a bank in June.

Nota 5 – Other assets (non-current)

Other non-current assets refer entirely to the long-term portion (Euro 750 thousand) of the amount paid, in due course, as an advance on future rents to the owner of the property in the “Open Zone” science park in Bresso. The lease sets forth that, starting from 2018 and for the next two years, the amount paid in advance to the lessor will be repaid to the lessee through the reduction of rent by Euro 500 thousand. In respect of the above, an amount of Euro 250 thousand was reclassified under current assets.

Note 6 – Inventories

Inventories at June 30th, 2018 are broken down as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Processing materials	573	471
Reagents	989	1,152
General materials	150	131
Total inventories	**1,712**	**1,754**

The value of inventories, consisting of reagents and materials used in the Company's laboratories, down from Euro 1,754 thousand at December 31st, 2017 to Euro 1,712 thousand at June 30th 2018, remained almost unchanged.

Note 7 – Trade receivables and other commercial assets

The breakdown of trade receivables and other commercial assets at June 30th, 2018 is as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Trade receivables	2,763	2,880
Prepayments	408	532
Invoices to be issued	1,802	1,480
Prepaid expenses concerning costs pertaining to future periods	6	4
Total trade receivables and other commercial assets	**4,979**	**4,896**

The value of trade receivables and other commercial assets is in line with the amount booked to the 2017 financial statements and includes the deferred contribution relating to the second quarter of 2018 envisaged on the basis of the agreement in place between the Company and Dompé amounting to Euro 1 million.

The decrease in trade receivables and other commercial assets of Euro 117 thousand and the increase in invoices to be issued totalling Euro 322 thousand reflect the billing and collection trends in relation to the services provided.

Receivables are recognised net of a bad debt provision of Euro 28 thousand, created in 2011 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 overdue.

Note 8 – Tax receivables (current)

Tax receivables at June 30th, 2018 are broken down as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
VAT receivables	741	700
Withholding taxes	380	379
Total tax receivables	**1,121**	**1,079**

Current tax receivables, amounting to Euro 1,121 thousand, Euro 1,079 thousand at the close of the previous year, are composed primarily of VAT credits accruing for which a refund will be requested.

Note 9 – Other receivables and sundry assets

Other receivables and sundry assets at June 30th, 2018 are broken down as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Accrued research and development grants	1,447	990
Prepayments relating to costs not pertaining to the period	446	334
Other receivables	48	2
Total other receivables and sundry asset	**1,941**	**1,326**

Other current receivables and sundry assets, amounting to Euro 1,941 thousand and Euro 1,326 thousand at June 30th, 2018 and December 31st, 2017 respectively, are composed primarily of:

- Euro 1,447 thousand attributable to public sector research and development grants accrued.
- Euro 446 thousand relating to deferrals for costs not pertaining to the period relating to:
  - ✓ Euro 287 thousand: operating costs incurred on the basis of contracts that make provision for progress billing, advisory and maintenance and assistance fees for information technology services and other minor amounts;
  - ✓ Euro 159 thousand: insurance premium costs.

The change with respect to the close of the previous year (+46.4%) is due to the increase in contributions relating to the reporting of the financed project in place.

Note 10 – Other financial assets

The item in question, amounting to Euro 982 thousand at June 30th, 2018 and Euro 5,006 at December 31st, 2017, fell by Euro 4,024 thousand. The decrease is due to the combined effect of the maturity of the time deposit in January 2018, classified as held to maturity, amounting to Euro 5,006 and the reinvestment of around Euro 1,000 thousand in “available for sale” corporate bonds.

Note 11 – Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Bank and post office accounts	17,079	13,069
Bank and post office accounts - related parties	24	24
Cash on hand	13	12
Total cash and cash equivalents	**17,116**	**13,105**

At June 30th, 2018 cash and cash equivalents amounted to Euro 17,116 thousand (Euro 13,105 thousand at December 31st, 2017), including Euro 17,103 thousand of bank deposits and Euro 13 thousand of cash on hand.

Note 12 – Shareholders' equity

Shareholders' equity at June 30th, 2018 totalled Euro 24,732 thousand. Their breakdown is as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Share capital	21,819	21,514
Share premium reserve	61,779	58,976
Other reserves:	0	0
Stock option plan reserve	250	396
Actuarial valuation reserve	(13)	(13)
Other	223	223
Retained earnings (accumulated losses)	(56,241)	(47,966)
Profit (loss) for the year	(3,085)	(8,497)
Total shareholders' equity	**24,732**	**24,633**

In respect of the SEF – Standby Equity Facility agreement with Société Générale, signed on October 6th, 2016, the fifth and final tranches of the capital increase were signed in the first half of 2018, on May 25th, with exclusion of the option right reserved to SG.

The capital increase led to the issuing of a total of 6,488,279 shares, for a value of Euro 3,108 thousand, of which Euro 305 thousand as capital and Euro 2,803 thousand as share premium reserve.

Capital

At June 30th, 2018, the fully subscribed and paid-in capital amounted to Euro 21,819 thousand 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.(*)	24,037,678	5.19
H-Invest S.p.A.	7,666,216	1.65
H-Equity S.r.l.	7,979,208	1.72
Other	316,594,432	68.31
Total	**463,450,672**	**100.00**

** based on Company data at June 5th, 2018*

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

Share premium reserve

The share premium reserve totalled Euro 61,779 thousand. The increase connected with the share premium reserve, amounting to Euro 2,803 thousand, reflects the increase connected with the capital increase subscribed in relation to the SEF – Standby Equity Facility agreement with Société Générale, described in the previous paragraph.

Other reserves

Other reserves are broken down as follows:

a) Stock options plan reserve

The stock option plan reserve of Euro 250 thousand was set up on January 1st, 2006 upon first-time adoption of IFRSs, in order to include the fair value of stock option plans. The reserve was calculated by determining the fair value of the rights granted at the granting dates. In later years, the stock option plan reserve has increased, and changes were recognised under personnel costs in the income statement. Changes in the period reflect the increase of Euro 76 thousand due to the accounting of the amount pertaining to the period of the expense accrued based on the 2016-2021 stock option plans, as well as the decrease of Euro 222 thousand due to the expiry of the Type A options of the 2008 stock option plan, whose exercise period ended on March 5th, 2018.

b) Actuarial valuation reserve

The actuarial valuation reserve at June 30th, 2018 is a negative Euro 13 thousand, with no changes reported with respect to the previous year.

c) Other reserves

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

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

Retained earnings (accumulated losses)

This item totalled Euro 56,241 thousand at June 30th, 2018. The Euro 8,275 thousand change compared to the year ended December 31st, 2017, was due to the recognition of:

- a Euro 8,497 thousand increase relating to the loss for 2017 which was recognised under accumulated losses as per the Shareholders' Meeting resolution of April 18, 2018;
- a decrease of Euro 222 thousand related to the release of the reserve relating to the type A options of the 2008 stock option plan, considered expired as a result of the maturity of the exercise period, which ended on March 5th, 2018.

Main shareholders' equity items

(amounts in Euro thousand)	Balance at June 30, 2018	Purpose of use	Amount available
Reserves			
-Share premium reserve	61,779	A,B	61,779
-Stock option plan reserve	250	-	-
-Fair value reserve	-		-
-Other reserves			
- Actuarial valuation reserve	(13)	-	-
- Unexercised rights 2014 reserve	45	A,B	45
- Unexercised rights 2015 reserve	178	A,B	178
-Retained earnings (accumulated losses)	(56,241)	-	-

Key:
A: for share capital increase
B: for coverage of losses
C: for distribution to shareholders

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

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

Liabilities for pensions and employee severance indemnity totalled Euro 147 thousand at June 30th, 2018. The value is unchanged with respect to the close of the previous year.

Changes in the period are reported below:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Opening balance	**147**	**146**
Uses	-	-
Other movements	-	-
Financial loss	-	1
Actuarial (gain)/loss	-	-
Total liabilities for pensions and employee severance indemnity (TFR)	**147**	**147**

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

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

In relation to the IAS 19 actuarial valuation at June 30th, 2018, the technical assumptions are the same as

those adopted for the precise valuation at December 31st, 2017. In fact, the Iboxx Corporate AA discount rate was used with the seven to ten year duration recorded at the valuation date. Specifically, the Company chose an instrument with a term comparable to the duration of the group of employees concerned.

The calculation method can be broken down as follows:

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

More specifically, the following assumptions were adopted:

- Annual discount rate: 0.88%
- Annual inflation rate: 1.50%
- TFR annual increase rate: 2.625%
- Demographic assumptions
- Mortality rate: RG48 table
- Disability: INPS tables by age and sex
- Retirement age: 100% fulfilment of General Compulsory Insurance (AGO) requirements

Annual turnover and TFR advance payments

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

Below is the amount of the contribution for the subsequent year and the average financial duration for defined benefit plans:

- Cost service: 0
- Plan duration: 6.9

Note 14 – Trade payables (non-current)

Non-current trade payables amounted to Euro 600 thousand at June 30th, 2018. They consist entirely of the non-current portion of the deferred income relating to GSK's upfront payment arising from the agreement signed on March 19th, 2015, and recognised in the income statement over the term of the relevant agreement.

Note 15 – Other liabilities (non-current)

Other non-current liabilities amounted to Euro 3,444 thousand at June 30th, 2018. Their breakdown is as follows:

(amounts in Euro thousand)	**June 30, 2018**	**December 31, 2017**
Project pre-financing payments	964	964
Deferred income relating to the Bresso	2,480	2,647
Total cash and cash equivalents	**3,444**	**3,611**

The item is composed primarily of:

- Project pre-financing amounting to Euro 964 thousand. The amounts relate to the collection on December 22nd, 2016, of the pre-financing relating to the project funded by the European Community, within the Framework Programme for Research and Innovation "Horizon 2020", EURE-CART, for which MolMed is the coordinator. The pre-financing amount is approximately 50% of the amount that will be paid to MolMed. As project coordinator, the Company received approximately 50% of the entire project funding. Pursuant to the consortium contract, the amount pre-financed by the European Community was redistributed by the coordinator to the partners. It should be highlighted that 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 did not undergo significant changes with respect to the previous year.
- Bresso deferred income of Euro 2,480 thousand. This item mainly includes the deferral of costs incurred for the new Bresso site up to June 30th, 2018. 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 Euro 4 million, will 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 under fixed assets and deferred income arising from the owner's contribution is also recognised. The relevant recognition in the income statement is based on the lease duration starting from when the property progressively becomes ready for use.

  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 to recognise Euro 333 thousand, representing the depreciation for the next 12 months, under current liabilities. For further details reference should be made to **Note 17**.

  The decrease of Euro 167 thousand in the period is attributable to the reclassification from long-term to short-term of the depreciation for the January-June 2019 period.

Note 16 – Trade payables

Trade payables amounted to Euro 8,710 thousand at June 30th, 2018, compared to Euro 9,766 thousand at

December 31st, 2018, and are broken down as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Trade payables	6,500	8,542
Deferred income concerning revenues pertaining to future periods	2,210	1,224
Total trade payables	**8,710**	**9,766**

At June 30th, 2018 payables to suppliers included Euro 5,659 thousand due in Italy, Euro 521 thousand due in European Union countries and Euro 320 thousand due in other countries (mainly in USD).

Deferred income mainly refers to revenues from cell and gene therapy services, which will be provided by the Company in 2018. The item, up by Euro 986 thousand compared to the amount reported at the close of the previous year, relates, for an amount of Euro 800 thousand, to the recognition of deferrals registered arising from the agreement signed with GSK. The above-mentioned 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 based on the duration of the agreement and when the service is actually provided, respectively.

Note 17 – Other liabilities

The item is broken down as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Amounts due to employees for holidays and bonuses	2,132	1,667
Amounts due to social security institutions	293	702
Tax payables	190	344
Other payables	204	776
Deferred income (Bresso)	421	438
Total other liabilities	**3,240**	**3,927**

Amounts due to employees for holiday and bonus pay increased from Euro 1,667 thousand at December 31st, 2017 to Euro 2,132 thousand at June 30th, 2018.

Amounts due to social security institutions and tax payables consist of withholding taxes and social security contributions on employee salaries and on the remuneration of freelance consultants for the month of June 2018, but paid to the authorities the following month.

Other payables decreased by Euro 572 thousand, from Euro 776 thousand at December 31st, 2017 to Euro 204 thousand at June 30th, 2018, mainly due to the elimination of payables due to EURE-CART partners connected with the amount due to them disbursed to MolMed in 2016 and retroceded to them in January 2018 for Euro 683 thousand;

Deferred income mainly relates to the current portion (Euro 333 thousand) of depreciation for the next 12 months of an amount equal to Euro 4 million, recorded under tangible assets and charged to the owner of the property in the “Open Zone” park in Bresso. For further details reference should be made to **Note 15**.

5. Notes to the income statement

Note 18 – Revenues

(amounts Euro thousand)	1st half 2018	1st half 2017
Revenues from development and manufacturing activities	10,010	7,935
Revenues from Zalmoxis®	2,224	1,000
Total operating revenues	**12,234**	**8,935**

Revenues from sales in the first half of 2018, totalling Euro 12,234 thousand, (Euro 8,935 thousand in the first six months of 2017), are composed of:

- revenues from activities on behalf of third parties came to Euro 10,010 thousand, marking an increase of 26.1% compared to the total recorded in the previous year
- revenues from the product Zalmoxis® amounting to Euro 2,224 thousand, include (i) the contribution connected to the licence and distribution agreement signed on July 26th, 2017 with Dompé farmaceutici S.p.A. and (ii) revenues from sales of the product based on the AIFA fund.

Note 19 – Other income

At June 30th, 2018, other income, recorded under operating revenues for an amount of Euro 478 thousand (Euro 884 thousand in the first half of 2017), is comprised mainly of contributions to research and development granted on the basis of the Company's participation in public-sector subsidised projects.

Note 20 – Purchases of raw materials and consumables

This item is broken down as follows:

(amounts Euro thousand)	1st half 2018	1st half 2017
Processing materials	901	819
Reagents	1,546	789
General laboratory materials	320	326
Maintenance materials	43	39
Change in raw materials inventory	42	451
Total purchases of raw materials and consumables	**2,852**	**2,424**

The costs for raw materials and consumables, which essentially consist of materials and reagents used in production and development activities, rose from Euro 2,424 thousand at the end of the first half of 2017 to Euro 2,852 thousand at the end of the first half of 2018. The increase of Euro 428 thousand is due primarily to the increase in the research and development activities of one of the pipeline products.

Note 21 – Costs for services

The breakdown of the item at June 30th, 2018 and June 30th, 2017 is as follows:

(amounts Euro thousand)	1st half 2018	1st half 2017
Outsourced development costs	1,349	1,355
Consultancy and technical fees	387	296
License and patents consultancy fees	242	351
Maintenance	448	369
Transport and storage of laboratory materials	229	289
Utilities	563	579
Directors and statutory auditors' fees	185	198
Audit	43	39
Legal, administrative and managerial fees	236	274
Listing consultancy fees and other listing costs	79	40
Supervisory board fees	46	63
Communications agency fees	101	768
IT assistance and other IT costs	183	166
Other general and administrative costs	540	505
Ttravel, staff training and othe personnel costs	333	437
Total costs for services	**4,964**	**5,729**

Service costs fell from Euro 5,729 thousand at June 30th, 2017 to Euro 4,964 thousand at June 30th, 2018. The Euro 765 thousand decrease in the period was attributable mainly to the following combined effects:

- decrease in Business Development costs, down from Euro 768 thousand in the first half of 2017 to Euro 101 thousand in the first half of 2018, due mainly to consultancy for pricing & reimbursement of Zalmoxis® concluded in 2017;
- decrease in costs linked to licence fees and patent expenses, down from Euro 351 thousand in the first half of 2017 to Euro 242 thousand in the first half of 2018, due to the purchase of a new licence in the first quarter of 2017 needed for production on behalf of third parties;
- the increase in costs for consultancy services and technical collaborations, from Euro 296 thousand at June 30th, 2017 to Euro 387 thousand at June 30th, 2018, due primarily to the increase in clinical and regulatory consultancy services related to Zalmoxis®.

Note 22 – Costs for use of third-party assets

(amounts Euro thousand)	**1st half 2018**	**1st half 2017**
Rental of premises	660	650
Other rentals	101	79
Total costs for use of third-party assets	**761**	**729**

Costs for use of third-party assets of Euro 761 thousand in the first half of 2018 are essentially in line with the amount recorded in the same period of the prior year (Euro 729 thousand).

Note 23 – Personnel costs

These costs are broken down as follows:

(amounts Euro thousand)	**1st half 2018**	**1st half 2017**
Wages and salaries	4,653	4,884
Social security contributions	1,245	1,498
Defined contribution plans	230	233
Stock option costs	75	82
Other personnel costs	13	17
Total personnel costs	**6,216**	**6,714**

Personnel costs decreased slightly (-7.4%) compared to the first half of the previous year, down from Euro 6,714 thousand in the first six months of 2017 to Euro 6,216 thousand in the first six months of 2018. The decrease in the aforementioned costs is due mainly to the effect of the cancellations of the positions of General Manager and the Head of Strategic Affairs which occurred in 2017.

The remuneration component arising from stock option plans refer to plans with Company shares as underlying securities and is represented by the notional cost recognised as an offsetting entry to a specific shareholders' equity reserve (see **Note 12**).

Personnel costs include the fixed fees paid to Mr. Bordignon for a total gross amount of Euro 400 thousand

and to Mr. Palmisano for a total gross amount of Euro 450 thousand, as well as their respective variable bonuses for 2018 connected to the achievement of corporate performance objectives. Such amounts refer to the agreements entered into between the Company and Messrs. Bordignon and Palmisano for the activities they perform within the framework of the powers granted by the Shareholders' Meeting and the Board of Directors on December 11th, 2015 and following the appointment of company bodies on April 18th, 2016. For further details reference should be made to **Note 35** of this Report.

The exact number of employees at June 30th was 199, while in the first six months of 2018, the average number of employees was 195 (compared to 184 in the first half of 2017 and 185 in 2017), broken down by category as follows:

	1st half 2018	1st half 2017
Executives	9	11
Middle management	33	35
Clerical staff	149	134
Technicians	4	4
Total	**195**	**184**

Note 24 – Other operating costs

Other operating costs decreased by Euro 48 thousand, from Euro 79 thousand at June 30th, 2017 to Euro 31 thousand at June 30th, 2018.

Note 25 – Amortisation, depreciation and impairment

Amortisation, depreciation and impairment totalled Euro 739 thousand in the first half of 2018. They increased by Euro 94 thousand compared to the first half in the previous year (Euro 645 thousand) following the beginning of the amortisation/depreciation period for the assets relating to the new facility in Bresso acquired in 2017. The investments made in the period, amounting to Euro 483 thousand, were primarily incurred in relation to the fitting out of new premises for manufacturing following the acquisition of new customers and normal upgrading, where necessary, of the laboratory equipment, the purchase of the new equipment used in the manufacturing process, as well as works to adjust and optimise the existing GMP plant.

The item is shown net of the depreciation of leasehold improvements at the site in Bresso, charged to the site lessor totalling Euro 167 thousand. This was neutralised 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 2018	1st half 2017
Amortization of intangible assets	74	56
Depreciation of tangible assets	665	589
Total amortization, depreciation & write-downs	**739**	**645**

Note 26 – Financial income and charges

This item is broken down as follows:

(amounts in Euro thousand)	1st half 2018	1st half 2017
FINANCIAL INCOME:		
Interest and other financial income	12	9
Exchange gains	14	28
Total financial income	**26**	**37**
FINANCIAL CHARGES:		
Exchange losses	(8)	(17)
Other charges	(252)	(41)
Total financial charges	**(260)**	**(58)**
Total financial income (charges)	**(234)**	**(21)**

The Company's financial activities generated a loss of Euro 234 thousand, marking a decrease of Euro 213 thousand compared to the same period in the previous year.

The negative change is attributable almost entirely to the increase in financial expenses which, at June 30th, 2018, were composed of:

- commissions incurred in May in relation to the signing of the fifth and final tranche of the SEF "Standby Equity Facility" agreement signed with Société Générale for an amount of Euro 155 thousand;
- losses on securities totalling Euro 32 thousand;
- commissions on the non-recourse transfer of the 2017 VAT credit completed in June for an amount of Euro 22 thousand;
- exchange losses of Euro 8 thousand.

Note 27 – Income taxes

No current or deferred taxes have been recorded at the date of this Report.
As in the previous reporting periods, the Company did not recognise any tax asset that could arise from calculation of deferred taxes on temporary differences deductible in future years. At June 30th, 2018, tax losses to be carried forward totalled Euro 204,259 thousand and the theoretical deferred tax assets totalled Euro 49,653 thousand. Pursuant to the reference accounting standards, the Company will recognise deferred tax assets only if it is reasonably certain to recover such amounts through future taxable income.

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

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

(amounts in Euro)	1st half 2018	1st half 2017
Basic earnings/(loss) per share	(0.0067)	(0.0151)

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

at a set strike price.

The calculation of the basic earnings (loss) per share is based on the net result recorded in the first half of 2018 and the first half of 2017 – Euro 3,085 thousand and Euro 6,522 thousand, respectively – and on the weighted average number of ordinary shares outstanding in the relevant periods – 457,600,584 and 431,450,672.

6. Other notes

Note 29 – 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 30th, 2018	December 31st, 2017
Cash on hand	13	12
Other cash	17,103	13,093
Cash equivalents	-	-
A. Total cash and cash equivalents	**17,116**	**13,105**
B. Current financial receivables and other financial assets	**982**	**5,006**
Finance lease payables	-	-
Current financial Debts	-	-
C. Current financial debt	-	-
D. Net current financial position (A+B+C)	**18,098**	**18,111**
Finance lease payables	-	-
Non current financial Debts	-	-
E. Non-current financial debt	-	-
F. Net financial position (D+E)	**18,098**	**18,111**

The net financial position was a positive Euro 18,098 thousand at June 30th, 2018. It consists solely of cash and cash equivalents and current financial receivables represented by “available-for-sale” corporate bonds, since no financial debt was recognised.

Note 30 – Contingent liabilities, commitments, and guarantees

Contingent liabilities

With reference to Zalmoxis®, based on the agreements currently in force with some counterparties, a contingent liability of a maximum overall amount of US dollars 1.95 million was recognised. It will be paid in instalments following the achievement of specific product development milestones. In addition, based on the joint development contract signed at the end of the period with AbCheck s.r.o., the company will be required to pay a total of Euro 0.5 million as compensation for the activities involved in the agreement and, in the event given results are achieved, a milestone totalling a maximum of around Euro 0.5 million will need to be paid.
Lastly, the term sheet with Glycostem Therapeutics BV relating to development of the project CAR-CD44v6 with NK cells involves the payment of Euro 0.1 million on signing of the definitive contract (subject to the

positive outcome of due diligence in progress) and of further milestones up to a maximum of Euro 1.3 million when certain objectives are met.

Commitments and other guarantees

Guarantees and commitments are broken down as follows:

(amounts in Euro thousand)	June 30, 2018	December 31, 2017
Guarantees	440	1,718
Commitments	-	-
Total guarantees and commitments	**440**	**1,718**

Euro 363 thousand refer to the guarantees issued for the payment of real estate leases, Euro 75 thousand refer to the guarantees issued in favour of Università Vita Salute San Raffaele for commitments undertaken by the Company in relation to the funding of research scholarships.

Note 31 – Share-based payments

2008 Stock options plan

Following the Extraordinary Shareholders' Meeting resolution, for capital increase of October 29th, 2007, the Board of Directors, pursuant to the powers granted by the Shareholders' Meeting, approved the adoption of incentive scheme regulations, modified on October 11th, 2010, that provides for two different types of options:

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

  On May 9th, 2011 and June 24th, 2013, the Board of Directors acknowledged that the vesting condition for the first and second tranches of type B options was not met; therefore, all type B options shall be considered as expired.

Following the capital increases amounting to around Euro 57.9 million and Euro 50 million, completed successfully in 2010 and 2015 respectively, the Board of Directors approved the due changes to the regulation for the aforementioned stock option plans, aimed at ensuring, as set out in the regulation itself, that the substantial value of the options is maintained, by adjusting the strike price of the options still not exercised.

It should be noted that the period for the exercising of the type A options of the 2008 stock option plan ended on March 5th, 2018. For this reason, these options are considered expired.

2016-2021 Stock options plan

On November 7th, 2016 the Ordinary Shareholders' Meeting approved the stock options plan 2016-2021 pursuant to art. 114-bis of the Italian Consolidated Law Finance of finance (CLF), giving authority to the Board of Directors to give effect to the terms and conditions set forth in the Regulations.

The Stock Options Plan 2016-2021 is reserved to executive directors, to executives with strategic responsibilities as well as to employees and collaborators of the Company and provides for the granting of

options to subscribe for ordinary shares resulting from the dedicated share capital, divisible, paid with the exclusion of option rights, up to a maximum amount of Euro 595,250.46 (equivalent to a maximum of 12,643,520 ordinary shares) approved by the same meeting of November 7th, 2016.

The Board of Directors on November 7th, 2016, has assigned 11,442,386 options that provide entitlement to the subscription of as many of the Company's shares, the vesting of which is linked to the occurrence of certain performance targets. The strike price of the options granted was determined to be Euro 0.3878. At the time of the aforementioned resolution, the President Claudio Bordignon and CEO Riccardo Palmisano abstained from voting as beneficiaries of this plan.

The following table provides a breakdown of the 2016-2021 stock option plan during the year 2017 for executive directors, general managers and managers with strategic responsibilities and, on an aggregate basis, for the other executives, employees and collaborators.

Name surname and position held		Type of Stock Options assigned	Options held at 31.12.2017	Options expired in the firs half 2018	Options exercied in the first hal 2018	Options assigned in the first hal 2018	Options held at 30.06.2018	Strike price
Claudio Bordignon	President of Board of Directors	2016-2021 Plan	1,896,528	-	-	-	1,896,528	0.3878
Riccardo Palmisano	CEO	2016-2021 Plan	2,275,834	-	-	-	2,275,834	0.3878
Dirigenti	Managers	2008 A Plan	130,000			-	130,000	1.4797
		2016-2021 Plan	4,425,233			-	3,979,145	0.3878
Executives responsible for unity		2016-2021 Plan	758,610			-	758,610	
Collaborators		2016-2021 Plan	316,088			-	316,088	
		Total	**9,802,293**	**-**	**-**	**-**	**9,356,205**	

It should be noted that, as set out in 2016-2021 stock options plan regulation, the options assigned to the executives, who ended their relationship with the Company during the year, have expired.

For details of the Stock Option Plan 2016-2021, please refer to the Information Document published on the Company's website.

Note 32 - Transactions with related parties

The Company has a current and deposit account with Banca Mediolanum S.p.A.. Transactions are regulated at arm's length.

Income and equity impact

Income impact

The following table shows the effect of transactions with related parties, identified in accordance with IAS 24, on the Company's income statement and statement of financial position relating to the first six months of 2018:

(amounts in Euro thousand)	Financial income	Financial charges
Banca Mediolanum S.p.A.	-	-
Total	-	-
Financial statements item	**26**	**- 260**
% on financial statements item	**0%**	**0%**

Equity impact

(amounts in Euro thousand)	Cash and cash equivalents
Banca Mediolanum S.p.A.	24
Total	**24**
Financial statements item	**17,116**
% on financial statements item	**0%**

Cash and cash equivalents consist of bank deposit accounts.

For information on stock options granted to directors and executives with strategic responsibilities, reference should be made to **Note 31**.

Note 33 – Significant non-recurring events and transactions

Pursuant to the Consob Communication of July 28th, 2006, it should be noted that during the first half of 2018 the Company carried out capital increases, which qualify as significant non-recurring transactions:

(amounts in Euro thousand)	Equity		Profit (loss) for the year		Cash flow	
	Value	%	Value	%	Value	%
Value	**24,732**	**%**	**(3,085)**	**%**	**4,011**	**%**
Capital increase effect 2015	(3,108)	(13%)	-	0%	(3,108)	(77%)
Capital increase costs 2015	-	0%	-	0%	-	0%
Gross notional value	**21,624**		**(3,085)**		**903**	

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

Pursuant to Consob Communication of July 28th, 2006, it should be noted that, during the first half of 2018, 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 methods of determination of the transfer price and the timing of occurrence of the event/transaction (proximity to year-end).

Note 35 - Fees due to Directors and Statutory Auditors

The fees to the directors and statutory auditors of MolMed are indicated in the table below:

(amounts in Euro thousand)	1st half 2018	1st half 2017
Directors' fee	612	624
Statutory auditors' fee	37	44
Totale compensi amministratori e sindaci	**649**	**668**

On April 18th, 2016, the Board of Directors resolved to recognize to the Company's Chairman Claudio Bordignon a gross fixed remuneration of Euro 400 thousand per year to carry out its duties. The aforementioned Board of Directors also resolved to pay Mr. Bordignon Euro 800 thousand, gross of withholding taxes, as compensation for the 24-month non-competition obligation after the termination, for whatever reason, of his term of office. Said amount is to be paid in a lump sum at the end of his term of office and should it not be renewed. A penalty shall apply if the obligation is not fulfilled.

On April 18th, 2016 the Board also resolved that compensation equal to the Chairman's overall annual remuneration of Euro 400 thousand, multiplied by the number of remaining years until the date of the Shareholders' Meeting convened to approve the 2018 Financial Statements, will be paid, if the Shareholders' Meeting revokes his appointment as a Director without just cause, or all or part of his powers and/or mandates are revoked – including those relating to his role as Chairman of the Scientific Advisory Board and of the Strategic Committee – and/or all or part of such powers or responsibilities are attributed to other parties without just cause, or if the Company is put into liquidation.

On April 18th, 2016, the Board of Directors resolved to recognise to the Company's CEO Riccardo Palmisano a gross fixed remuneration of Euro 450 thousand per year. The Board of Directors also resolved to pay Mr. Palmisano, an amount of Euro 225 thousand, gross of taxes, as compensation for the 24-month non-competition obligation required by the Company after the end of his term of office for whatever reason. Furthermore, the Board resolved that compensation equal to the CEO's overall annual remuneration of Euro 450 thousand will be paid if his appointment as CEO is revoked without just cause before the end of current Board's term of office, or before the date of approval of the Financial Statements at December 31st, 2018.

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

Note 36 – Information on financial risks

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

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

Capital management

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

Market risk

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

Interest rate risk

The Company has no significant financial payables or receivables. Funds raised through listing on the stock market was invested in current account deposits, government securities 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 various leading 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 of leading financial institutions and widely recognised companies. In particular, investments were made at a number of different credit institutions, in order to diversify the counterparty risk.

Liquidity risk

Liquidity risk is the inability to obtain, under reasonable conditions, the financial resources necessary for the operations and business development. The Company did not have any indebtedness and, at June 30th, 2018, it recorded a positive net financial position of Euro 18,098 thousand, consisting of cash and cash equivalents and financial receivables. The two main factors that determine the Company's liquidity are, on the one hand, the resources generated or absorbed by the operating and investing activities and, on the other hand, the characteristics of the financial investments in terms of their maturity and renewal, as well as market conditions. The Company has implemented a series of policies and processes designed to optimise the management of financial resources and reduce liquidity risk:

- keeping an adequate level of cash and cash equivalents;

- constant monitoring of the financial flows generated by the Company's operations and of the net financial position, so that any necessary actions can be taken forthwith;
- monitoring of prospective liquidity conditions related to corporate planning.

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

Note 37 – Significant events after the reporting period

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

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

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

Certification of the interim condensed financial statements pursuant to Article 81-ter of Consob Regulation 11971 of May 14th, 1999 and subsequent amendments and additions

The undersigned, Mr. Claudio Bordignon, Chairman, and Mr. Andrea Quaglino, Executive Officer responsible for preparing MolMed's financial reports, having taken into account the provisions of Article 154-bis, paragraphs 3 and 4, of Italian Legislative Decree 58 of February 24th, 1998, hereby certify:

- the adequacy in relation to the characteristics of the Company; and
- the effective implementation of the administrative and accounting procedures applied in the preparation of the interim condensed financial statements during the first half of 2018;

measurement of the adequacy of the administrative and accounting procedures used for the preparation of the interim condensed financial statements at June 30th, 2018 is based on a process defined in keeping with the Internal Control – Integrated Framework model issued by the Committee of Sponsoring Organisations of the Treadway Commission, which is a reference framework generally accepted internationally.
It is also stated that:

the interim condensed financial statements at June 30th, 2018:

a) were prepared in compliance with the applicable international accounting standards endorsed by the European Union pursuant to Regulation (EC) 1606/2002 of the European Parliament and Council, of July 19, 2002 and subsequent amendments and additions;
b) are consistent with the entries in accounting books and records;
c) provide a true and fair view of the financial position, results of operations and cash flows of the issuer;

The interim report on operations includes a reliable analysis of the references to the significant events that were verified in the first six months of the year and their impact on the interim condensed financial statements, together with a description of the main risks and uncertainties for the remaining months of the year. The interim report on operations also includes a reliable analysis of the information on related party transactions.

Milan, July 30th, 2018

Claudio Bordignon
Chairman

Andrea Quaglino
Officer responsible for
preparing company financial reports

External Auditing Firm's Report

Building a better working world

MolMed S.p.A.

Review report on the interim condensed financial statements as at June 30, 2018

(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 2018. 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) issued by the International Accounting Standards Board ("IASB") and approved by the European Union. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements of MolMed S.p.A. as of June 30, 2018 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.

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Sede Legale: Via Po, 32 - 00198 Roma
Capitale Sociale Euro 2.525.000,00 i.v.
Iscritta alla S.O. del Registro delle Imprese presso la C.C.I.A.A. di Roma
Codice fiscale e numero di iscrizione 00434000584 - numero R.E.A. 250904
P.IVA 00891231003
Iscritta al Registro Revisori Legali al n. 70945 Pubblicato sulla G.U. Suppl. 13 - IV Serie Speciale del 17/2/1998
Iscritta all'Albo Speciale delle società di revisione
Consob al progressivo n. 2 delibera n.10831 del 16/7/1997

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Emphasis of matter paragraph

We draw attention to the information provided in the paragraph “Risk associated with funding research and development activities” of the Report on Operations, 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 means 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, 31 July 2018

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