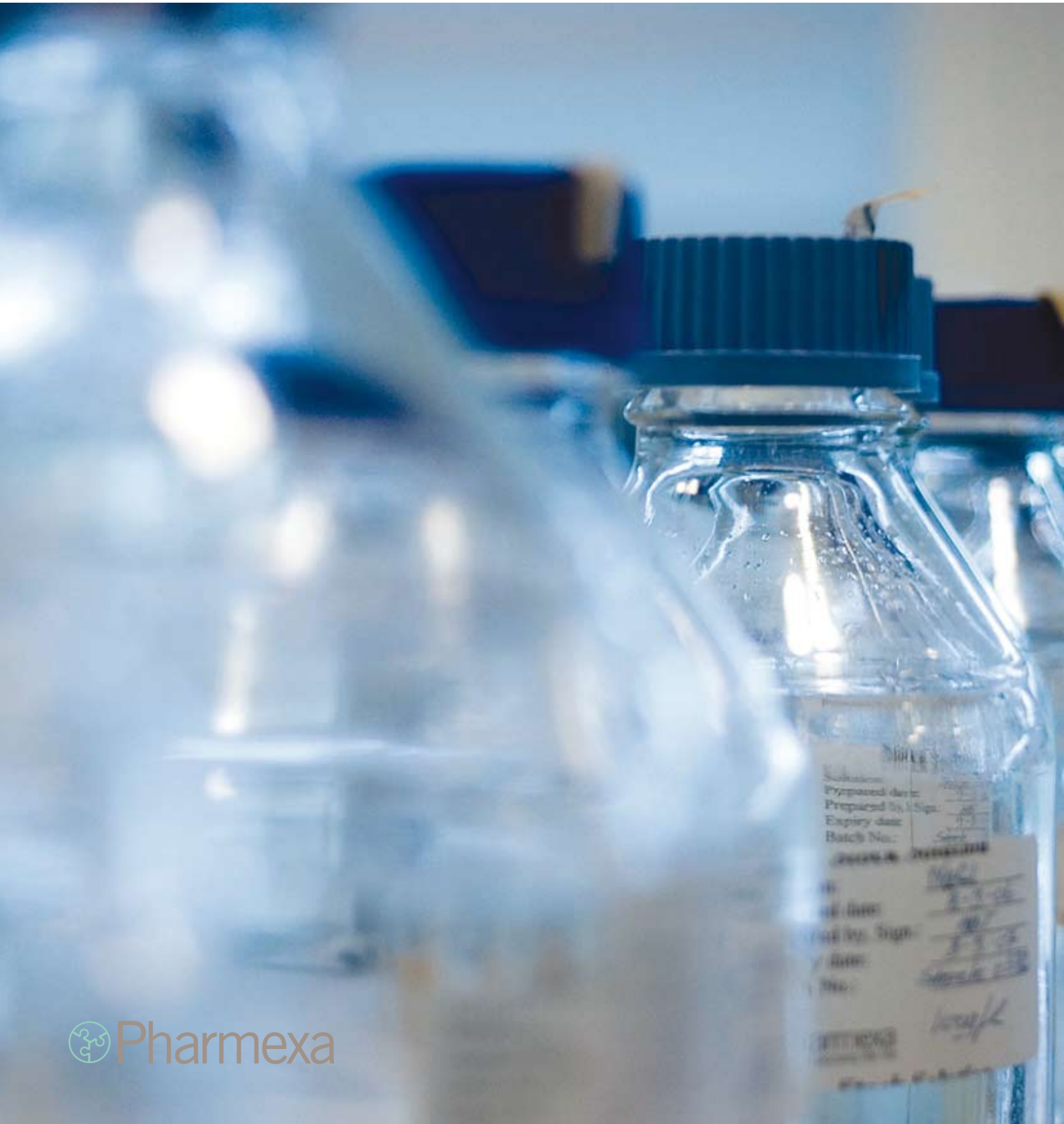
ANNUAL REPORT 2007



Pharmexa

Introduction

2007 was a year of progress with particular focus on the further development of Pharmexa's project portfolio in cancer and infectious diseases. Among the many results achieved by Pharmexa in 2007 as previously reported in separate press releases, should be emphasized:

- Initiation of a large phase III trial of GV1001 in pancreatic cancer the United Kingdom.
- Initiation of phase III trials of GV1001 in pancreatic cancer in the United States.
- Update and extension of the license agreement with H. Lundbeck regarding a vaccine against Alzheimer's disease.
- Publication of additional promising preclinical data from the company's programs in malaria, influenza, bone disorders and HIV.
- Publication of preliminary data from the phase II trial of GV1001 in liver cancer.
- Initiation of an NIH sponsored phase I trial of the HIV vaccines EP1233 and MVA-BN Polytope.
- Publication of promising preliminary phase I data from the company's HIV vaccine EP1043.
- Pharmexa's European patent on GV1001 is upheld in an appeal case at the European Patent Office.
- Pharmexa enters into exclusive licencing agreement with Affitech concerning Pharmexa's Diabody technology.
- A private placement of shares conducted in January 2007 was fully subscribed by a number of Danish and international institutional investors, raising approximately DKK 64 million in proceeds to the company.

At the start of 2008, Pharmexa has seven product candidates in clinical development from early phase I trials to large international phase III studies. Added to this is a strong preclinical pipeline. Besides Pharmexa, these trials are financed in whole or in part, among others, by the National Cancer Research Institute (NCRI) in the UK and the National Institutes of Health (NIH) in the United States. In addition, clinical and preclinical trials are being conducted by Pharmexa's license partners H. Lundbeck, Bavarian Nordic and GENimmune.

Significant events after the end of the financial year

- On January 8, 2008, Pharmexa publish a prospectus with the aim to raise up to DKK 345 million in a rights issue to existing shareholders.
- On February 5, 2008, Pharmexa announce the company has raised DKK 91 million in the rights issue, in difficult markets.
- On February 18, 2008, Pharmexa announce that the company launches a number of specific initiatives to protect shareholder value and to the extent possible, secure the continuation of the positive developments in the company's key projects.

Objects and principal activity

Pharmexa is a biotech company operating in the field of active immunotherapy. We develop active immunotherapy vaccines for the treatment of serious cancers and chronic and infectious diseases. We have a number of product candidates being tested in clinical studies, including one product candidate in Phase III. We believe that our clinical and preclinical stage product candidates and our technology platform will help us develop drugs that can compete strongly in terms of preventative and therapeutic effect, safety, patient friendliness and production cost.

Our active immunotherapy findings have been published in some of the world's leading scientific journals. We have entered into collaborative arrangements in respect of certain of our product candidates and technologies with leading pharmaceutical and biotech companies, including H. Lundbeck, Genimmune and Bavarian Nordic.

Pharmexa have targeted the product development efforts against a number of serious cancers and chronic and infectious diseases with a view to maximizing potential therapeutic and commercial returns. Pharmexa have a number of product candidates in each disease category. Pharmexa also have a variety of technologies that can be deployed across the range of potential products.

Financial highlights and key ratios

(In DKK thousands except per finansial ratios)	2007[1)]	2006[1)]	2005[1)]	2004[2)]	2003[3)]
KEY FIGURES					
Income statement					
Revenue	10,879	2,040	2,680	21,344	20,100
Research costs	43,343	47,644	42,452	26,591	33,815
Development costs	124,481	117,443	61,931	51,758	78,080
Administrative expenses	36,029	32,335	23,946	19,779	18,325
Loss before other operating items	-192,974	-195,382	-125,649	-76,784	-110,120
Other operating items	23,203	21,785	2,649	18,443	-10,664
Net financials	5,060	4,547	4,933	-199	684
Net loss for the year	-164,711	-169,050	-118,067	-58,540	-109,200
Balance sheet					
Intangible assets	73,564	86,734	133,391	2,980	2,472
Marketable securities and cash and cash equivalents	76,010	165,260	331,782	167,497	50,448
Total assets	178,288	284,891	496,829	194,369	84,761
Share capital	207,272	376,893	375,999	163,999	40,999
Shareholders' equity	150,753	258,219	463,621	168,756	35,494
Cash flow					
Cash flow from operating activities	-142,997	-156,406	-89,499	-62,319	-121,776
Cash flow from investing activities	-786	66,924	731	-131,313	102,773
hereof purchase and sale of securities, net	-	70,853	81,513	-130,675	101,435
hereof invested in subsidiaries	-	-	-76,733	-	-
hereof invested in property, plant and equipment and intangible assets, net	-786	-3,929	-4,049	-1,981	1,338
Cash flow from financing activities	55.231	-3,723	340,719	187,354	-3,666
Change in cash and cash equivalents	-88,552	-93,205	251,951	-6,278	-22,669
Financial ratios					
Current EPS[4] (DKK 5 per share)	-4,0	-4.5	-4.4	-4.3	-19.1
Average number of shares	41,009,610	37,649,206	26,696,862	11,715,833	4,099,980
Number of shares at year-end	41,454,395	37,689,240	37,599,840	16,399,920	4,099,980
Net asset value per share[4] (DKK 5 per share)	3,6	6.9	12.3	10.3	8.7
Share price at year-end	6,45	17.5	24	28	31
Price/net asset value	1,79	2.56	1.95	2.72	3.56
Assets/equity	1,18	1.10	1.07	1.15	2.39
Number of employees (full-time equivalents), year-end	101	107	94	59	65
Number of employees (full-time equivalents), average	102	104	63	60	106

1) For 2005 and forward the financial highlights consist of consolidated figures for Pharmexa A/S and its two wholly-owned subsidiaries GemVax AS and Pharmexa-Epimmune Inc.

2) For 2004 the financial highlights only consist of figures for Pharmexa A/S.

3) For 2003 the financial highlights consists of consolidated figures for Pharmexa A/S and the former Inoxell A/S.

4) Nom. Value was at the end of 2007 written down from 10 DKK pr share to 5 DKK per share.

Ratios have been calculated in accordance with "Recommendations & Ratios 2005" from December 2004, issued by the Danish Society of Financial Analysts. Please refer to the section on definitions in "Accounting policies".

Pipeline

Pharmexa has built up a product candidate pipeline in cancers, chronic diseases and infectious diseases. All product candidates are characterized by targeting diseases in which there is a large need for better treatment options. Below is an overview of each of the product candidates that have reached the development stage.

As part of Pharmexa's strategy to strengthen its active immunotherapy technology platform, the company has continued to develop its proprietary recombinant protein vaccine technology, or AutoVacTM, and through the acquisition of GemVax and a substantial portion of the assets and activities of Epimmune Inc., now embodied in Pharmexa-Epimmune, peptide- and polyepitope-based technologies. At the same time, Pharmexa also acquired additional technologies, in particular PADRE® and EISTM, which the company believes will not only enhance its research and development abilities but may also provide opportunities for revenue generation through licensing to third parties. Pharmexa believes that its technologies, including those developed by Pharmexa A/S and those acquired through GemVax and Pharmexa-Epimmune, integrated together, strengthen the company's competences and opportunities in the vaccine and immunotherapy field.

GV1001: A Therapeutic Vaccine against Cancer

GV1001 is a peptide vaccine which activates the immune system so that it recognizes and kills cancer cells. GV1001 targets an enzyme called telomerase. Telomerase is rarely found in normal cell types but is over-expressed in most cancer cells. In scientific circles, telomerase activity is considered a key factor in the process whereby cancer cells loose their normal mortality, a common feature for all cancers. GV1001 could therefore theoretically turn out to be a universal cancer vaccine, which is reflected by Pharmexa's broad development program for GV1001.

Pharmexa's preclinical and clinical pipeline

Program	Disease	Research	Preclinical	Phase I	Phase II	Phase III
Cancer						
GV1001[1]	Pancreatic Cancer					
GV1001	Liver Cancer					
GV1001	Lung Cancer					
PX 104.1[2]	Breast Cancer					
PX 103.2[3]	Breast Cancer					
Infectious diseases						
EP1090	HIV					
EP1043	HIV					
EP1232[3]	HIV					
EP1233	HIV					
EP2210[4]	Hepatitis B					
EP2220[4]	Hepatitis C					
EP2230[4]	H. Papillom Virus					
EP1300	Malaria					
EP1400	Influenza					
Chronic diseases						
PX106[5]	Alzheimers					
PX107	Osteoporosis					

[1] Program covers two controlled multi-center phase III studies, the PrimoVax and Telovac studies. Results expected in 2009
[2] Recruitment stopped. The Phase II study of this breast cancer vaccine showed positive immunological results but did not meet the specific goals for the study as regards tumor effects, and the trial was therefore stopped.
[3] Partnered with Bavarian Nordic
[4] Partnered with Innogenetics
[5] Partnered with H. Lundbeck

GV1001 has achieved orphan drug status for the treatment of pancreatic cancer both in Europe and in the United States.

Pharmexa holds all rights to GV1001.

GV1001 in pancreatic cancer – Phase III

Pharmexa has initiated Phase III clinical studies with GV1001 in patients with pancreatic cancer. GV1001 is tested in two large-scale Phase III studies of a total of 1,630 patients called the PrimoVax study and the Telovac study:

The PrimoVax study is sponsored by Pharmexa. The study includes 520 patients with pancreatic cancer, and 77 hospitals in ten European countries and Australia and the United States are enrolling patients for this study according to plans. Pharmexa considers the PrimoVax study to be a pivotal study which in case of a satisfactory result can lead to a registration of GV1001 for the treatment of pancreatic cancer in Europe, Australia and the United States in 2009/2010.

In the PrimoVax study, GV1001 is tested side by side with the current standard treatment gemcitabine (Gemzar®), a chemotherapeutic agent approved for the treatment of pancreatic cancer. The patients in the PrimoVax study will be randomly divided into two equal-sized groups:

- 260 patients receiving the standard treatment with gemcitabine chemotherapy; and
- 260 patients receiving GV1001. If/when the condition of these patients deteriorates, treatment with gemcitabine will be added.

Thus, the PrimoVax study is in continuation of a previous Phase I/II clinical study with GV1001 which showed that treatment with GV1001 as a monotherapy prolonged patient survival, compared to the effect previously seen with gemcitabine. The primary endpoint in the PrimoVax study is survival, and the secondary endpoints include time to progression and safety. Results are expected in the second half of 2009.

The Telovac study is a large Phase III study designed and managed by the Pancreas Cancer Sub-Group, a department of the National Cancer Research Institute in the United Kingdom which is co-financing the study. The study includes 1,110 patients and is currently enrolling patients from 34 hospitals in the United Kingdom.

In the Telovac study, GV1001 will be tested together with a combination of the chemotherapeutic agents gemcitabine (Gemzar®) and capecitabine (Xeloda®). 1,110 patients with inoperable pancreatic cancer will be randomly divided into one of the three arms:

- 370 patients will receive gemcitabine and capecitabine chemotherapy in a standard treatment;
- 370 patients will initially be treated with gemcitabine and capecitabine for eight weeks, after which they will be treated with GV1001; and
- 370 patients will be treated with gemcitabine and capecitabine concurrently with GV1001.

The primary endpoint is survival, and the secondary endpoints include time to progression and safety.

The Telovac study will be co-financed by Cancer Research UK (CRUK) and conducted by the CRUK's Liverpool Cancer Trials Unit. Pharmexa will pay for vaccine for the study, along with a number of the costs related to monitoring and data collection. The pharmaceutical company Roche is sponsoring Xeloda® in the study. Results are expected in 2011.

GV1001 in liver cancer – Phase II

The HeptoVax trial is a Phase II, open-label study designed to evaluate the safety and efficacy of GV1001 in advanced hepatocellular carcinoma ("HCC" or "liver cancer"). The study has enrolled 40 patients from three centers in Spain, France and Germany. Final results from the study are expected in mid-2008.

The HeptoVax study measures objective tumor response (tumor size and number) and time to progression. Approximately half of the patients with advanced stage liver cancer die within a year and survival benefits in the trial will also be measured.

GV1001 in lung cancer – Phase II

The Rigshospitalet-Radiumhospitalet in Norway has started a Phase II study with GV1001 in non-small cell lung cancer (NSCLC). The study designed and managed by the Cancer Clinic at Rigshospitalet-Radiumhospitalet in Oslo, Norway, in collaboration with the St. Olav Hospital in Trondheim, Norway. Pharmexa has agreed to supply GV1001 for the study, which is partly funded by the Research Council of Norway.

The study is an open label exploratory Phase II study in 20 patients with stage IIIA and stage IIIB non-small cell lung cancer.

The primary endpoint in the study is immune response measured by specific T-cell responses and DTH (skin reaction). Secondary endpoints include safety and time to progression.

Results from the study are expected in the first half of 2009.

PX104.1: A Therapeutic Vaccine against Breast Cancer – Phase II

In August 2006, Pharmexa announced that it had stopped additional recruitment of patients to a Phase II study of the breast cancer vaccine PX 104.1 since, based on a review of preliminary data, it was unlikely that the study would meet its primary endpoint if it was finalized, i.e. objective tumor response. Six out of the seven patients in total who received the four initial immunizations, developed clear antibody titers. Thus, the vaccine is clearly biologically active and capable of generating a significant

immune response to the HER-2 receptor, even in these critically ill breast cancer patients. Pharmexa interprets this result as a validation of the AutoVac™ technology platform. Pharmexa continues to investigate the future potential for PX104.1.

No serious adverse events related to the vaccine have been reported in the study. The study had therefore at this time met its most important secondary endpoints, i.e. immune response and safety.

Pharmexa holds all rights to PX104.1.

PX103.2: A Therapeutic Vaccine against Breast Cancer – Phase I
PX103.2, also called HER-2 DNA AutoVac™, is a vaccine designed to treat breast cancer by stimulating the immune system to form killer cells to combat cancer cells. A Phase I/II clinical study involving 27 patients was successfully completed in December 2002. HER-2 (Human Epidermal Growth Factor Receptor 2) is a validated cancer target. Approximately 20-30% of women diagnosed with breast cancer overexpress the HER-2 protein on tumor cells, and this over-expression is generally associated with a more aggressive progression of the disease and a poorer prognosis than in HER-2-negative patients. HER-2 is also overexpressed in many other types of cancer.

Pharmexa and BN ImmunoTherapeutics, a wholly-owned subsidiary of Bavarian Nordic, signed an agreement in March 2005 under which BN ImmunoTherapeutics obtained a global non-exclusive license to formulate the HER-2 DNA AutoVac™ vaccine in Bavarian Nordic's patented MVA-BN® vector.
The agreement includes milestone and royalty payments to Pharmexa. Bavarian Nordic has announced that it has started two phase I studies with the combination of the HER-2 DNA AutoVac™ vaccine and the MVA-BN® vector (in Bavarian Nordic's terminology "MVA-BN® HER2"). Results from these two studies are expected in the first half of 2008.

PX106: A Therapeutic Vaccine against Alzheimer's Disease
Since 2000, Pharmexa has had a research and development collaboration with H. Lundbeck in which Pharmexa's AutoVac™ technology has been used to develop a vaccine as a therapy for Alzheimer's disease. Existing therapies for Alzheimer's disease are currently limited to symptom relief, so there is a great need for new and improved drugs.

Earlier in the collaboration, Pharmexa obtained proof of concept of the vaccine in animal models. This means that, used on the protein target causing Alzheimer's disease in relevant animal models, the AutoVac™ technology had the desired effect of reducing the development of amyloid plaques in the brains of mice. On the basis of these results, H. Lundbeck started preclinical development of the project, during which time a limited number of AutoVac™ molecules were studied in greater detail with a view to the final selection of a development molecule and back-ups for clinical trials in patients.

H. Lundbeck holds an exclusive global license for PX106 for the treatment of Alzheimer's disease. Pharmexa will receive milestone payments and royalties on any future sales of the vaccine. H. Lundbeck may unilaterally terminate the agreement without cause. In December 2007, H. Lundbeck and Pharmexa A/S expanded and updated the original license agreement from April 2000.

EP1090, EP1043 + 1090, EP1233 and EP1232 (MV-BN32): Vaccines against HIV
Pharmexa is currently conducting Phase I trials in connection with several vaccines directed against the HIV virus, either preventatively or therapeutically, which were initially developed through Pharmexa-Epimmune. Several of these trials are currently being funded principally through various divisions of the National Institutes of Health (NIH) in the United States. Based on the results from these studies, Pharmexa will evaluate how best to fund such further development, including potentially through grants.

EP1090: A therapeutic vaccine directed against HIV
EP1090 is a polyepitope-based DNA vaccine directed against HIV, that is designed to activate the immune system's CTL response to attack HIV-infected cells. Pharmexa hold all the rights to EP1090.

In two previous Phase I trials, Pharmexa established safety and tolerance. The company has initiated a Phase Ib study with EP1090. In this trial involving HIV-infected volunteers, EP1090 will be delivered using the BioJect 2000 needle-free device to permit the company to study whether that method of delivery might improve the immunogenicity of EP1090. Pharmexa currently anticipate that the final results from this trial will be available in early 2008.

EP1043 + EP1090: A preventive vaccine directed against HIV
EP1043 is a polyepitope-based recombinant protein vaccine against HIV that is designed to activate the immune system's HTL response and to be used in combination with vaccines that activate the immune system's CTL response, such as EP1090.

The EP1043 + EP1090 combination is currently being tested in a Phase I trial sponsored by the Division of AIDS of the National Institutes of Health (NIH) in the United States. The study is called HVTN-064. Eighty-four volunteers are enrolled in the study in the United States. Pharmexa hold all the rights to EP1043 as well as to EP1090. Preliminary data published by HVTN show that EP1043 is safe, well tolerated and immunogenic.

EP1233 and EP1232 (MVA-BN Polytope): A preventive vaccine directed against HIV

EP1233 is a polyepitope-based DNA vaccine that is designed to act against HIV by activating both HTL and CTL responses. An epitope-matched MVA (modified vaccinia ankara) viral vector vaccine (jointly owned by Pharmexa and Bavarian Nordic), EP 1232, is also under development for use in combination with EP1233.

The research and development costs associated with EP1233 and EP1232 are principally funded through a grant from the National Institute of Allergy and Infectious Diseases (NIAID) in the United States. Under this grant, Pharmexa is leading a consortium consisting of Bavarian Nordic, SRI International and Althea Technologies. The study is called HVTN-67. Pharmexa and Bavarian Nordic hold the commercial rights to EP1233 and EP1232.

Two additional Phase I studies funded by Bavarian Nordic with EP1232 in healthy volunteers and HIV-infected patients, respectively, have been initiated in Germany.

PX107: A Therapeutic Vaccine against Bone Disorders

In a number of metabolism-related bone disorders, changes are seen in the concentration of the receptor activator of the NF-kappaB ligand (RANKL). RANKL is an important regulator in bone resorption and a therapeutic target for diseases associated with bone destruction such as osteoporosis, bone metastases, rheumatoid arthritis and metabolism-related bone disorders. Preclinical studies by Pharmexa and others suggest that vaccination against the RANKL protein using the AutoVac™ method may be effective in the control of bone loss and inflammation in connection with certain diseases and other conditions. Pharmexa is in the process of developing PX107 as a human RANKL AutoVac™ vaccine to be used against bone disorders. The vaccine is intended to inhibit the rate of naturally recurring bone resorption in cases where the rate of natural bone formation has lessened, as in, for example, osteoporosis. The aim is to restore a balance between bone resorption and bone formation so that normal bone density is restored and maintained.

Pharmexa hold all rights to PX107. The project was put on hold following the announcement on February 18, 2008 where the company decided to prioritize the project portfolio to reduce costs.

Shareholder information

Securities identification code
Pharmexa's shares are listed on the Copenhagen Stock Exchange under the symbol PHARMX. The securities identification code is DK0015966592.

Share capital
At December 31, 2007, the share capital of Pharmexa amounted to DKK 207,271,975 divided into 41,454,395 shares with a nominal value of DKK 5 each. The company has only one share class.

Share price performance
On January 1, 2007, the quoted price of the company's shares on the Copenhagen Stock Exchange was DKK 18.20 per share. On December 31, 2007, the share price was DKK 6.45 per share.

Dividend policy
Pharmexa's Board of Directors currently intends to retain any earnings for use in the company's business and does not anticipate that any cash dividends will be declared in the foreseeable future.

Ownership
As of February 29 H. Lundbecks own 8.33% of the shares in Pharmexa. Management are not aware of any other shareholders holding 5% or more of the share capital of Pharmexa.

On February 29, 2008 Pharmexa had about 14,500 registered shareholders, who owned approximately 95% of the company's share capital. Pharmexa invites all shareholders to register with the company.

Investor relations
Investors can contact Pharmexa on tel +45 4516 2525 or on e-mail: ir@pharmexa.com.

Email service
We invite investors and other interested parties to register for our news service on: www.pharmexa.com.

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Company reg. (CVR) no.: 14 53 83 72
Financial year: January 1 – December 31
Municipality of registered office: Rudersdal

Board of Directors
Ole Steen Andersen, Chairman
Jørgen Buus Lassen, Deputy Chairman
Karl Olof Borg
Alf A. Lindberg
Michel L. Pettigrew
Karen Lykke Sørensen
Tomas Wikborg, employee representative
Finn Stausholm, employee representative

Executive Management
Jakob Schmidt

Auditors
Ernst & Young, Statsautoriseret Revisionsaktieselskab

Annual general meeting
The annual general meeting will be held on March 31, 2008 at 4.00 pm at Pharmexa, Kogle Allé 6, DK-2970 Hørsholm, Denmark.

Financial calendar 2008
We have scheduled the following dates in 2008 for the company's annual general meeting of shareholders and for the release of financial reports:

March 3, 2008	Release of Annual Report for 2007
March 31, 2008	Annual General Meeting
May 9, 2008	Release of interim financial report, 1st quarter 2008
August 21, 2008	Release of interim financial report, 2nd quarter 2008
November 7, 2008	Release of interim financial report, 3rd quarter 2008

Announcements to the Copenhagen Stock Exchange in 2007

Pharmexa publishes all important information via the Copenhagen Stock Exchange. In 2007, we published the following announcements, the full wording of which is available at: www.pharmexa.com.

2007-12-17	Minutes of extraordinary general meeting
2007-12-14	Pharmexa extends and updates license agreement with H. Lundbeck A/S
2007-12-11	Pharmexa presents preclinical data to support its product development pipeline at vaccine conference
2007-12-07	GV1001: Background and results being presented at AACR conference
2007-12-06	Pharmexa presents RANKL preclinical data at ASBMR conference
2007-12-03	Financial Calendar 2008
2007-12-03	GV1001 to be presented at the AACR conference December 7, 2007
2007-11-30	Notice to convene extraordinary.general meeting
2007-11-26	Pharmexa updates on financing plans
2007-11-21	New promising results published on Pharmexa's PADRE® epitope in Alzheimer's vaccine
2007-11-19	Pharmexa provides update on the HeptoVax trial of GV1001 in liver cancer
2007-11-09	Promising clinical results from new HIV vaccine
2007-11-06	Interim report for the nine months ended September 30, 2007
2007-11-02	New clinical results support telomerase vaccination in breast cancer
2007-10-10	Pharmexa provides update on the development of GV1001
2007-09-18	Achim Kaufhold joins Pharmexa as Executive Vice President, CSO and CMO
2007-09-07	Pharmexa presents new data from two experimental flu vaccines on international vaccine conference
2007-09-04	Pharmexa presents data from malaria vaccine on international vaccine conference
2007-08-31	Pharmexa again prevails against Geron in patent appeal
2007-08-23	Interim report for the six months ended June 30, 2007
2007-08-23	Quarterly report Pharmexa
2007-06-21	Pharmexa presents data from influenza program
2007-06-04	Long lasting immune response and survival to RAS vaccine
2007-06-01	Changes in share capital and votes Pharmexa's share capital and number of voting rights as of May 31, 2007
2007-05-29	Presentation at ASCO on June 4, 2007
2007-05-21	Report regarding the managements' and closely related parties' transactions with securities in Pharmexa A/S
2007-05-11	Interim report for the three months ended March 31, 2007
2007-05-03	Pharmexa starts pivotal phase III trial in the United States
2007-04-30	Pharmexa and Bavarian Nordic initiates new NIH funded Phase I trial of two HIV vaccines EP1233 and MVA-BN Polytope in combination
2007-04-24	Pharmexa's shareholders have elected Karen Lykke Sørensen and Ole Steen Andersen to the company's Board of Directors and Peter Nordkild has been appointed Chief Commercial Officer
2007-04-24	Minutes of annual general meeting
2007-04-03	Pharmexa and Affitech enter into an exclusive license agreement to promote Diabody technology
2007-04-02	Notice to convene annual general meeting
2007-03-22	Report regarding the managements' and closely related parties' transactions with securities in Pharmexa A/S
2007-03-15	British doctors to start new phase III trial with Pharmexa's GV1001
2007-03-09	Report regarding the managements' and closely related parties' transactions with securities in Pharmexa A/S
2007-03-08	Report regarding the managements' and closely related parties' transactions with securities in Pharmexa A/S
2007-03-01	Annual Report Announcement 2006
2007-02-12	Capital increase with effect from 13 February 2007
2007-02-12	The private placement of shares in Pharmexa A/S has been fully subscribed
2007-02-07	Offering of shares in Pharmexa A/S 2007-02-07 Pharmexa to offer 3,765,155 new shares in private placement
2007-01-31	Financial Calendar 2007
2007-01-11	Issue of warrants

Risk factors

It can be difficult to determine the risk involved if one is a shareholder in a biotech company. Pharmexa fundamentally believes that immunotherapy will be an attractive field in the future. We believe that, in the future, cancer patients and patients with other chronic diseases will be offered immunotherapeutic drugs as part of their treatment.

However, we would also like our shareholders to understand that things do not necessarily go the way we hope and believe – or that development may take longer than we originally thought. Therefore, it is important that our shareholders understand the risks Pharmexa is exposed to. Some of those risks are outlined below.

Immunotherapy

Pharmexa is one of the most experienced biotech companies in the field of immunotherapy. The idea of using the immune system to fight diseases against which the immune system is not normally effective is more than 100 years old. In the course of the 20th century, physicians and scientists all over the world have tried various methods to stimulate the immune systems of cancer patients to combat their tumours – so far with limited success only.

With the wisdom of hindsight, it is today often obvious why many of these early attempts were not successful. The scientific understanding of the immunological processes behind cancer and other diseases has come a very long way over the past 20 years. In the early years of the 21st century, we now presumably have both the necessary knowledge and also the necessary technologies to make immunotherapy a reliable and efficient treatment option.

One of the great successes of the past 20 years is the development of what are called monoclonal antibodies, which have proved effective both in cancer and inflammatory diseases. These drugs have contributed strongly to increasing confidence in immunotherapeutic drugs as an important group of drugs in the future. Monoclonal antibodies are often called "passive immunotherapy", but it is the term "immunotherapy" that is most often used to designate approaches in which the goal is to wake up the patient's own immune system to fight a disease through special vaccination technologies.

Immunotherapy in cancer, inflammatory and infectious diseases

Pharmexa's most advanced program – GV1001 which is currently in Phase III – in the field of immunotherapy targets pancreatic cancer. The same vaccine is also in Phase II for liver and lung cancer. The goal for GV1001 is to make the patient's own immune system fight the cancer. No such drugs against cancer are currently on the market. Pharmexa could be one of the first companies in the world to bring such drugs to market. We believe that, in a number of favourable ways, Pharmexa differs crucially from other existing and former approaches to cancer immunotherapy.

Immunotherapy is an even less tested approach to treating Alzheimer's disease and inflammatory diseases such as rheumatoid arthritis and psoriasis. However, there are monoclonal antibodies on the market which are effective against rheumatoid arthritis and psoriasis. As our knowledge about the immunology behind these diseases grows, we will also be able to use immunotherapy to treat diseases that are not life-threatening but more chronic in nature.

Treatment and preventive vaccination of serious infectious diseases such as HIV, hepatitis and malaria is a better known but still very difficult field. Our subsidiary Pharmexa-Epimmune in the USA has worked with infectious diseases for more than 15 years and has great experience with HIV, malaria, hepatitis, HPV and influenza. All these diseases continue to puzzle both Pharmexa and a large number of other companies and scientists. However, we believe that Pharmexa-Epimmune has a unique approach to these diseases which, together with our 15 years of experience, gives us a real potential for success.

Drug development

Companies which work with the development of drugs inevitably run into disappointments and delays.

One of the causes of disappointments is that animal and laboratory experiments with a drug candidate often turn out not to be very good predictors of how the drug will perform in a larger group of patients.

An important cause of delays is that drug development requires extensive coordination among many different external parties. A biotech company that develops a new cancer vaccine must coordinate its clinical trials with the contract producer who produces the drug, suppliers who supply adjuvants, the laboratories that examine patient blood samples, the hospitals and doctors involved in the trial, the regulatory authorities in the countries involved – including local ethics committees, the contract research operation handling the trial on behalf of the biotech company, the insurance company insuring the patients during the trial, the laboratory where the final safety experiments are conducted before the drug is tried in humans, and a number of other collaborative partners, suppliers and stakeholders. Drug development is therefore, not least, a major logistics task, and minor delays can spread quickly and turn into major delays. Consequently, it is crucial that Pharmexa has employees with many years of experience in drug development, and that we have quality assurance systems, processes and management tools to support the work of these employees.

When disappointments and delays occur, it is not always because a drug does not work as intended. It many be due to poor design of the trial or because the laboratory did not treat the blood samples correctly, because the doctors did not follow the protocol of guidelines for the trial, because the company

chose the wrong formulation of the drug, because the dosis was wrong, because patients could not be recruited, or one of hundreds of other things that can go wrong during the process.

Scientific risks
Even if Pharmexa has tested both the therapeutic effect and safety of our technology platforms and drug candidates with different disease targets in numerous animal models and clinical studies, it is not certain that these results are indicative of the results of current and future clinical trials in humans.

Pharmexa distinguishes between two kinds of scientific risks: technology risk and target risk. Technology risk is the risk that Pharmexa's technology platforms are not themselves therapeutically relevant immunotherapy technologies. Target risk is the risk that the therapeutic targets chosen (the points of attack in the body) are not relevant, safe or reliable in treating the disease in question. Some of the most important technology and target risks are:

Technology risks
- Varying, inconsistent or insufficient immune response in the patient population, which results in negative or ambiguous data from clinical trials
- Activation of a potentially harmful autoimmune response in patients
- Difficulties in choosing a suitable adjuvant for the product
- A declining immunization effect over time, which may reduce the relevance of the product as long-term therapy

Target risks
- That telomerase, HER-2, RANKL and other existing and future targets selected by us as immunotherapy in various disease areas turn out to be ineffective
- Unexpected adverse effects of downregulation of these target proteins or peptides or elimination of cells that use these molecules
- Difficulties in upscaling production in connection with the manufacture of products for large-scale clinical trials and subsequent sales

Being able to manage these risks is very important to whether we succeed in developing our technologies and product candidates into saleable products. Therefore, we give high priority to managing the risks. Pharmexa intends to manage and contain these risks through extensive safety and efficacy studies, ongoing research, continued optimization of formulations, thorough scientific and commercial review of the targets used, and constant monitoring of comparable trials in other companies.

Financial risks
Due to its operation, investments and financing, Phamexa is not especially exposed to fluctuations in exchange rates. However, due to our activities in Norway and the USA, we are to a limited extent exposed to fluctuations in the exchange rates of the Norwegian krone and the US dollar to the Danish krone. Pharmexa is exposed to changes in the level of interest rates when investing cash expected to be used for research and development. Pharmexa does not use financial instruments to hedge risks or for speculative purposes.

Capital management
As a biotech company, Pharmexa is dependent on continuous contributions of capital from new or existing shareholders until the Company becomes self-financing, either by selling products or by continuing to enter into new collaborative agreements with third parties regarding the Company's development projects.

As in most biotech companies, Pharmexa's capital structure is based almost solely on equity. The proportion of loans is limited. The reason is partly that the Company generates losses so it may be difficult to pay interest and make repayments on debt, and partly that the market for lending to biotech companies is generally not well developed in Denmark and Europe. Pharmexa expects that it will continue to be mainly equity financed until such a time as the Company begins to generate lasting profits.

Pharmexa's research and development projects require capital, in particular when the projects reach last-stage clinical studies. Therefore, it is important that the Company is well financed at all times. It is Pharmexa's goal to always have capital for at least one year's continuing operations. The Company has consequently raised capital through equity issues relatively frequently in recent years. The Company has also issued new shares in connection with acquisitions. Based on its current strategy, the Company expects that its future operations will be financed through collaborative agreements with third parties for specific projects, combined with additional equity issues.

Pharmexa's Board of Directors regularly discusses the Company's capital resources at its Board meetings. The capital resources are assessed in light of the Company's budgets, strategic plans, the status of ongoing negotiations of collaborative agreements with third parties and conditions on the capital markets.

Corporate Governance

On October 6, 2005, the Copenhagen Stock Exchange Committee on Corporate Governance announced its revised recommendations for corporate governance in Denmark, which are based on the "comply or explain" principle. This comply or explain rule applies to annual reports published for financial years beginning on January 1, 2006 or later, but the companies may choose to follow the requirements from an earlier time. Pharmexa A/S has decided to display its full report on corporate governance on its website.

Pharmexa A/S generally complies with the corporate governance recommendations, but we do not fully comply with two of the recommendations. These two recommendations and the explanations are stated below. For additional information on the position of Pharmexa A/S with respect to the corporate governance recommendations, see our website at www.pharmexa.com.

Corporate Governance Recommendation

Time allocated to board of directors' work and the number of directorships

"The Committee recommends that a member of the board of directors who is also a member of the executive board of an active company hold not more than three ordinary directorships or one chairmanship and one ordinary directorship in companies not forming part of the group unless in exceptional circumstances".

Pharmexa A/S's explanation

Pharmexa A/S does not comply with this recommendation. The Board of Directors will evaluate, on a case-by-case basis, the ability of current and coming Board members to set aside the necessary time for directorship in the Company. The Board of Directors will not recommend Board members for election or re-election at the annual general meeting if they are not presumed to be able to set aside the necessary time for directorship in Pharmexa A/S.

Principles for Establishing Incentive Plans

"If the remuneration for the managers consists of share or subscription options, we recommend that the schemes are set up as roll-over schemes (i.e. the options are allocated and expire over a number of years) and that the redemption price is higher than the market price at the time of the allocation.

Moreover, the Committee recommends that the schemes be designed in a way that promotes long-term behavior and are transparent and easy to understand (even for outsiders) and that valuation be made according to generally accepted methods".

Pharmexa A/S's explanation

Pharmexa A/S complies with this recommendation in part. The Executive Management is partially remunerated with warrants that can be exercised at the market price on the date of grant. So far, the exercise price has therefore not been higher than the market price on the date of grant, which is not in line with the recommendations. The plan applied promotes long-term behavior, and the general terms and conditions and the number of options granted are disclosed on grant and in the annual report. In the plan expected to be launched after the completion of the Offering and as described in "Description of the Share Capital – Issue of New Warrants", the exercise price is expected to be higher than the market price at the date of grant.

In future, Pharmexa A/S also intends to take into consideration and, to the greatest possible extent, comply with the applicable recommendations for corporate governance in Denmark.

Financial review 2007

Management's discussion and analysis of the financial report and other reports

Revenue
Revenue in the Group totalled DKK 10.9 million in 2007, against DKK 2.0 million in 2006, representing an increase of 445%. Revenue in 2007 is according to collaborative agreements with H. Lundbeck.

Research costs
Research costs totalled DKK 43.3 million in 2007, against DKK 47.6 million in 2006, representing a decrease of 9%. The decrease is primarily due to the RANKL project, which entered the development stage in 2007.

Development costs
Development costs totalled DKK 124.5 million in 2007, against DKK 117,4 million in 2006, or an 6% increase. The increase is primarily due to increased activity of the phase III trials TeloVac and PrimoVax and the clinical programs on malaria and HIV in Pharmexa-Epimmune, where the Group receives grants from NIH.

Administrative expenses
In 2007, administrative expenses increased by 11% to DKK 36.0 million, compared with DKK 32.3 million in 2006. The increase is primarily due to costs related to the Company's financing.

Other operating items
Other operating items in 2007 amounted to net DKK 23.2 million, compared to net DKK 21.8 million in 2006. The item primarily consists of grants from public authorities and the largest part is realized in Pharmexa-Epimmune, Inc.

Net financials
Net financials amounted to net DKK 5.1 million in 2007, compared with DKK 4.5 million in 2006. The Group realised interest income and capital gains of DKK 6.4 million primarily from cash deposits. The Company's cash equivalents totalled DKK 76.0 million at December 31, 2007, against DKK 165.3 million in 2006. Financial expenses came at DKK 1.3 million in 2007 compared to DKK 3.9 million in 2006. The expenses primarily consist of exchange losses of DKK 0.7 million and interest of DKK 0.7 million on Pharmexa's loan in Vækstfonden.

Net loss for the year and follow-up on expectations previously announced
The Group reported a net loss of DKK 164.7 million in 2007, compared to a net loss of DKK 169.1 million in 2006. The financial performance in 2007 was in accordance with the Company's latest projection set out.

Balance sheet items
The Group's balance sheet total at December 31, 2007 was DKK 178.3 million. Intangible assets accounted for DKK 73.6 million, cash and cash equivalents amounted to DKK 76.0 million, and shareholders' equity amounted to DKK 150.8 million versus DKK 187.7 million in the parent company. The difference is due to investments in subsidiaries being included at cost price adjusted for write-downs.

Cash flow statement
The consolidated net cash flow for 2007 is negative at DKK 88.6 million, compared to e DKK 93,2 million in 2006. Cash flows primarily consist of a loss on operations and a DKK 64 million Capital increase in February 2007.

Outlook for 2008
The following statements are forward-looking with respect to the plans, projections and future performance of the Group, each of which involves significant uncertainty. Pharmexa's actual results of operations may differ materially from the information set forth below.

Following the board meeting February 18, 2008, Pharmexa has undertaken a number of project prioritizations aimed at reducing costs associated with research, development and administration. This is in line with the scenarios the company described in the prospectus dated January 9, 2008.

The company will focus on GV1001 as well as the universal influenza vaccine project. Externally funded projects, including the Alzheimer's project, a breast cancer vaccine, the HIV program and a malaria project, will continue according to plan. The company's project in bone diseases and an early stage cancer project will be put on hold. A number of smaller technology projects will be stopped.

These project prioritizations enable the company to reduce the headcount by 20%, corresponding to approximately 20 employees. Headcount reductions took place both in San Diego, USA and in Hørsholm, Denmark. Pharmexa A/S also has advanced plans to move to a smaller facility in the research park in Hørsholm, which will result in an approximate 40% reduction in the company's facility costs. The company expects to move by May this year.

These initiatives significantly reduce Pharmexa's running costs but still maintain most of the value in the company.

Based on the company's current activities, agreements already entered into and grants already made, revenue, interest income and other operating income in the 2008 financial year will total approximately DKK 35 million. Research and development

costs are expected to total DKK 165 million, while administrative expenses are expected to be approximately DKK 20 million. The net loss, including financial income is expected to be approximately DKK 150 million.

Pharmexa's forecast for 2008 is based on its revised level of activity and assumes no new revenue generating agreements in 2008. Such new agreements or material changes to Pharmexa's strategy may therefore have a material impact on the company's forecasts for the 2008 financial year.

With the revised level of activity Pharmexa expects that the current liquidity resources can finance the operations through 2008.

In parallel with the above-mentioned cost saving initiatives, Pharmexa has retained the international investment bank HSBC Bank Plc. as financial advisor in a process to explore the company's strategic alternatives.

Provided that this exploration of strategic alternatives, against expectations, does not result in a long-lasting solution for Pharmexa, the Management may have to postpone, reduce or stop further research projects as well as preclinical and clinical studies. Such undertakings will have a negative influence on the company and at the same time cause that the Management among other things may have to write down the book value of certain assets in Pharmexa.

Capital resources and liquidity

Like other biotechnology companies, Pharmexa has recorded a loss for a number of years and is therefore dependent on continued capital contributions until the Company's activities begin to yield a profit. Pharmexa reported a net loss of DKK 164.7 million in 2007 and had cash and cash equivalents totalling DKK 76.0 million at the end of the year. On February 5, 2008, Pharmexa completed a share issue with net proceeds of DKK 80.2 million. With the revised level of activity Pharmexa expects that the current liquidity resources can finance the operations in 2008.

Related-party transactions

There were no significant related-party transactions during the year except normal business with subsidiaries and remuneration to the management.

Environmental impact

No significant environmental impact is associated with the activities of Pharmexa.

Substantial post balance sheet events

On January 8, 2008, Pharmexa publish a prospectus with the aim to raise up to DKK 345 million in a rights issue to existing shareholders.

On February 5, 2008, Pharmexa announce the company has raised DKK 91 million in the rights issue, in difficult markets. On February 18, 2008, Pharmexa announce that the company launches a number of specific initiatives to protect shareholder value and to the extent possible, secure the continuation of the positive developments in the company's key projects.

Financial statements

Accounting policies

Basis of accounting
The annual report of the Pharmexa Group for 2006 has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The accounting policies are consistent with those of last year with the exception of the implementation of new/updated standards which are obligatory for reporting years commencing on January 1, 2007.

Effect from the implementation of new and updated standards issued by the IASB
In 2007, Pharmexa adopted all of the new and revised standards and interpretations that are relevant to Pharmexa and effective for accounting periods beginning on January 1, 2007.
The implementation of IFRS 7 "Financial Instruments: Disclosures" and IAS "Prensentation of financial statements: Capital disclosures" has not had a significant effect on the year-end Report.

At the end of 2007, the following standards were issued with effective date January 1, 2008, which have not yet been implemented:

- IAS 1 " Presentation of the Year-end Report"

The adoption of this standard is not expected to have any significant effect on the financial statements of Pharmexa.

General recognition and measurement criteria
The financial statements are based on the historic cost principle. Results of operations, assets and liabilities are therefore measured as described in the following.

Income is recognised in the income statement as earned. All expenses are recognised in the income statement as incurred.

Assets are recognised in the balance sheet once it is probable that future economic benefits attributable to the assets will flow to the Group and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that there will be an outflow of future economic benefits from the Group and the value of the liability can be measured reliably.

Critical accounting assessments and estimates
Regular estimates and assessment are based on historic experience and other factors, including expectations as to future events on the basis of present circumstances.

Critical accounting assessments and assumptions
The value of recognised patents, licences and projects on the takeover of the shares in GemVax AS and of the activities from IDM Pharma Inc. is subject to a considerable risk of material adjustments in the assets at the balance sheet date in the coming years in case of significant changes in the assessment of the expected cash flow from the assets concerned. The carrying amount of these assets is DKK 72.4 million at December 31, 2007. No such other estimates or assessments have been made as are subject to a significant risk of material adjustments of the assets or liabilities in the balance sheet during the coming reporting year.

Critical estimates relating to the application of the Company's accounting policies
An intangible asset arising from a development project must, according to IAS 38 "Intangible Assets", be recognised in the balance sheet if the criteria for recognition in the balance sheet are met. Which means that (1) the development project is clearly defined and identifiable, (2) the technical feasibility has been demonstrated as well as the availability of adequate resources to complete the development project and market the final product or to use the product internally, and (3) the management has demonstrated its intention to manufacture and sell the product or use it internally. Finally, it must be documented with adequate certainty that the future income from the development project will exceed the expenses for production and development as well as the expenses to sell and administer the product.

Development costs regarding individual projects are recognised as assets only if it is sufficiently certain that the future earnings for the individual projects will exceed not only the expenses for production, sale and administration, but also the actual product development costs. In the management's opinion, there is generally a high risk connected with the development of pharmaceuticals, for which reason sufficient certainty as to the future earnings cannot be obtained at present. The future economic benefits related to the product development cannot be made up with reasonable certainty until the development activities are complete and the requisite approvals have been granted. As a result, the management has chosen to expense the development costs incurred during the year.

Consolidation principle
The consolidated financial statements comprise Pharmexa A/S (the parent company) and the enterprises in which Pharmexa A/S, directly or indirectly, holds more than 50% of the voting rights or otherwise has a controlling interest (subsidiaries). Pharmexa A/S and its subsidiaries are jointly referred to as "the Group".

The consolidated financial statements are prepared on the basis of the financial statements of the parent company and its subsidiaries by aggregating uniform items and by subsequently eliminating related party transactions, shareholdings and

balances as well as unrealised intra-group gains and losses. The consolidation financial statements are based on financial statements prepared in accordance with the accounting policies used in the Pharmexa Group.

Additions and disposals of enterprises are recognized in the income statement for the period during which Pharmexa has owned the enterprise. Comparatives are not restated for such additions or disposals. Gains and losses consist of the difference between the selling price and the carrying amount of net assets at the time of disposal and expenses for sale or disposal.

Newly acquired enterprises are treated according to the acquisition method. The cost is measured at the fair value of the assets taken over and liabilities assumed at the takeover date plus expenses directly connected with the takeover. Identifiable assets and liabilities and contingencies in connection with a business integration are measured, on initial recognition, at the fair value at the takeover date, without considering a minority interest, if any. Any positive differences between the cost and the fair value of the Group's portion of the identifiable net assets are recognised as goodwill.

Investments in subsidiaries

Investments in subsidiaries are measured at cost in the parent company financial statements. If the cost exceeds the recoverable amount, it is written down to such lower value.

The cost is written down to the extent dividend distributed exceeds the accumulated earnings after the takeover date.

Foreign currency translation

The annual report is presented in the parent company's functional currency, Danish kroner. Transactions in foreign currency are translated during the year at the exchange rate at the date of the transaction. Gains and losses arising between the exchange rate at the date of the transaction and the exchange rate at the date of payment are recognised in the income statement under "Net financials".

Receivables, payables and other monetary items in foreign currency not settled at the balance sheet date are translated at the closing rate. Differences between the closing rate and the exchange rate at the date of the transaction are recognised in the income statement under "Net financials". Non-monetary items in foreign currency which are measured at cost and which are not settled at the balance sheet date are translated at the date of the transaction. Non-monetary items in foreign currency which are measured at fair value are translated at the exchange rate at the date at which the fair value was assigned.

Items in the financial statements of foreign subsidiaries are translated into Danish kroner using closing rates for balance sheet items and average exchange rates for items in the income statement.

Exchange differences arising on the translation of foreign subsidiaries' opening balance sheet items to the exchange rates at the balance sheet date and on the translation of the income statements from average exchange rates to exchange rates at the balance sheet date are taken directly to equity. Similarly, exchange differences arising as a result of changes made directly in the equity of the foreign subsidiary are also taken directly to equity.

Income taxes and deferred tax

The tax for the year, which consists of the current tax charge for the year and changes in the deferred tax charge, is recognised in the income statement as regards the share that is attributable to the net profit or loss for the year and directly in equity as regards the share that is attributable to entries directly in equity.

Current tax liabilities and receivables are recognized in the balance sheet as a receivable in case of an overpayment of tax on account and as a liability in case of an underpayment of tax on account.

Deferred tax is measured using the liability method on all temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax on temporary differences is not recognised regarding non-deductible (for tax purposes) goodwill and other items on which temporary differences – part from corporate acquisitions – have arisen at the time of acquisition without affecting neither the results of operations nor the taxable income. Where the tax base may be set using alternative tax rules, deferred tax is measured on the basis of the intended use of the asset or the intended settlement of the liability.

Deferred tax assets, including the tax value of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either through elimination against tax on future earnings or through a set-off against deferred tax liabilities within the same legal tax entity and jurisdiction.

The group enterprises are not taxed on a joint basis.

Incentive plans

Warrants are measured at their fair value at the time of grant and are recognised in the income statement as vested under "Research costs", "Development costs" or "Administrative expenses", respectively. The counter item is taken directly to equity. The most significant terms for warrants granted appear in the notes to the financial statements.

Share-based payments settled with cash are measured at fair value at the balance sheet date and are recognised in the income statement as vested under "Research costs", "Development costs" or "Administrative expenses", respectively. The counter item is taken as a liability. The most significant terms for share-based payments settled with cash appear in the notes to the financial statements.

Segment information
The Company is administered as one entity, which operates in one geographical market. Separate business areas cannot be identified in respect of the individual product candidates or geographical markets. Consequently, no segment information is reported in respect of business segments or geographical markets.

Revenue
Income from research, development and cooperation agreements are recognised in the income statement if the general recognition criteria are met, including that the service concerned has been provided before year-end, that the amount can be made up reliably and that it can be expected to be received. Revenue is recognised over the term of the agreement in accordance with the terms and conditions of the agreement. Revenue is made up exclusive of VAT and charges and net of price reductions in the form of discounts.

Research costs
Research costs include salaries, expenses related to patents and premises as well as other expenses such as IT expenses and depreciation attributable to the Company's research activities. The Company expenses all research costs in the year they are incurred.

Development costs
Development costs include salaries, expenses related to patents and premises as well as other expenses such as IT expenses and depreciation relating to the Company's development activities. Development projects are characterised by a single compound undergoing a number of toxicological tests to illustrate its physical/chemical properties and effect on human beings.

Administrative expenses
Administrative expenses include salaries, expenses related to premises as well as other expenses such as IT expenses and depreciation relating to administration.

Other operating income/expenses
Other operating income and other operating expenses include accounts of a secondary nature relative to the companies' main activity, including government grants and gains and losses on the sale of intangible assets and property, plant and equipment.
Government grants are recognised under "Other operating income" when the final right to the grant has vested. However, government grants from SkatteFUNN in Norway are recognised under "Research costs", "Development costs" and "Administrative expenses".

Net financials
Financial income and expenses include interest, realised and unrealised value adjustments on securities and foreign currency.

Dividend from investments in subsidiaries
Dividend from investments in subsidiaries is booked as income in the parent company's income statement in the reporting year in which the dividend is declared. Where the dividend exceeds the accumulated earnings after the takeover date, the dividend is, however, not booked as income in the income statement, but is recognised as a reduction of the cost of the investment.

BALANCE SHEET

Intangible assets
Licences and rights acquired for consideration are measured at cost net of accumulated amortisation. Licences and rights are amortised on a straight-line basis over the expected useful life of the assets. The amortisation period is based on the expected economic and technological life of the assets, which is 5 to 10 years.

Patent rights acquired on the takeover or enterprises or activities are measured at fair value at the time of acquisition, net of accumulated amortisation. Patent rights are amortised on a straight-line basis over the remainder of their life.

The basis of amortisation, which is made up as cost, is distributed on a straight-line basis of the expected useful life of the assets, as follows:

Licences and rights	5-10 years
Acquired patents, trade marks and technologies	Up to 20 years

Property, plant and equipment
Property, plant and equipment are measured at cost net of accumulated depreciation and write-downs.

The cost comprises the cost of acquisition and expenses directly related to the acquisition until such time as the asset is ready to be put into use. As for assets of own manufacture, the cost comprises direct and indirect costs of labour, materials, components and sub-suppliers. Borrowing costs are not recognised as part of the cost.

The basis of depreciation, which is cost less any residual value, is distributed on a straight-line basis over the expected life of the assets, as follows:

Plant and machinery	5 - 10 years
Other fixtures, fittings, tools and equipment	2 - 10 years
Leasehold improvements	10 years

Gains and losses on current replacements of property, plant and equipment are recognised under "Other operating income" and "Other operating expenses", respectively.

Write-down of non-current assets
The carrying amount of intangible assets and property, plant and equipment and investments is assessed on an annual basis to determine whether there are any indications of impairment other than that provided for by normal amortisation and depreciation. In the event of impairment, the asset concerned is written down to its recoverable amount, which is made up as the higher of the net selling price and the value in use. If it is not possible to make up the recoverable amount of the individual asset, the impairment requirement is assessed for the smallest group of assets for which the recoverable amount can be made up. Impairment losses are recognised in the income statement under "Research costs", "Development costs" and "Administrative expenses", respectively.

Assets for which no value in use can be ascertained as the assets will not in themselves generate future cash flows are assessed together with the group of assets to which they belong.

Receivables
Receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, corresponding to the nominal value net of provisions for bad debts. Provisions for bad debts are based on an individual assessment of each account receivable.

Cash and cash equivalents
Cash and cash equivalents comprises cash, bank balances and bank deposits on demand.

Equity
Share premium comprises payment of share premium in connection with the issuing of shares. Share-based payment comprises the value of included costs for share-based payment measured at their fair value at the time of grant adjusted for subsequent changes. Conditional shareholders' equity comprises the value of convertible debt instrument measured at fair value at the time of grant. Exchange adjustments comprises the exchange deviations arising on the translation of foreign subsidiaries income statement and balance sheet from their respective currency to Pharmexa's functional currency, Danish kroner.

Provisions
Provisions are recognized once the Group has a legal or constructive obligation as a result of event occurring prior to or on the balance sheet date and it is probable that economic resources will be required to settle the obligation.

Financial liabilities
Liabilities are measured at amortised cost, which in all essential respect equal the nominal value.

Leases
Leases for property, plant and equipment in respect of which the Group has all significant risks and rewards of ownership are classified as finance leases. Finance leases are recognised in the balance sheet at the lower of the fair value of the asset and the net present value of the minimum lease payments at the time of acquisition.

The capitalized residual commitment, net before interest, is recognized in the balance sheet as a liability. The interest element of finance leases is recognized periodically in the income statement over the lease term so as to recognize an interest element of the outstanding residual lease commitment for the individual periods.

Assets held under finance leases are depreciated and written down over the expected useful live of the assets.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessee are classified as operating leases. Payments made under operating leases are recognized in the income statement on a straight-line basis over the lease term.

Prepayments and deferred income
Prepayments recorded as assets comprise expenses relating to subsequent reporting years such as prepaid expenses regarding rent, licences, insurance premiums, subscription fees and interest.

Deferred income recorded as liabilities consist of payments received relating to income in subsequent reporting years.

Cash flow statement
The cash flow statement shows the Company's net cash flow for the year, broken down by operating, investing and financing activities, changes in cash and cash equivalents for the year and the Company's cash and cash equivalents at the beginning and at the end of the year.

Cash flow from operating activities
Cash flows from operating activities consist of the net profit or loss for the year, adjusted for non-cash income statement items such as amortisation, depreciation and write-downs, provisions and changes in the working capital, interest received and paid, payments regarding extraordinary items and income taxes paid. Working capital includes current assets less current liabilities exclusive of the items included in cash and cash equivalents.

Cash flow from investing activities
Cash flows from investing activities consist of cash flows from the purchase and sale of intangible assets, property, plant and equipment and investments.

Cash flow from financing activities
Cash flows from financing activities consist of cash flows from the raising and repayment of non-current liabilities and cash flows from capital increases.

Cash and cash equivalents
Cash and cash equivalents consist of cash, bank balance and bank deposits on demand.

The cash flow statement cannot be derived solely from the financial records disclosed.

Definition of financial ratios

$$\text{Current and diluted EPS} = \frac{\text{Net result}}{\text{Average number of shares}} \times \text{adjustment factor}$$

$$\text{Net asset value per share} = \frac{\text{Equity}}{\text{Number of shares at year-end}}$$

$$\text{Share price/net asset value} = \frac{\text{Shareprice x number of shares}}{\text{Total equity}}$$

$$\text{Assets/equity} = \frac{\text{Total assets}}{\text{Total equity}}$$

Income statement for the period January 1 – December 31

		Group		Parent company	
DKK'000	**Note**	**2007**	**2006**	**2007**	**2006**
Revenue		**10,879**	**2,040**	**10,879**	**441**
Research costs		-43,343	-47,644	-22,220	-30,590
Development costs		-124,481	-117,443	-99,109	-76,140
Administrative expenses		-36,029	-32,335	-27,495	-25,305
Loss before other operating income/expenses		**-192,974**	**-195,382**	**-137,945**	**-131,594**
Other operating income	1	23,203	21,855	4,902	-
Other operating expenses		0	-70	0	-32
Operating loss		**-169,771**	**-173,597**	**-133,043**	**-131,626**
Write-down of investments in subsidiaries	8	-	-	-66,000	-
Other financial income	2	6,423	8,459	9,264	12,014
Other financial expenses	3	-1,363	-3,912	-8,755	-11,990
Loss before tax		**-164,711**	**-169,050**	**-198,534**	**-131,602**
Income taxes	4	0	0	0	0
Net loss for the year		**-164,711**	**-169,050**	**-198,534**	**-131,602**
Earnings and diluted earnings per share	5	-4.0	-4.5		

Balance sheet at December 31

		Group		Parent company	
DKK'000	**Note**	**2007**	**2006**	**2007**	**2006**
ASSETS					
Licences and rights	6	1,188	1,776	1,188	1,776
Patents, trade marks and technologies	6	72,376	84,958	-	-
Intangible assets		**73,564**	**86,734**	**1,188**	**1,776**
Plant and machinery	7	5,803	8,993	4,275	7,063
Other fixtures and fittings, tools and equipment	7	2,616	3,466	2,129	2,501
Leasehold improvements	7	1,749	2,414	1,089	1,469
Prepayments for assets under construction	7	0	578	0	365
Property, plant and equipment		**10,168**	**15,451**	**7,493**	**11,398**
Investments in subsidiaries	8	-	-	117,029	94,711
Receivable from group enterprise		-	-	-	71,613
Deposit		5,260	5,828	2,866	3,011
Financial non-current assets		**5,260**	**5,828**	**119,895**	**169,335**
Non-current assets		**88,992**	**108,013**	**128,576**	**182,509**
Receivables from group enterprises		-	-	5,314	106
Other receivables		10,109	6,877	2,769	1,556
Prepayments	9	3,177	4,741	2,982	4,315
Receivables		**13,286**	**11,618**	**11,065**	**5,977**
Cash and cash equivalents		**76,010**	**165,260**	**71,607**	**155,404**
Current assets		**89,296**	**176,878**	**82,672**	**161,381**
ASSETS		**178,288**	**284,891**	**211,248**	**343,890**

Balance sheet at December 31

		Group		Parent company	
DKK'000	**Note**	**2007**	**2006**	**2007**	**2006**
EQUITY AND LIABILITIES					
Share capital	10	207,272	376,893	207,272	376,893
Share premium		0	0	0	0
Profit and loss account		-63,765	-118,833	-26,796	-64,664
Other shareholders' equity		7,246	159	7,246	9,595
Shareholders' equity		**150,753**	**258,219**	**187,722**	**321,824**
Loan, Vækstfonden	12	1,148	4,847	1,148	4,847
Finance lease commitments	13	-	151	-	151
Non-current liabilities		**1,148**	**4,998**	**1,148**	**4,998**
Loan, Vækstfonden	12	4,975	4,538	4,975	4,538
Finance lease commitments	13	151	180	151	180
Trade payables		9,259	6,715	6,928	5,268
Other payables		12,002	10,241	10,324	7,082
Current liabilities		**26,387**	**21,674**	**22,378**	**17,068**
Liabilities		**27,535**	**26,672**	**23,526**	**22,066**
Equity and liabilities		**178,288**	**284,891**	**211,248**	**343,890**

Other notes:

Statement of changes in equity

Group	Number of shares	Share capital	Share premium	Profit and loss account	Share-based payment	Conditional share-holders' equity	Exchange rate adjust-ments	Total
		DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Shareholders' equity at January 1, 2007	37,689,240	376,893	0	-118,833	9,595	0	-9,436	258,219
Net loss for the year				-164,711				-164,711
Exchange rate adjustments, foreign subsidiaries							-7,187	-7,187
Comprehensive income				-164,711			-7,187	-171,898
Transfer to cover loss			-26,356	26,356				0
Capital increase by way of a share issue	3,765,155	37,651	26,356					64.007
Write down of share capital		-207,272		207,272				0
Expenses, capital increase				-4,074				-4,074
Expensed value of warrants granted				6,848	-2,349			4,499
Shareholders' equity at December 31, 2007	**41,454,395**	**207,272**	**0**	**-47,142**	**7,246**	**0**	**-16,623**	**150,753**
Shareholders' equity at January 1, 2006	**37,599,840**	**375,999**	**49,561**	**-**	**4,703**	**33,000**	**358**	**463,621**
Net loss for the year				-169,050			-	-169,050
Exchange rate adjustments, foreign subsidiaries				-			-9,794	-9,794
Comprehensive income				-169,050			-9,794	-178,844
Transfer to cover loss	-	-	-50,217	50,217	-	-	-	0
Capital increase by way of a share issue	89,400	894	805	-	-	-	-	1,699
Conditional shareholders' equity	-	-	-	-	-	-33,000	-	-33,000
Expenses, capital increase	-	-	-149	-	-	-	-	-149
Expensed value of warrants granted	-	-	-	-	4,892	-	-	4,892
Shareholders' equity at December 31, 2006	**37,689,240**	**376,893**	**0**	**-118,833**	**9,595**	**0**	**-9,436**	**258,219**

Statement of changes in equity – continued

Parent company	Number of shares	Share capital	Share premium	Profit and loss account	Share-based payment	Conditional share-holders' equity	Total
		DKK'000	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Shareholders' equity at January 1, 2007	**37,689,240**	**376,893**	**0**	**-64,664**	**9,595**	**0**	**321,824**
Net loss for the year				-198,534			-198,534
Comprehensive income				-198,534			-198,534
Transfer to cover loss	-	-	-26,356	26,356	-	-	0
Capital increase by way of a share issue	3,765,155	37,651	26,356	-	-	-	64,007
Write down of share capital	-	-207,272	-	207,272	-	-	0
Expenses, capital increase	-	-	-	-4,074	-	-	-4,074
Expensed value of warrants granted	-	-	-	6,848	-2,349	-	4,499
Shareholders' equity at December 31, 2007	**41,454,395**	**207,272**	**0**	**-26,796**	**7,246**	**0**	**187,722**
Shareholders' equity at January 1, 2006	**37,599,840**	**375,999**	**66,282**	**-**	**4,703**	**33,000**	**479,984**
Net loss for the year	-			-131,602			-131,602
Comprehensive income	-			-131,602			-131,602
Transfer to cover loss	-	-	-66,938	66,938	-	-	0
Capital increase by way of a share issue	89,400	894	805	-	-	-	1,699
Conditional shareholders' equity	-	-	-	-	-	-33,000	-33,000
Expenses, capital increase	-	-	-149	-	-	-	-149
Expensed value of warrants granted	-	-	-	-	4,892	-	4,892
Shareholders' equity at December 31, 2006	**37,689,240**	**376,893**	**0**	**-64,664**	**9,595**	**0**	**321,824**

Analysis of movements in the share capital:

	2007	**2006**	**2005**	**2004**	**2003**
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Share capital at January 1	376,893	375,999	163,999	40,999	40,999
Capital increase	37,651	894	212,000	123,000	-
Write-down of share capital	-207,272	-	-	-	-
Share capital at December 31	**207,272**	**376,893**	**375,999**	**163,999**	**40,999**

Cash flow statement for the period January 1 – December 31

		Group		Parent company	
DKK'000	**Note**	**2007**	**2006**	**2007**	**2006**
Net loss for the year		-164,711	-169,050	-198,534	-131,602
Adjustments	15	12,196	14,205	74,905	11,350
Changes in working capital	16	4,458	-7,613	2,745	6,107
Cash flow from operating activities before net financials		-148,057	-162,458	-120,884	-114,145
Interest received etc.		6,423	8,459	5,813	8,402
Interest paid etc.		-1,363	-2,407	-1,209	-2,652
Cash flow from operating activities		**-142,997**	**-156,406**	**-116,280**	**-108,395**
Purchase of enterprises/investments in group enterprises		-	-	-22,319	-25,680
Additions of intangible assets		-	-97	-	-
Additions of property, plant and equipment		-788	-3,832	-429	-2,874
Disposals of property, plant and equipment		2	-	-	-
Disposals of marketable securities		-	70,853	-	70,853
Cash flow from investing activities		**-786**	**66,924**	**-22,748**	**42,299**
Net proceeds, share issue		59,934	-	59,934	-
Net proceeds, warrant exercise		-	1,550	-	1,550
Repayments, loans		-4,537	-5,100	-4,537	-5,100
Repayments, finance leases		-166	-173	-166	-173
Cash flow from financing activities		**55,231**	**-3,723**	**55,231**	**-3,723**
Change in cash and cash equivalents		**-88,552**	**-93,205**	**-83,797**	**-69,819**
Unrealised currency gain/loss		-698	-1,859	-	-
Cash and cash equivalents at January 1		165,260	260,324	155,404	225,223
Cash and cash equivalents at December 31		**76,010**	**165,260**	**71,607**	**155,404**
Analysis of cash and cash equivalents:					
Cash and demand deposits		20,143	25,691	18,423	20,404
Fixed-term deposits		55,867	139,569	53,184	135,000
		76,010	**165,260**	**71,607**	**155,404**

Notes

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
1	**Other operating income**				
	Public grants, USA	21,716	20,649	-	-
	Public grants, Norway	1,487	1,206	-	-
	Other operating income	-	-	4,902	-
		23,203	**21,855**	**4.902**	**-**
2	**Other financial income**				
	Exchange gains, subsidiaries	-	-	-	532
	Exchange gains	789	646	727	579
	Securities	-	1,710	-	1,710
	Group enterprises	-	-	3,452	3,612
	Other financial income	5,634	6,103	5,085	5,581
		6,423	**8,459**	**9,264**	**12,014**
3	**Other financial expenses**				
	Exchange losses, subsidiaries	-	-	7,547	8,365
	Exchange adjustments	704	2,252	60	2,074
	Finance leases	13	16	13	16
	Realised and unrealised capital losses	-	604	-	604
	Other financial expenses	646	1,040	591	931
		1,363	**3,912**	**8,755**	**11,990**

Notes

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
4	**Income taxes**				
	Total tax for the year	**0**	**0**	**0**	**0**
	Analysis of the year's tax charge:				
	Estimated 25% tax on the pre-tax loss for the year	-41,178	-51,610	-49,633	-36,848
	Tax effect of:				
	Reduction of tax rate from 28-25%	19,258	0	19,258	0
	Reverse of write down regarding subsidiaries	-	-	16,500	0
	Deductible expenses taken to equity	-1,018	-28	-1,018	-28
	Other non-deductible expenses	1,131	1,246	1,131	1,246
	Change in non-recognised deferred tax asset	21,807	50,392	13,762	35,630
		0	**0**	**0**	**0**

5	**Earnings per share and diluted earnings per share**		
	Earnings per share and diluted earnings per share have been calculated on the basis of the average number of shares.		
	Net loss for the year (in DKK thousands)	-164,711	-169,050
	Average number of shares	41,009,610	37,649,206
	Earnings and diluted earnings per share	-4,0	-4.5

Adjustment of the shares issued April 19, 2004 uses 0.83 and adjustment of the shares issued May 3, 2005 uses 0.86 in the calculation of earnings and diluted earnings per share.

As of January 7, 2008 the share capital has been increased with 18,237,545 shares of DKK5 per share.

There is no difference between the calculation of earnings per share and diluted earnings per share as the Group reported an operating loss.

Note	DKK'000		
6	**Intangible assets**		
		Licences and rights	Acquired patents, trade marks and technologies
	Cost at January 1, 2007	7,680	100,036
	Exchange rate adjustments	-	-6,555
	Additions for the year	-	-
	Disposals for the year	-	-
	Cost at December 31, 2007	7,680	93,481
	Amortisation and write-downs at January 1, 2007	5,904	15,078
	Exchange rate adjustments	-	-808
	Amortisation for the year	588	6,835
	Amortisation and write-downs at December 31, 2007	6,492	21,105
	Carrying amount at December 31, 2007	**1.188**	**72,376**
	Amortised over	5-10 years	10-20 years
	Parent company		
	Cost at January 1, 2007	7,680	-
	Additions for the year	-	-
	Disposals for the year	-	-
	Cost at December 31, 2007	7,680	-
	Amortisation and write-downs at January 1, 2007	5,904	-
	Amortisation for the year	588	-
	Amortisation and write-downs at December 31, 2007	6,492	-
	Carrying amount at December 31, 2007	**1,188**	**-**
	Amortised over	5-10 years	-

Note DKK'000

6 Intangible assets – continued

	Licences and rights	Acquired patents, trade marks and technologies
Group		
Cost at January 1, 2006	7,680	140,343
Exchange rate adjustments	-	-7,404
Additions for the year	-	-97
Disposals for the year	-	-33,000
Cost at December 31, 2006	7,680	100,036
Amortisation and write-downs at January 1, 2006	4,858	9,774
Exchange rate adjustments	-	-221
Amortisation for the year	1,046	8,999
Reversal of amortisation of disposals for the year	-	-3,474
Amortisation and write-downs at December 31, 2006	5,904	15,078
Carrying amount at December 31, 2006	**1,776**	**84,958**
Amortised over	5-10 years	10-20 years

In 2006, a milestone payment on the TeloVac project was not realised . A part of the acquisition payment fort GemVax is therefore cancelled. The value of this milestone T.DKK 33,000, and the related depreciations T.DKK 3,474 has been reversed in 2006.

Parent company		
Cost at January 1, 2006	7,680	-
Additions for the year	-	-
Disposals for the year	-	-
Cost at December 31, 2006	7,680	-
Amortisation and write-downs at January 1, 2006	4,858	-
Amortisation for the year	1,046	-
Amortisation and write-downs at December 31, 2006	5,904	-
Carrying amount at December 31, 2006	**1,776**	**-**
Amortised over	5-10 years	-

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
6	**Intangible assets – continued**				
	Amortisation and write-downs of intangible assets is expensed over the following accounts:				
	Research costs	1,976	2,418	185	463
	Development costs	5,410	4,114	402	583
	Administrative expenses	36	39	0	0
		7,422	**6,571**	**587**	**1,046**

Note	DKK'000

7 Property, plant and equipment

	Plant and machinery	Other fixtures, fittings, tools and equipment	Leasehold improvements	Prepayments for assets under construction
Group				
Cost at January 1, 2007	40,384	12,431	5,082	578
Reclassification at January 1, 2007	395	-385	-10	-
Exchange rate adjustments	-382	-63	-141	-
Additions for the year	634	559	173	-
Disposals for the year	-61	-27	-	-578
Cost at December 31, 2007	40,970	12,515	5,104	0
Depreciation at January 1, 2007	31,391	8,965	2,668	-
Exchange rate adjustments	-170	-24	-66	-
Depreciation for the year	3,997	983	753	-
Reversal of depreciation of disposals for the year	-51	-25	0	-
Depreciation at December 31, 2007	35,167	9,899	3,355	
Carrying amount at December 31, 2007	**5.803**	**2,616**	**1,749**	**0**
Hereof assets held under finance leases		330		
Depreciated over	5 - 10 years	2 – 10 years	10 years	
Parent company				
Cost at January 1, 2007	37,290	11,251	3,766	365
Additions for the year	426	378	0	0
Disposals for the year	-51	0	0	-365
Cost at December 31, 2007	37,665	11,629	3,766	0
Depreciation at January 1 2007	30,227	8,750	2,297	-
Depreciation for the year	3,214	750	380	-
Reversal of depreciation of disposals for the year	-51	0	0	-
Depreciation at December 31, 2007	33,390	9,500	2,677	-
Carrying amount at December 31, 2007	**4,275**	**2,129**	**1,089**	**0**
Hereof assets held under finance leases		330		
Depreciated over	5 - 10 years	2 - 10 years	10 years	

Note	DKK'000

7 Property, plant and equipment – continued

	Plant and machinery	Other fixtures, fittings, tools and equipment	Leasehold improvements	Prepayments for assets under construction
Group				
Cost at January 1, 2006	40,120	11,361	5,192	821
Reclassification at January 1, 2006	-444	434	10	-
Exchange adjustments	-795	155	-142	-
Additions for the year	2,016	2,037	22	578
Disposals for the year	-513	-1,556	-	-821
Cost at December 31, 2006	40,384	12,431	5,082	578
Depreciation at January 1, 2006	26,588	9,336	1,913	-
Exchange adjustments	-29	-2	-10	-
Depreciation for the year	5,278	1,172	765	-
Reversal of depreciation of disposals for the year	-446	-1,541	0	-
Depreciation at December 31, 2006	31,391	8,965	2,668	-
Carrying amount at December 31, 2006	**8,993**	**3,466**	**2,414**	**578**
Hereof assets held under finance leases		439		
Depreciated over	5 - 10 years	2 – 10 years	10 years	
Parent company				
Cost at January 1, 2006	35,867	11,334	3,766	821
Additions for the year	1,873	1,457	0	365
Disposals for the year	-450	-1,540	0	-821
Cost at December 31, 2006	37,290	11,251	3,766	365
Depreciation at January 1 2006	26,588	9,327	1,913	-
Depreciation for the year	4,057	963	384	-
Reversal of depreciation of disposals for the year	-418	-1,540	0	-
Depreciation at December 31, 2006	30,227	8,750	2,297	-
Carrying amount at December 31, 2006	**7,063**	**2,501**	**1,469**	**365**
Hereof assets held under finance leases		439		
Depreciated over	5 - 10 years	2 - 10 years	10 years	

Notes

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
7	**Property, plant and equipment – continued**				
	Depreciation of property, plant and equipment is expensed as follows:				
	Research costs	2,783	2,833	1,323	2,239
	Development costs	2,529	3,813	2,650	2,648
	Administrative expenses	421	569	371	517
		5,733	**7,215**	**4,344**	**5,404**

Note	DKK'000	Parent company 2007	Parent company 2006
8	**Investments in subsidiaries**		
	Parent company		
	Cost at January 1	94,711	101,798
	Additions for the year	88,318	25,913
	Disposals for the year	0	-33,000
	Cost at December 31	183,029	94,711
	Write-downs at January 1	0	0
	Write-downs for the year	-66,000	0
	Write-downs at December 31	-66,000	0
	Carrying amount at December 31	**117,029**	**94,711**

The book value of Pharmexa-Epimmune is written down to the assumed recoverable amount corresponding to its value in use. The write-down should be seen in the light of the Group's current liquidity position and the related risks in connection to completing the development projects.

Name of subsidiary	Domicile	Share capital	Interest
GemVax AS	Porsgrunn, Norway	NOK 346,223	100%
Pharmexa-Epimmune Inc.	San Diego, USA	USD 23,000,010	100%

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006

9 Prepayments

Prepayments mainly consist of prepaid expenses relating to insurance, subscriptions and service agreements.

10 Share capital

On December 17, 2007, the Company's Annual Meeting wrote-down the share capital to cover loss with DKK 207,271,972 to nom. DKK 207,271,972 by reducing the value of each share from nom. DKK 10 to nom. DKK 5.

The share capital consists hereafter of 41,454,395 shares of DKK 5 each or multiples thereof. No shares carry any special rights.

The Annual General Meeting has further more authorized the Board of Directors to increase the share capital by one or more issues with up to 82,908,790 shares for a period ending December 31, 2008. A part of this authorization was used by the Board of Directors in February 2008, where 18,237,545 new shares where issued.

11 Deferred tax

Tax asset	225,530	200,138	193,510	179,893
Write-down to assessed value	-225,530	-200,138	-193,510	-179,893
Carrying amount	**0**	**0**	**0**	**0**
The potential tax asset has been stated at 25%, corresponding to the current tax rate.				
The tax asset has not been capitalised, as it cannot, at present, be expected to be realised in future earnings.				
Analysis of the tax asset:				
Intangible assets	800	1,038	800	1,038
Property, plant and equipment	3,371	4,486	3,371	4,486
Research and development costs capitalised for tax purposes	3,679	13,826	3,679	13,826
Tax losses	217,680	180,788	185,660	160,543
	225,530	**200,138**	**193,510**	**179,893**

12 Loan, Vækstfonden

The loan concerns the HER-2 project. The loan from Vækstfonden of DKK 4.5 million is secured on the project and related production equipment. The loan carries interest of 7.3% per annum.

Notes

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
13	**Finance lease commitments**				
	Minimum commitment under finance leases:				
	Total future lease payments:				
	Within 1 year	155	191	155	191
	Between 1 and 5 years	0	155	0	155
	Total	155	346	155	346
	The fair value of the commitment corresponds to the carrying amount.				
	Future finance charge, finance leases	-4	-15	-4	-15
	Net present value of finance leases	151	331	151	331
	Net present value of the commitments:				
	Within 1 year	151	180	151	180
	Between 1 and 5 years	0	151	0	151
	Total	151	331	151	331

The Company's finance leases relate to computer equipment. The lease includes an option to purchase the equipment at the end of the lease term. Where the option is expected to be exercised, the payment for exercising the option is part of the statement of total lease payments. The carrying amount at December 31, 2007 is equal in all material respects to the fair value.

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
14	**Contingencies and other financial obligations**				
	Leases				
	Total future lease payments:				
	Within 1 year	15,835	16,103	12,665	12,295
	Between 1 and 5 years	46,415	53,305	42,451	48,620
	After 5 years	4,966	17,389	4,966	17,389
		67,216	**86,797**	**60,082**	**78,304**

Security for loans

The loan from Vækstfonden, cf. note 13 above, is secured upon the project and related production equipment.

The loan mentioned in note 14 above is secured upon leased assets recognised under "Property, plant and equipment".

Government grants

In previous years, the Company has, under the item "Revenue" in the income statement, recognised a grant with a conditional charge from Industri- og Handelsstyrelsen. In accordance with the agreement, the Company is liable to repay the grant if, in future, the Company generates income from the research results eligible for the grant. At December 31, 2007, the contingency was DKK 3,175 thousand. Repayment, if any, is to take place as a percentage of future income. A 2.5% charge is to be paid on a sale of the product. In case of a sale of the aggregate research results, a 25% charge will become payable.

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
15	**Cash flow statement – adjustments**				
	Other financial income	-6,423	-8,459	-9,264	-12,014
	Other financial expenses	1,363	3,912	8,755	11,990
	Write down of subsidiaries	-	-	66,000	-
	Value of share-based payments	4,498	4,892	4,498	4,892
	Amortisation/depreciation and write-downs of intangible assets and property, plant and equipment	12,766	13,790	4,922	6,450
	Gain and loss on the sale of non-current assets	-8	70	-6	32
		12,196	**14,205**	**74,905**	**11,350**
16	**Cash flow statement – changes in working capital**				
	Change in receivables	-1,108	-5,447	-3,415	11,998
	Change in other current liabilities	5,566	-2,166	6,160	-5,891
		4,458	**-7,613**	**2,745**	**6,107**
17	**Fees to auditors appointed by the general meeting of shareholders**				
	Fee to Ernst & Young				
	Audit	350	318	205	187
	Non-audit services	1,183	372	1,087	318

Notes

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
18	**Staff**				
	Wages and salaries	61,606	57,883	41,600	36,906
	Share-based remuneration	4,091	5,366	4,498	4,892
	Pensions	3,640	3,261	2,306	2,054
	Other social security costs	1,383	1,710	407	317
	Other staff costs	2,635	3,752	2,329	3,410
		73,355	**71,972**	**51,140**	**47,579**
	expensed as follows:				
	Research costs	17,265	21,638	11,404	14,247
	Development costs	35,692	33,972	24,421	20,396
	Administrative expenses	20,398	16,362	15,315	12,936
		73,355	**71,972**	**51,140**	**47,579**
	Hereof remuneration to the Executive Management and Board of Directors:				
	Executive Management	3,804	4,009	3,804	4,009
	Board of Directors	1,175	760	1,175	760
		4,979	**4,769**	**4,979**	**4,769**
	Analysis of remuneration to the Executive Management:				
	Salaries	2,224	2,225	2,224	2,225
	Bonus	-	150	-	150
	Pension	165	134	165	134
	Total pay	2,389	2,509	2,389	2,509
	Value of warrants granted	1,415	1,500	1,415	1,500
	Total remuneration	**3,804**	**4,009**	**3,804**	**4,009**
	Average number of employees	**102**	**104**	**70**	**70**
	Number of employees at year-end	**101**	**107**	**72**	**74**

See also notes 20 and 24.

Note	DKK'000

19 Share-based payments

Warrants

Warrants are measured at fair value at the time of grant and are included in the income statement during the period until the exercise date. The exercise of these warrants is conditional upon whether the employee concerned is employed at the time of exercise or has been given notice of the Company. Warrants are not considered part of pay and cannot be characterized as bonus or performance pay.

Analysis of movements in warrants issued by the Company:

	Staff[1]	Executive Management	Board of Directors	Other	Total
January 1, 2006	2,005,760	558,790	10,925	97,885	2,673,360
Expired	-337,630	-36,000	-10,925	-97,885	-482,440
Warrants granted during the year	695,000	200,000	0	0	895,000
December 31, 2006	**2,363,130**	**722,790**	**0**	**0**	**3,085,920**
January 1, 2007	2,363,130	722,790	0	0	3,085,920
Expired	-1,528,895	-317,790	0	0	-1,846,685
Warrants granted due to Capital increase	519,000	205,000	0	0	724,000
Warrants granted during the year	150,000	-	0	0	150,000
Samlet tildeling 31. december 2007	**1,503,235**	**610,000**	**0**	**0**	**2,113,235**

[1] Including warrants issued to employee representatives on the Board of Directors.

Fair value of warrants granted during the year at the time of grant:					
2006	5,820,825	1,708,000	-	-	7,528,825
2007	1,355,000	-	-	-	1,355,000

The values are recognized in the period up till the exercise date, affecting the net loss for the year as outlined in note 18.

Note DKK'000

19 Share-based payments – continued

The Company's total outstanding warrants at December 31, 2007:

	Subscription price	Outstanding warrants	Subscription date	Market value per warrant in DKK[4]	Market value in DKK in 2007 [4]	Market value in DKK in 2006[5]
Employees	19	0	June 7, 2007	0	0	138,484
	27	0	Dec. 7, 2007	0	0	170,692
	22.6	0	June 8, 2007	0	0	552,550
	11.3	948,000	June 6, 2008	0,06	56,880	1,805,425
	13.55	0	June 8, 2007	0	0	15,675
	27.1	90,000	June 6, 2008	0,01	900	90,725
	21	465,235	June 10, 2009	0,08	37,219	2,826,000
		1,503,235			94,999	5,599,551
Executive management	19	0	June 7, 2007	0	0	39,160
	27	0	Dec. 7, 2007	0	0	53,341
	22.6	0	June 8, 2007	0	0	176,300
	11,30	410,000	June 6, 2008	0,06	24,600	576,050
	21	200,000	June 10, 2009	0,08	16,000	942,000
		610,000			40,600	1,786,851
Total		**2,113,235**			**135,599**	**7,386,402**

At December 31, 2007, there are no outstanding, exercisable warrants.

[4] The market values of the warrants were made up at December 31, 2007 based on the Black-Scholes valuation model. The valuation was based on the assumption of no dividend per share and a volatility rate of 50% per annum, the risk-free interest was made up at 4.26% per annum, the expected duration is determined on the basis of the subscription date, and the share price at December 31, 2007 was 6,45 in Pharmexa.

[5] The market values of warrants were made up at December 31, 2006 based on Black-Scoles valuation model. The valuation was based on the assumption of no dividend per share and a volatility rate of 50% per annum, the risk-free interest was made up at 3.75% per annum, the expected duration is determined on the basis of the subscription date, and the share price at December 31, 2006 was 17.5 in Pharmexa.

19 Share-based payments – continued

Share-based payments settled with cash

Share-based payments settled with cash are measured at fair value at the balance sheet date and are included in the income statement during the period until the exercise date. The exercise of these are conditional upon whether the employee concerned is employed at the time of exercise. Share-based payments settled with cash are not considered part of pay and cannot be characterized as bonus or performance pay.

Analysis of movements in share-based payments settled with cash issued by the Company:

	Staff	Executive Management	Board of Directors	Other	Total
January 1, 2007	708,049	-	-	-	708,049
Granted during the year	0	-	-	-	0
Expired	-240,500	-	-	-	-240,500
Total number of outstanding share-based payment settled with cash at December 31, 2007	**467,549**	**-**	**-**	**-**	**467,549**

The values are recognized in the period up till the exercise date, affecting the net loss for the year as outlined in note 18.

The Company's total outstanding share-based payment to be settled with cash at December 31, 2007:

	Subscription price	Outstanding share-based payment settled with cash	Exercise date	Market value per share-based payment with cash in DKK[6)]	Market value in DKK in 2007[6)]	Market value in DKK in 2006[7)]
Employees	24.27	0	June 1, 2007	0	0	139,490
	24.27	240,500	June 2, 2008	0	0	594,035
	21	227,049	June 1, 2009	0,08	18,164	1,078,483
Total		**467,549**			**18,164**	**1,812,008**

[6)] The market values of the warrants were made up at December 31, 2007 based on the Black-Scholes valuation model. The valuation was based on the assumption of no dividend per share and a volatility rate of 50% per annum, the risk-free interest was made up at 4,265% per annum, the expected duration is determined on the basis of the subscription date, and the share price at December 31, 2007 was 6.45 in Pharmexa.

[7)] The market values of warrants were made up at December 31, 2006 based on Black-Scoles valuation model. The valuation was based on the assumption of no dividend per share and a volatility rate of 50% per annum, the risk-free interest was made up at 3.75% per annum, the expected duration is determined on the basis of the subscription date, and the share price at December 31, 2006 was 17.5 in Pharmexa.

Note	DKK'000

20 Interest-rate and currency risks

Group

Interest-rate risk:

Analysis of the Group's financial assets and liabilities:

	December 31, 2007	Cash flow	Terms
Cash and cash equivalents	20,143	Ordinary demand deposits	Realised effective interest rate, average 2.6%
Fixed-term deposits	55,867	Ordinary demand deposits	Realised effective interest rate, average 3.0%
Non-current borrowings: Vækstfonden	6,123	Repayment has started in 2006	Interest rate of 7.3% per annum

Currency risk:

The Group does not hedge its currency exposure. Analysis of the Group's foreign currency balances at December 31, 2007:

Currency	Payment/expiry	Receivables	Payables
		DKK'000	DKK'000
USD	0-12 months	11,233	2,031
	Over 12 months	-	-
GBP	0-12 months	-	1,461
	Over 12 months	-	-
EUR	0-12 months	-	3,718
	Over 12 months	-	-
NOK	0-12 months	1,821	2,059
	Over 12 months	-	-
Other	0-12 months	-	24
	Over 12 months	-	-
		13,054	**9,293**

Note	DKK'000

20 Interest-rate and currency risks – continued

Group

Interest-rate risk:

Analysis of the Group's financial assets and liabilities:

	December 31, 2006	Cash flow	Terms
Cash and cash equivalents	25,685	Ordinary demand deposits	Realised effective interest rate, average 2.6%
Fixed-term deposits	139,569	Ordinary demand deposits	Realised effective interest rate, average 3.0%
Marketable securities	0	Investments in marketable securities are made in accordance with the Company's investment policy. All marketable securities were realized in 2006	The average effective yield was 1.9%.
Non-current borrowings: Vækstfonden	9,385	Repayment has started in 2006	Interest rate of 7.3% per annum

Currency risk:

The Group does not hedge its currency exposure. Analysis of the Group's foreign currency balances at December 31, 2006:

Currency	Payment/expiry	Receivables	Payables
		DKK'000	DKK'000
USD	0-12 months	1,994	3,288
	Over 12 months	-	-
GBP	0-12 months	-	1,230
	Over 12 months	-	-
EUR	0-12 months	-	1,254
	Over 12 months	-	-
NOK	0-12 months	2,007	1,246
	Over 12 months	-	-
Other	0-12 months	-	4
	Over 12 months	-	-
		4,001	**7,022**

Note	DKK'000

20 Interest-rate and currency risks – continued

Parent company

Interest-rate risk:

Analysis of the parent company's financial assets and liabilities:

	December 31, 2007	Cash flow	Terms
Cash and cash equivalents	18,423	Ordinary demand deposits	Realised effective interest rate, average 3.8%
Fixed-term deposits	53,184	Ordinary demand deposits	Realised effective interest rate, average 4.2%
Non-current borrowings: Vækstfonden	6,123	Repayment has started in 2006	Interest rate of 7.3% per annum

Currency risk:

The parent company does not hedge its currency exposure. Analysis of the parent company's foreign currency balances at December 31, 2007:

Currency	Payment/expiry	Receivables	Payables
		DKK'000	DKK'000
USD	0-12 months	5,314	29
	Over 12 months	-	-
GBP	0-12 months	-	1,246
	Over 12 months	-	-
EUR	0-12 months	-	3,685
	Over 12 months	-	-
NOK	0-12 months	-	94
	Over 12 months	-	-
Other	0-12 months	-	24
	Over 12 months	-	-
		5,314	**5,078**

Note	DKK'000

20 Interest-rate and currency risks – continued

Parent company

Interest-rate risk:

Analysis of the parent company's financial assets and liabilities:

	December 31, 2006	Cash flow	Terms
Cash and cash equivalents	20,404	Ordinary demand deposits	Realised effective interest rate, average 3.3%
Fixed-term deposits	135,000	Ordinary demand deposits	Realised effective interest rate, average 3.0%
Marketable securities	0	Investments in marketable securities are made in accordance with the Company's investment policy. All marketable securities were realized in 2006	The average effective yield was 1.9%.
Non-current borrowings: Vækstfonden	9,385	Repayment has started in 2006	Interest rate of 7.3% per annum

Currency risk:

The parent company does not hedge its currency exposure. Analysis of the parent company's foreign currency balances at December 31, 2006:

Currency	Payment/expiry	Receivables	Payables
		DKK'000	DKK'000
USD	0-12 months	66	9
	Over 12 months	71,613	-
GBP	0-12 months	-	1,230
	Over 12 months	-	-
EUR	0-12 months	-	1,165
	Over 12 months	-	-
NOK	0-12 months	40	12
	Over 12 months	-	-
Other	0-12 months	-	4
	Over 12 months	-	-
		71,719	**2,420**

Notes

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006
21	**Financial instruments**				
	The group has divided its financial assets into the categories below:				
	Loans and receivables:				
	Receivables from associated companies	-	-	5,314	71,719
	Other receivables and deposit	15,369	12,705	5,635	4,567
	Cash and deposits	76,010	165,260	71,607	155,404
	Total loans and receivables	91,379	177,965	82,556	231,690
	Financial liabilities at amortized cost price:				
	Loan Vækstfonden	6,123	9,385	6,123	9,385
	Financial lease commitments	151	331	151	331
	Trade payables	9,259	6,715	6,928	5,268
	Other payables	12,002	10,241	10,323	7,082
	Financial liabilities at amortized cost price	27,535	26,672	23,525	22,066

The fair value of the financial assets and liabilities correspond to the carrying amount.

Currency risk

The group has during the year defrayed net costs in USD of DKK 32,649 thousand. A change in the USD/DKK currency rate of +/- 10% would effect the net costs with DKK 3,265 / -3,265 thousand. Such a currency rate change would have a similar effect on the equity.

At the end of the year the groups net financial liabilities in USD were DKK 22,856 thousand. A 10% change in the USD/DKK exchange rate would result in a currency gain / loss of DKK 2,286 / - 2,286 thousand. The exchange rate change would have a similar effect on the equity.

Interest risk

The group has during the year had interest income of DKK 6,423 thousand. If the interest level was +/- 2% the interest income would have been DKK 11,364 / 1,482 thousand. Such an interest change would have a similar effect on the equity.

Note	DKK'000	Group 2007	Group 2006	Parent company 2007	Parent company 2006

22 Information about related parties and related party transactions

Group

The Group has no related parties with a controlling interest.

The Group has identified related parties with significant influence to comprise all group enterprises, the members of the parent company's Board of Directors, the members of the Group's Executive Management and executive officers and these persons' relatives. Related parties further include companies in which said persons have a significant interest.

Parent company

Pharmexa has no related parties with a controlling interest.

Pharmexa has identified related parties with significant influence to comprise subsidiaries, the members of the Company's Board of Directors and Executive Management and executive officers and these persons' relatives. Related parties further include companies in which said persons have a significant interest.

Pharmexas business with subsidiaries are as follows:

Purchase of goods and services from subsidiaries	-	-	965	257
Sale of goods and services to subsidiaries	-	-	7,294	1,798

All business takes place on arm's length basis since the subsidiaries trade on the same conditions as a third party would.

Loan, DKK 66,000 thousand was as of 31/12 2007 converted to share capital in Pharmexa Epimmune Inc.
In connection with the conversion, the value of Pharmexa Epimmune Inc. was written down in the parent Company's balance sheet.

Notes

Note	DKK'000

23 Board of Directors and Executive Management

The members of the Company's Board of Directors and Executive Management own the following shareholdings and warrants in Pharmexa A/S and hold the following executive offices in other companies apart from wholly owned subsidiaries:

	No. of shares owned	No. of Warrants owned	Executive offices held in other companies
Board			
Ole Steen Andersen , chairman Board member since 2007	30.000		Auriga Industries A/S, (CM), BB Electronics A/S, (CM), BB Electronics Holding A/S, (BF), HedgeCorp A/S, (CM), Cowi A/S, (CM).
Jørgen Buus Lassen Board member since 1997	20.000		NS Gene A/S, (CM), Gudme Raaschou Health Care Invest A/S, (CM), Investeringsforeningen Gudme Raaschou, (BM), Effector Holding A/S, (BM), NeuroSearch A/S, (BM), Effector Nordic A/S, (BM), Effector Communications A/S, (BM), NicOx S.A., (BM).
Karl Olof Borg Board member since 2001	8.000		Eurocine AB, (CM), Bioinvent International AB, (CM), Cyncron, (BM), Galenica AB (BM), Alligator AB (BM)
Alf A. Lindberg Board member 2005			Curalogic A/S, (BM), Catella Health Care, (BM), Proteome Sciences Ltd., (BM), Avant Immunotherapeutics, (BM), Eurocine AB, (BM), Isconova AB, (BM).
Michel L. Pettigrew Board member 2006	6.000		Ferring Italy, (CM), Ferring Inc., (BM), Farmaceutisk Laboratorium Ferring A/S, (BM), Arpida, (BM).
Karen Lykke Sørensen Board member since 2007			SanofiAventis Denmark A/S, (M+BM),
Tomas Brink Wikborg* Board member since 2007		49.330	
Finn Stausholm Nielsen* Board member since 2003		29.330	
Direktion			
Jakob Schmidt, CEO	31.579	610.000	Curalogic A/S, (CM), GemVax A/S, (CM), Pharmexa Inc. (CM).

(CM) = Chairman

(BM) = Board member

(M) = Management

*) Employee reprensentative

Statements and reports

Statement by the Board of Directors and the Executive Management on the annual report
The Board of Directors and the Executive Management have today discussed and approved the annual report of Pharmexa A/S for the financial year ended December 31, 2007.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at December 31, 2007 and of the results of the Group's and the parent company's operations and cash flows for the financial year ended December 31, 2007.

We recommend that the annual report be approved by the annual general meeting of shareholders.

Hørsholm, March 3, 2008

Executive Management

Jakob Schmidt

Board of Directors

Ole Steen Andersen
Chairman

Jørgen Buus Lassen

Karl Olof Borg

Alf A. Lindberg

Michel Pettigrew

Karen Lykke Søensen

Thomas Brink Wikborg

Finn Stausholm Nielsen

Independent Auditors' Report

To the Shareholders of Pharmexa A/S
We have audited the Annual Report of Pharmexa A/S for the financial year ended 31 December 2007, which comprises the Statement of the Supervisory and Executive Boards on the Annual Report, the Management's Review, a summary of significant accounting policies, the income statement, balance sheet, statement of changes in equity, cash flow statement for the year then ended and notes for the Group as well as for the Parent Company. The Annual Report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

The Supervisory and Executive Boards' Responsibility for the Annual Report
The Supervisory and Executive Boards are responsible for the preparation and fair presentation of this Annual Report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of Opinion
Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor consider internal control relevant to the entity's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Supervisory and Executive Boards, as well as evaluating the overall presentation of the Annual Report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit did not result in any qualification.

Opinion
In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2007 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year then ended in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

Emphasis of Matter
Without qualifying our audit opinion, we wish to refer to the Management's Review, which mentions management's expectations of 2008 and the Group's capital resources and cash flow situation. Management gives an account of the process having been initiated in an attempt to seek strategic alternatives to ensure that the Group will remain a going concern and carry on its research and development projects. In the opinion of management, the measures having been initiated will lead to a solution ensuring the Group's continued operation. Against this background, management presents the Annual Report on an assumption of going concern.

Copenhagen, 3 March 2008

Ernst & Young
Statsautoriseret Revisionsaktieselskab

Benny Lynge Sørensen
State Authorised Public Accountant

Jesper Slot
State Authorised Public Accountant