

MolMed Board of Directors reviews the draft financial statements for year 2008

- Main R&D achievements in 2008: start of Phase III trial of TK therapy in high-risk acute leukaemia; promising results of NGR-hTNF in terms of clinical activity obtained in Phase II trials in colorectal cancer, liver cancer and malignant pleural mesothelioma, and presented at major international clinical oncology meetings
- Positive net financial position for € 35.3 million, consisting of cash, cash equivalents and current financial assets
- Operating costs increased from € 16.8 to € 23.1 million, reflecting an intensification of development activities of the most advanced investigational new drugs, TK and NGR-hTNF
- Revenues totaled of € 4.0 million, a similar result compared to 2007 (€ 3.8 million)
- MolMed recorded a total loss of € 17.4 million, reflecting the business model of a biotech company in the development stage of new biopharmaceutical products, and with no product on the market
- During fiscal year 2009, MolMed expects to intensify its clinical development programmes, with a particular focus on NGR-hTNF. For the full year 2009, the company expects to maintain a tight control on cash burn, that will stay in line with the ordinary of year 2008.

Milan (Italy), 9 March 2009 - The Board of Directors of MolMed S.p.A. (Milan:MLM), chaired by Professor Claudio Bordignon, today reviewed and approved the draft year-end financial statements as at 31 December 2008.

Fiscal year 2008 was a landmark in MolMed's lifetime, with the achievement of the listing of its shares on the Milan Stock Exchange: trading started on 5 March 2008 on the Standard segment (class I) of the Milan screen-based equity market (*Mercato Telematico Azionario*) managed by *Borsa Italiana*. The listing was achieved through a Global Offer of 26,116,952 shares without nominal value at the price of € 2.15 per share, representing 25% of post-IPO corporate capitalisation, with gross financial resources raised amounting to € 56.2 million.

HIGHLIGHTS OF DEVELOPMENT ACTIVITIES IN 2008

During year 2008, remarkable progress was made in development activities, particularly in the clinical development of MolMed's most advanced investigational new anticancer therapeutics, TK and NGR-hTNF (once known as ARENEGYR):

- MolMed started a Phase III trial of its TK therapy in high-risk leukaemia patients in Italy, following authorisation from the Italian drug agency AIFA (*Agenzia Italiana del Farmaco*) obtained on January 17, 2008. To strengthen the clinical and statistical relevance of the trial and gain international recognition with key opinion leaders, the company decided to ensure the inclusion of the 10-15 key European centres. This required amendments to the trial protocol, and first results of the Phase III trial are now expected in 2010. In October, MolMed's partner in cell and gene therapy for the Asian markets, Takara Bio Inc., initiated TK's clinical development in Japan with a Phase I trial in leukaemia patients. TK is a cell therapy enabling bone marrow transplants from partially compatible donors.
- Promising clinical results for NGR-hTNF - MolMed's vascular targeting agent for the treatment of solid tumours - were presented at the main international meetings devoted to clinical oncology, ASCO (American Society of Clinical Oncology) and ESMO (European Society of Medical Oncology).

Of particular interest were data of three Phase II trials, in hepatocellular carcinoma, in malignant pleural mesothelioma and in colorectal cancer, that confirmed the favourable safety profile of NGR, and showed its therapeutic activity, with survival data clearly superior to those reported in literature for best supportive care, and evidences of clinical benefit in terms of long-lasting disease control, including several partial responses and a complete response.

- Thanks to the promising results obtained in mesothelioma, NGR-hTNF was granted Orphan Drug designation for this indication, both by the European Commission, and by the FDA.
- MolMed signed a drug development and supply agreement for NGR-hTNF with Avecia Biologics, covering optimisation and industrial scale-up of the drug manufacturing process, and cGMP manufacturing of the drug by Avecia for the forthcoming Phase III trials. This optimised production process will match the requirements of adequate supply for the commercialisation of the drug.
- Patient enrollment in the ongoing trials of NGR-hTNF progressed, and two new Phase II trial in combination therapy were started: with the standard chemotherapeutic regimen Xelox (capecitabine + oxaliplatin) in colorectal cancer, and with doxorubicin in ovarian cancer.
- Two novel clinical trial protocols were defined for NGR-hTNF: a Phase II trial for the exploration of NGR-hTNF in combination with cisplatin in non small-lung cancer, and a Phase I trial aimed at exploring the administration of NGR-hTNF at high doses.

Outlook for 2009

During fiscal year 2009, MolMed expects to further intensify the clinical development programme for NGR-hTNF, and to increase the number of clinical centres involved in the Phase III trial of TK. Given the promising results obtained in 2008, the bulk of development efforts and resources in 2009 will be allocated to accelerate the clinical and pharmaceutical development of NGR-hTNF. This decision also takes into account the need to amend the clinical trial protocol for the Phase III trial of TK, in order to expand the trial to 10-15 key European clinical centres.

MolMed and Takara Bio Inc. have agreed to terminate their research collaboration in AIDS gene therapy: considering its full focus on the area of cancer therapy, and the ever increasing commitment required by its most advanced projects, following termination of this collaboration MolMed decided not to continue the AIDS gene therapy project MM-F12.

For fiscal year 2009, MolMed expects to maintain its tight control on cash burn, that will stay in line with the ordinary of year 2008.

FINANCIAL HIGHLIGHTS

(amounts in thousands of Euro)	2008	2007	Change	Change %
Revenues and other income	3.963	3.814	149	3,9%
Operating Costs	(23.073)	(16.763)	(6.310)	37,6%
Operating loss	(19.110)	(12.949)	(6.161)	47,6%
Net finance income (loss)	1.664	253	1.411	557,7%
Profit (Loss) for the year	(17.446)	(12.696)	(4.750)	37,4%

(amounts in thousands of Euro)	December 31, 2008	December 31, 2007	Change	Change %
Net financial position	35.281	5.666	29.615	522,7%

FINANCIAL RESULTS

Operating revenues

In 2008, MolMed had operating revenues totalling € 4.0 million, in slight progress with respect to € 3.8 million in 2007.

The increase is mainly due to recognition of the fiscal benefit related to the tax credit allowed by the Italian Financial Bill 2007 (*Legge Finanziaria 2007*) for the period 2007-2009, and accrued in 2007 as a percentage of research & development costs sustained in fiscal year 2007. In fact, for this fiscal benefit in support of innovation the necessary implementing provisions became available only in year 2008, and therefore only during 2008 MolMed could actually apply for and then benefit of the credit for year 2007. Recently, further provisions introduced make the application and possibility of actually enjoying this benefit quite uncertain: therefore, the tax credit related to this benefit for year 2008, amounting to approximately € 1.0 million, has not been recorded.

The fiscal benefit accounted for largely compensates a decrease in revenues from milestones compared to year 2007, when a milestone of € 0.8 million by Takara Bio was recorded, related to the joint research project on AIDS gene therapy.

Operating costs

In year 2008, operating costs totalled € 23.1 million with a 37,6% increase as compared to 2007, as a direct consequence of the strong expansion of development activities, as well as of organisation reinforcement and staff hirings required both by increased activities and by becoming a public company.

- The costs for raw materials and consumables, consisting of materials and reagents used in R&D activities, increased consistently with the increase in development activities related to MolMed's investigational new therapies. Said costs were of € 1.9 million in 2008, up 7,6% with respect to year 2007.
- Service costs increased by 52,4% as compared to 2007, because of activities linked to the pharmaceutical development of TK and NGR-hTNF, that implied the subscription of dedicated agreements with external companies (CROs and CMOs) and individual advisors. Increase in service costs also reflects some agreements for advisory activities activated in year 2007, in support of the IPO process and for implementing the highest standards as to compliance with the requirements of a public company.
- Costs for use of third-party assets grew from € 1.1 million in 2007 to € 1.3 million in 2008, and increase is due to the lease of new premises for office facilities at the *Centro Direzionale* in Milano 2 (Segrate, Milan).
- Staff costs increased from € 4.6 million in 2007 to € 6.7 million in 2008. This was due to the hire of 14 new employees, as well as to salary increases and bonuses accorded in the period. The increase in staff members was necessary in order to strengthen the operating areas following the increase of development activities related to MolMed's investigational new therapies, and to implement the necessary structural upgrade implied by becoming a public company.

Finance income and charges

The positive result of the financial management from € 0.3 million in 2007 to € 1.7 million in 2008, is affected by interest obtained from the management of cash coming from the IPO proceeds.

Result for the year

The result for year 2008 shows a loss of € 17.4 million, as compared to a loss of € 12.7 million in 2007.

A negative bottom-line result is a peculiarity of the business model of biotech companies while developing new therapeutic products, and having no product on the market. At this stage, high costs must be sustained, linked to the clinical and pharmaceutical development of investigational new drugs, and return is expected in forthcoming years.

Net financial position

The remarkable improvement of MolMed's net financial position, from € 5.7 million as at 31 December 2007 to € 35.3 million as at 31 December 2008, is linked to the IPO proceeds derived from MolMed's listing at the Milan Stock Exchange, equal to € 56.2 million.

The overall cash burn in year 2008 was affected by the payment of expenses linked to the Company's listing, amounting to € 5.3 million and deducted from shareholders' equity, and by the payment of the debt of € 4.1 million related to the option right agreement entered into with the Shareholder Science Park Raf S.p.A. and its parent company Fondazione Centro San Raffaele del Monte Tabor for the purchase of research projects; as provided for in the agreement, payment of said debt was due following the Company's listing.

Without considering the positive effect of the listing and the mentioned cash flow unrelated to ordinary activities, MolMed's ordinary cash burn for year 2008 amounted to € 17.1 million (€ 1.4 million/month on average).

The official Corporate Financial Reporting Manager of MolMed S.p.A., Enrico Cappelli, herewith attests, pursuant to Article 154-bis, paragraph 2 of the Italian Consolidated Law on Finance (Legislative Decree 58/1998), that the accounting disclosure contained in this press release matches documentary evidence, corporate books, and accounting records.

The report on Corporate Governance, the draft FY 2008 financial statements, the Board of Statutory Auditors' Report and the independent auditor's reports will be made available to the public at the company's headquarters and at Borsa Italiana SpA via the NIS circuit, as well as on the company website (www.molmed.com), in accordance with legal provisions.

Attached the following statements related to Financial Statements as at December 31, 2008:

- *Balance Sheet*
- *Income Statement*
- *Cash Flow Statement*
- *Statement of Changes in Shareholders' Equity*

In this press release, use is made of "alternative performance indicators" which are not provided for under European IFRS, and whose significance and content - in line with Recommendation CESR/05-178b published on November 3, 2005 - are illustrated below:

- *Operating Profit: defined as the difference between sales revenues and other income and costs for materials, costs of services received, costs for use of third-party assets, personnel costs and amortisation, depreciation & writedowns. It represents the profit before financial flows and taxes;*
- *Net Financial Position: is the algebraic sum of cash and cash equivalents, financial receivables and other financial assets and current and non-current financial debt.*

The audit is still underway, and the Audit Report on the Financial Statements as of December 31, 2008 will be issued by the Independent Auditors on a date subsequent to the publication date of this press release.

Annual shareholders meeting

The Board of Directors gave mandate to the Chairman to summon the Shareholders Meeting, to be held on 14 April 2009 at 3.00 PM on first call and, if necessary, on 22 April 2008 at 3.00 PM on second call.

This press release is written in compliance with public disclosure obligations established by CONSOB (Italian securities & exchange commission) resolution no. 11971 of 14.5.1999 as subsequently amended.

About MolMed

MolMed S.p.A. is a biotechnology company focused on research, development and clinical validation of novel antitumour therapies. MolMed's pipeline includes two novel therapeutics in clinical development: TK, a cell-based therapy enabling bone marrow transplants from partially compatible donors, in Phase III in high-risk acute leukaemias; NGR-hTNF, a novel vascular targeting agent (VTA), in Phase II in five different indications: colorectal, small-cell lung, liver and ovarian cancers, and malignant pleural mesothelioma. MolMed is headquartered at the San Raffaele Biomedical Science Park in Milan, Italy. The company's shares (Milan:MLM) are listed on the Milan Stock Exchange, at the Standard segment (class I) of the MTA managed by Borsa Italiana.

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Financial statements at December 31, 2008

Balance sheet

(amounts in thousands of Euro)	December 31, 2008	December 31, 2007
ASSETS		
Tangible assets	2.367	2.077
Goodwill	77	77
Intangible assets	2.178	3.248
Financial assets	13	5
Tax receivables	3.589	1.851
Other assets	3.185	4.131
TOTAL NON CURRENT ASSETS	11.409	11.389
Inventories	357	200
Accounts receivable and other commercial assets	2.389	1.825
Tax receivables	1.051	1.132
Other receivables and sundry assets	954	1.842
Other financial assets	19.927	75
Cash and cash equivalents	15.611	5.591
TOTAL CURRENT ASSETS	40.289	10.666
TOTAL ASSETS	51.698	22.055
LIABILITIES AND SHAREHOLDERS' EQUITY		
Share capital	21.638	16.229
Share premium reserve	45.463	-
Other reserves	1.889	10.779
Retained earnings (accumulated losses)	(6.322)	(3.232)
Net profit (loss) for the year	(17.446)	(12.696)
TOTAL SHAREHOLDERS' EQUITY	45.222	11.080
Liabilities for pensions and employee leaving indemnity	284	269
Accounts payable	188	476
Finance lease payables	214	-
TOTAL NON CURRENT LIABILITIES	686	745
Accounts payable	4.693	5.168
Other liabilities	1.054	5.061
Finance lease payables	43	-
TOTAL CURRENT LIABILITIES	5.790	10.230
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	51.698	22.055

Financial statements at December 31, 2008

Income statement

(amounts in thousands of Euro)	Year 2008	Year 2007
Revenues	2.435	2.984
Other income	1.528	830
Total operating revenues	3.963	3.814
Purchases of raw and consumable materials	(1.867)	(1.735)
Costs for services	(11.221)	(7.365)
Use of 3rd party assets	(1.266)	(1.129)
Personnel costs	(6.711)	(4.562)
Other operating costs	(225)	(265)
Amortization, depreciation and writedowns	(1.783)	(1.706)
Total operating costs	(23.073)	(16.763)
Operating profit (loss)	(19.110)	(12.949)
Financial income	1.707	278
Financial charges	(43)	(25)
Net financial income (charges)	1.664	253
Profit (loss) before taxation	(17.446)	(12.696)
Income taxes	-	-
Net profit (loss) for the year	(17.446)	(12.696)

Financial statements at December 31, 2008

Cash flow statement

(amounts in thousands of Euro)		December 31, 2008	December 31, 2007
Cash and cash equivalents		5.591	8.433
Opening cash and cash equivalents	A	5.591	8.433
Cash flow from operating activities:			
Net profit (loss) for the year		(17.446)	(12.696)
Amortization/Depreciation of intangible/tangible assets		1.783	1.706
Change in liabilities for pensions and employee leaving indemnity		15	(52)
Share based payments		709	128
Other changes		7	-
Reversal of financial income and charges		(1.544)	(273)
Reversal of taxes		-	-
Cash flow from operating activities before changes in working capital		(16.476)	(11.187)
Changes in current assets and liabilities			
(Increase) decrease in inventories		(157)	(81)
(Increase) decrease in accounts receivable and other receivables	(*)	405	(2.266)
Increase (decrease) in accounts payable and other payables	(*)	(352)	2.141
Increase (decrease) in other liabilities	(*)	(4.131)	-
Total changes in current assets and liabilities		(4.235)	(206)
(Increase) decrease in non current tax receivables		(1.738)	(577)
(Increase) decrease in non current other assets	(*)	946	-
Increase (decrease) in non current accounts payable		(288)	(872)
Interest paid		(27)	(7)
Taxes paid		-	-
Total cash flow from operating activities	B	(21.818)	(12.849)
Cash flow from investing activities			
Net investment (divestment) in tangible assets		(957)	(455)
Net investment (divestment) in intangible assets		(45)	(27)
Net investment (divestment) in other financial assets		(19.860)	(4)
Total cash flow from investing activities	C	(20.862)	(486)
Cash flow from financing activities			
Increases in share capital and share premium reserve	(*)	56.152	10.220
Other changes in shareholders' equity - dedecution of listing costs		(5.279)	-
Change in finance lease payables		257	-
Interest received		1.570	273
Total cash flow from financing activities	D	52.700	10.493
Cash flow generated (absorbed) during the period	E=B+C+D	10.020	(2.842)
Closing cash and cash equivalents	A+E	15.611	5.591

(*) of which with related parties (as required by Consob resolution n.15519 of July 27, 2006)

(amounts in thousands of Euro)		December 31, 2008	December 31, 2007
Increase (decrease) in other liabilities		(4.131)	-
(Increase) decrease in accounts receivable and other receivables		(475)	(22)
(Increase) decrease in non current other assets		430	-
Increase (decrease) in accounts payable and other payables		789	715
Increases in share capital and share premium reserve		-	2.679

Financial statements at December 31, 2008

Statement of Changes in Shareholders' Equity

(amounts in thousands of Euro)	Share Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Reserve fair value valuation	Retained earnings and (losses carried forward)	Profit (loss) for the year	Total shareholders' equity
Balance as at January 1, 2006	17.182	-	11.761	956	(5)	-	(4.094)	(9.770)	16.030
Allocation of prior year loss	-	-	(3.954)	-	-	-	(5.816)	9.770	-
Share capital increase	5.305	10.502	(7.807)	-	-	-	-	-	8.000
Actuarial valuation	-	-	-	-	12	-	-	-	12
Personnel costs for stock options	-	-	-	68	-	-	-	-	68
Net loss for the year	-	-	-	-	-	-	-	(10.697)	(10.697)
Balance as at December 31, 2006	22.487	10.502	-	1.024	7	-	(9.910)	(10.697)	13.413
(amounts in thousands of Euro)	Share Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Reserve fair value valuation	Retained earnings and (losses carried forward)	Profit (loss) for the year	Total shareholders' equity
Balance as at July 1, 2007	22.487	10.502	-	1.024	7	-	(9.910)	(10.697)	13.413
Payment of remainder of share capital increase	193	-	-	-	-	-	-	-	193
Allocation of prior year loss	-	(10.502)	-	-	-	-	(195)	10.697	-
Payment for future share capital increases	-	-	9.301	-	-	-	-	-	9.301
Payment for share capital increases	3.436	6.591	(9.301)	-	-	-	-	-	726
Reduction in share capital and coverage of losses	(9.888)	(6.591)	9.606	-	-	-	6.873	-	-
Personnel costs for stock options	-	-	-	128	-	-	-	-	128
Actuarial valuation	-	-	-	-	14	-	-	-	14
Net loss for the year	-	-	-	-	-	-	-	(12.696)	(12.696)
Balance as at December 31, 2007	16.228	-	9.606	1.152	21	-	(3.232)	(12.696)	11.080
(amounts in thousands of Euro)	Share Capital	Share premium reserve	Other reserves	Stock option plan reserve	Actuarial valuation reserve	Reserve fair value valuation	Retained earnings and (losses carried forward)	Profit (loss) for the year	Total shareholders' equity
Balance as at January 1, 2008	16.228	-	9.606	1.152	21	-	(3.232)	(12.696)	11.080
Allocation of prior year loss	-	-	(9.606)	-	-	-	(3.090)	12.696	-
Share capital increase	5.410	50.742	-	-	-	-	-	-	56.152
Deduction of listing costs	-	(5.279)	-	-	-	-	-	-	(5.279)
Change in stock options plans	-	-	-	709	-	-	-	-	709
Fair value valuation of financial assets	-	-	-	-	-	7	-	-	7
Net loss for the year	-	-	-	-	-	-	-	(17.446)	(17.446)
Balance as at December 31, 2008	21.638	45.463	-	1.861	21	7	(6.322)	(17.446)	45.222