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Pharmexa announces further information about Affitech AS and Pharmexa A/S prior to the planned Extraordinary General Assembly in Pharmexa

On March 3, 2009, Pharmexa A/S and Affitech AS announced a conditional agreement to merge the two companies by means of a share-for-share acquisition by Pharmexa A/S of Affitech AS. The combination was contingent upon subsequent shareholder approval in the two companies.

The parties announced that on completion of the transaction, Affitech AS' shareholders would own approximately 70% of the combined company whereas Pharmexa's shareholders would own approximately 30%. The combined company would be renamed Affitech A/S and continue its listing on the Nasdaq OMX exchange in Copenhagen.

On March 27, 2009, Pharmexa announced that the company had received confirmation of the approval of the transaction from more than 99.1 % of the shareholders in Affitech. In accordance with the conditional merger agreement, this was in excess of the 98.5% approval required for the transaction to proceed.

Simultaneously, certain of Affitech's shareholders undertook to invest a minimum of NOK 32.5 million in the enlarged company post-transaction. This additional investment will be in the form of a subscription for new shares as part of and on the same terms as other investors participating in the planned equity financing of the newly created Affitech A/S expected to be carried out in the second or third quarter of 2009.

Background to the proposed combination of Affitech AS and Pharmexa A/S

The combination between Norway-based Affitech AS and Pharmexa A/S based in Copenhagen, Denmark will create a new public company (Affitech A/S) that the board of directors in Pharmexa believes is well positioned to play a significant role in the field of human antibody therapeutics. The planned integration of the two companies will mark a true transformational event by combining the antibody discovery expertise and product pipeline of the old Affitech with the drug development capabilities, processes and infrastructure of Pharmexa. The board believes that the technologies and competencies of the two companies will work synergistically to create a fully integrated discovery and development company capable of moving product candidates quickly from research into clinical development.

It is well recognized that the monoclonal antibody market is one of the fastest growing segments in the biopharmaceutical industry. The vision of the combined company is to be a leading independent biotech company in the antibody field, and to achieve sustainable increases in shareholder value.

The technology and projects of the combined company

Affitech has developed a fully integrated antibody discovery platform consisting of human antibody libraries with high functionality, based on phagemid display technology. Affitech uses two patent-protected approaches to discover biologically functional monoclonal antibodies - MBAS (Molecule Based Antibody Screening) and CBAS (Cell Based Antibody Selection). Additionally, the company is presently establishing a next-generation technology called BIMS (Bispecific IgG-like Molecule with enhanced Selectivity) for generating bispecific

antibodies as potentially highly target-selective and disease-specific second generation products.

Based on Affitech's proprietary technologies and know-how, the company has built a pipeline of promising antibody candidates for internal development or co-development with collaboration partners. These candidates include:

- AT001 (R84) – this antibody is a new selective inhibitor of cancer angiogenesis and a potential competitor of Genentech/Roche's marketed drugs Avastin® and Lucentis®. Affitech has co-developed R84 with Peregrine Pharmaceuticals Inc, a US-based biopharmaceutical company.

- AT003 - an antibody targeting EpCAM, a molecule on human cancer cells that promotes cell cycling and cell proliferation. EpCAM is expressed on many different human tumors and has been validated as a therapeutic target. The anti-EpCAM antibody has exhibited increased killing of cancer cells *in vitro* compared to a competitors antibody.

- AT002 (CBAS-173) - an antibody targeting a cell surface protein known as Activated Leukocyte Cell Adhesion Molecule (the target is known as ALCAM or CD166). CBAS-173 is being developed for potential therapeutic use in an undisclosed indication with unmet medical need.

- AT004 and AT005 – Affitech is developing these fully human antibodies targeted against Phosphatidylserine, a phospholipid exposed on the surface of viral infected cells and certain cancer cells, in collaboration with Peregrine Pharmaceuticals Inc. Peregrine Pharmaceuticals has recently reported that bavituximab, a chimeric antibody against the same target, has shown initial evidence of efficacy in Phase II studies in lung cancer and breast cancer. The antibodies are improved second generation versions of bavituximab and are currently in preclinical development at Peregrine.

- AT006 - an antibody product candidate generated in collaboration with the large pharmaceutical company Roche against an undisclosed cancer target. The antibody is currently undergoing preclinical studies for efficacy and safety. These studies are conducted and funded by Roche.

In addition to these potential new drug products, Affitech is conducting state-of-the-art research aimed at developing methods of routinely producing antibody candidates directed against G-protein coupled receptors (GPCRs). Antibodies to these cell surface proteins have substantial potential as human therapeutics but as yet, few companies have been able to overcome the technical challenges in this field. Using its proprietary CBAS technology, Affitech has recently successfully identified human antibodies to a first such GPCR target. If and when such innovation is further validated, the combined company may be in a position to forge significant partnerships with international biopharmaceutical and pharmaceutical companies in this exciting new area of antibody drug discovery.

Outside its therapeutics research and development programs, Affitech has also developed a new antibody separation reagent known as Protein L for laboratory and commercial use in the production and purification of antibodies and antibody fragments. Affitech has been marketing this product towards the research field, and has formed an alliance with a leading international healthcare company for the future commercialisation of Protein L in the bulk antibody purification market.

In addition to Affitech's antibody therapeutics business and technology platform, the combined company retains the benefits of potential future income from the previous therapeutic vaccine business of Pharmexa A/S, in particular:

- A telomerase vaccine (GV1001) - all rights to GV1001 belongs to the Korean company KAEL, but the agreement contains certain milestone payments as well as royalties on sales of the final product in the event of commercial success. GV1001 is currently undergoing a large Phase III clinical trial 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.

- An Alzheimer Disease vaccine (PX106) - licensed to the Danish pharmaceutical company H. Lundbeck A/S. H. Lundbeck holds an exclusive global license for PX106 for the treatment of Alzheimer's disease.

The strengths of the combined company
Affitech's proprietary antibody technology platform has been used successfully to discover antibodies for several of its collaboration partners which included Roche, Peregrine, Xoma, NatImmune, Viventia and Omeros. These technologies include the Molecule-Based Antibody Screening or MBAS and Cell-Based Antibody Selection or CBAS™ systems. Management believes that the CBAS system not gives significant opportunities for the discovery of novel antibodies against cell surface targets such as G-Protein-Coupled Receptors (GPCRs) but also against cancer stem cell targets. With the recent consolidation in the antibody discovery industry, the combined company is one of few remaining independent players in the field.

Key strengths of the combined company include, but are not limited to:

- *Diversified product candidate pipeline*. The combined company has a number of antibody product candidates in various stages of discovery and early development. These product candidates are intended to address a variety of cancers and other chronic diseases. Success with any few of these product candidates, and success in combating any few of the diseases targeted, should lead to significant therapeutic and commercial gains.

- *Technology leadership*. The combined company owns a range of proprietary antibody technologies and techniques in the phage display field that are state-of-the-art in the industry. These cutting edge technologies allow a choice of methods in designing and developing product candidates, for ourselves or for partners.

- Intellectual Property. The intellectual property (IP) portfolio of the combined company in the antibody field is extensive and includes patents entirely owned by Affitech, as well as worldwide exclusive licenses and cross-licenses that consolidate its position in antibody medicines. On April 2, 2009 Affitech AS announced that the European Patent Office has granted a European patent on the use of phagemid particles having an antibody-coliphage pIII fusion protein, to identify tumor associated antigens on cells by negative selection. The new patent (EP1065271) is part of the "Breitling" family of patents, originally filed by the German Cancer Research Centre, (Heidelberg, Germany), which is exclusively licensed to Affitech AS.

- *Product development expertise*. The staff of the combined company has extensive product development know-how and expertise, including well established quality systems, operating procedures, processes and infrastructure that we believe allow it

to conduct pre-clinical and clinical development activities in a highly professional and efficient manner.

- *Scientific acumen*. The staff scientists of the combined company have strong credentials and track records in academic circles and our industry. They have published their work in some of the world's leading scientific journals. Their technical abilities and research and development experience underpin the antibody technologies and development projects of the combined company.

- *Management capabilities*: The management of the combined company has a blend of relevant industry experience and a proven track record to execute.

The strategy of the combined company
The combined company will focus on the development of fully human monoclonal antibody drugs of two types:

(i) Antibodies directed against molecular targets known to play a role in disease but not currently addressed by existing drugs, and;

(ii) New and improved versions of marketed antibody therapeutics.

In addition, the company will also evaluate and if appropriate, consider in-licensing commercially attractive human antibody drugs from other discovery research businesses in the antibody therapeutics field.

To support the combined company's business and partnering strategy the research and development efforts will focus on using the key assets, capabilities and strengths of the combined company to create a pipeline of competitive, proprietary human antibody drugs and to move these products rapidly to the clinic. The aim is to establish a robust diversified pipeline of clinical products using a simultaneous, two pronged, risk-mitigating approach that involves the combination of truly innovative projects against new and exciting targets with projects against well validated targets.

To further strengthen its position in the antibody field, the combined company may expand its operations, organically through internal growth, and non-organically through the acquisition of additional assets or businesses.

What are the alternatives to a combination with Affitech?
As previously announced, the board of directors of Pharmexa A/S has diligently considered and investigated a number of strategic alternatives for the company since early 2008. This was described already in the company's prospectus dated January 9, 2008 and in a number of subsequent announcements.

The aim of the investigations of the strategic alternatives of the company has been to protect the company's assets, including its ongoing agreements and to protect shareholder value. As previously announced, the board has considered a sale of the company, a number of merger and acquisition opportunities, as well as the creation of a dormant shell company. It has also been considered to split up the company.

Based on the board's analysis, the only currently commercially relevant and technically feasible alternative to a combination with Affitech would be to shut down virtually all of Pharmexa's activities in order to create a dormant shell company. The remaining assets of such a dormant shell company would in essence be Pharmexa's license agreement with H.

Lundbeck and the agreement with KAEL on GV1001.

The board of directors in Pharmexa has considered this strategic alternative repeatedly since early 2008. In the opinion of the board of directors, creating a dormant shell company could have a number of attractions, including but not limited to:

- It does not require additional short term financing. Pharmexa estimates that such a shell company, after having met all its obligations regarding employees, facilities, and contractors would still have approximately DKK 7 to 9 million in cash by the end of 2009. This includes wind up costs for the staff of approximately DKK 3 million and for executive management of approximately DKK 3 million. The run off costs of housing and other expenses are expected to be in the order of DKK 3 to 4 million. The company has estimated the yearly cost of running such an dormant shell company from 2010 and onwards would amount to approximately DKK 3 to 4 million (a dormant shell company would still need 2-3 employees to serve its contracts and fulfill its obligations as a publicly traded company on the Nasdaq OMX Nordic Exchange). Potential return of deposits has not been considered in the estimates given above.

- In the short term, a dormant shell company may potentially retain more value with Pharmexa's current shareholders. Since there is no immediate need for additional capital, there is no immediate dilution for the shareholders.

However, in the analysis of the board of directors, creating a dormant shell company also has a number of important disadvantages, including but not limited to:

- GV1001 would be seen as the main asset in such a company. The further development of this asset is outside the company's control. No assurance can be made that the owner of this asset will decide to develop it further, or if they do which markets and indications they might target. Pharmexa has no recourse against KAEL, nor is KAEL contractually obligated to continue the development of GV1001. Although GV1001 has reached an advanced stage, the product may fail in ongoing or planned clinical trials. Indeed, GV1001 failed in the Primovax trial which was stopped in May 2008 because the product failed to show a survival benefit.

- The Alzheimers vaccine which Pharmexa A/S has outlicensed to H. Lundbeck is still in preclinical development. No assurance can be made that H. Lundbeck will proceed to clinical development with this product candidate.

- In view of the current status of GV1001 and the Alzheimers vaccine, the board of directors in Pharmexa believes that only limited new information about the potential progress of these product candidates would be released into the general public in the coming years. Pharmexa A/S as a dormant shell company would therefore have no news-flow. The board believes that every experience shows that a publicly listed biotech company that has no news-flow and very little cash is essentially a worthless company.

- Even a dormant shell company would have to raise additional capital in the future. The current capital resources of Pharmexa A/S are not sufficient to fund the company until such time where income from milestones or royalties on GV1001 could potentially fund the company. Dilution will eventually occur.

- A dormant shell company would receive no attention from analysts, shareholders or the press and its stock would therefore trade very little. The pricing of the stock on the Nasdaq OMX Nordic Exchange would as a consequence be inefficient.

- A dormant shell company with the above mentioned characteristics will enjoy none of the benefits of being publicly traded but will still carry the costs. It is difficult to delist a company on the Nasdaq OMX Nordic Exchange.

- The board of directors in Pharmexa believes that a dormant shell company with the above mentioned characteristics will be vulnerable to third party initiatives that are not in the best interest of Pharmexa's current shareholders. The board of directors is concerned that a dormant shell company with 14.000 highly dispersed shareholders is an easy target for an uninvited bid on the company at a later date.

In summary, the proposed combination of Affitech AS and Pharmexa A/S will create a company that is well positioned in the very attractive market of monoclonal antibody therapeutics. The company´s proprietary technologies are at the forefront of the industry, have been validated through numerous partnerships and resulted in multiple product candidates for further clinical development. In the future, the discovery engine will fuel a sustainable pipeline of both innovative products against novel targets and products against clinically validated targets. These products will be developed alone or in partnership with others. In contrast to therapeutic vaccines, the monoclonal antibody field is well established and growing rapidly. Consequently, for this and the other reasons stated above, the board of directors has concluded that creation of a dormant shell that keeps GV 1001 as its main asset, is a high risk and unattractive alternative.

On the basis of these considerations, the board of directors in Pharmexa believes that the proposed combination with Affitech has the potential to create significantly more value for Pharmexa's shareholders, both in the short, medium and long term, than the creation of a dormant shell company. While Pharmexa's existing shareholders will be diluted under the terms of the combination agreement with Affitech AS, the board of directors believes that the fair value of the Affitech business is in excess of the market value of the shares to be issued in the transaction and that the combination of the two businesses increases the likelihood of shareholders being able to realize enhanced value over the short to medium term.

On this basis, the board of directors and the senior management in Pharmexa A/S unanimously recommends that the general assembly approves the board's proposal to combine Pharmexa A/S with Affitech AS.

Hørsholm, April 7, 2009

Ole Steen Andersen
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