To the Copenhagen Stock Exchange
and the Press

Release no. 2/2002

Annual Report 2001

At a meeting today the Board of Directors approved the audited financial statements for the financial year 2001.

The Pharmexa Group reported a loss for the financial year 2001 of TDKK 86,192 which was as expected. Research and development costs for the Group were slightly higher than expected. Turnover on the other hand increased to TDKK 19.913 which was somewhat above expectations, as a result of revenue realised in connection with the subsidiary Inoxell's collaboration with AstraZeneca.

2001 was a year with important results for Pharmexa. The most significant events during the year were:

- Name change from M&E Biotech A/S to Pharmexa A/S
- Launch of Pharmexas new homepage www.pharmexa.com
- Spin-off of the CellScreen™ technology into Inoxell, Pharmexa's 83.3% owned drug discovery, drug development and target identification subsidiary
- The HER-2 DNA breast cancer programme entered clinical development in Denmark and the United Kingdom
- In-licensing of a vector-cell production system from GlaxoSmithKline.
- In-licensing of Epimmune´s PADRE® epitope technology.
- Announcement of important research results in the asthma and osteoporosis programmes
- Agreement with Lexigen/Merck KGaA regarding an un-disclosed cancer target
- Inoxell achieved first milestone in the collaboration with AstraZeneca
- Employment of additional 47 highly qualified employees in the Group.

The Company's printed Annual Report is expected mid April 2002.

Hørsholm, March 15, 2002

Søren Mouritsen
Chief Executive Officer

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This press release has been translated into the Danish language. In the event of discrepancies the English version shall prevail.

Summary Financial Figures

Seen over a five-year period the development of the Group can be described by the following financial highlights:

	2001	2000	1999	1998	1997
	kDKK	kDKK	kDKK	kDKK	kDKK
Financial highlights					
Profit/(loss)					
Net revenues	19,913	13,101	1,576	2,240	5,753
Research costs	76,419	50,546	37,362	28,624	13,589
Development costs	26,169	9,611	0	0	0
Administrative expenses	19,193	7,335	3,283	3,242	1,371
Operating profit/(loss)	-101,868	-54,391	-39,069	-30,061	-10,033
Profit/(loss) before net financials	-102,045	-55,099	-39,069	-30,061	-10,033
Profit/(loss) on net financials income	14,890	14,429	-672	1,992	1,211
Net income/(loss)	-86,192	-40,670	-39,741	-28,069	-8,616
Balance sheet					
Intangible assets	3,623	0	0	0	0
Tangible fixed assets	26,052	19,762	17,827	17,283	6,931
Available-for-sale investments	0	0	11,697	30,659	61,507
Cash and cash equivalents	309,313	390,036	24,775	5,357	322
Total assets	350,393	413,385	56,383	56,151	73,516
Equity	282,264	368,442	32,641	40,736	68,804
Minority interest	14,020	0	0	0	0
Non-current liabilities	25,964	24,152	18,291	11,799	511
Current liabilities	28,145	20,791	5,451	3,616	4,202
Cash flows					
Operating activities	-78,316	-20,644	-33,627	-24,940	-8,783
Investing activities	-17,403	5,143	16,033	18,686	-67,992
hereof invested in tangible fixed assets and intangible assets	-17,403	-6,726	-3,694	-12,331	-5,379
Financing activities	14,996	380,762	37,012	11,288	75,354
Change for the year in cash and cash equivalents	-80,723	365,261	19,418	5,034	-1,421
Average number of employees	120	65	49	39	21
Ratios					
Earnings per share of nom DKK 10 (DKK per share)	-21,0	-11,9	-16,6	-12,4	-5,7
Equity ratio	81%	89%	58%	73%	93%
Average number of shares	4,095,813	3,428,213	2,398,380	2,263,840	1,503,460

The ratios have been prepared in accordance with the recommendations and guidelines issued by Den Danske Finansanalytikerforening (Danish Society of Financial Analysts).

Summary comments on the annual report

Net turnover of the Pharmexa Group totalled kDKK 19,913 in 2001 compared with kDKK 13,101 in 2000. Turnover primarily resulted from research funding provided under the partnership agreements with AstraZeneca, H. Lundbeck and Schering-Plough Animal Health.

Research costs amounted to kDKK 76,419 in 2001 compared with kDKK 50,546 in 2000. This amount included research costs of kDKK 11,438 in Inoxell. Development costs were kDKK 26,169 in 2001 against kDKK 9,611 in 2000. Inoxell incurred no development costs.

Administrative expenses amounted to kDKK 19,193 in 2001 compared with kDKK 7,335 in 2000. This amount includes administrative expenses of kDKK 1,085 in Inoxell.

The Pharmexa Group has increasing research-, development- and administration costs, spurred by the Company's HER-2 DNA, Protein, IL5 and RANKL programmes, which have progressed into clinical and pre-clinical phase, and as a result of the sharp increase in the level of activity and number of employees. The rapid growth of Inoxell will also increase the cost base in the Pharmexa Group.

Net financial items totalled kDKK 14,890 in 2001 compared with kDKK 14,429 in 2000. Financial expenses consisted primarily of interest on a loan granted by the Danish Growth Fund (Vækstfonden), whereas the Group realised interest income of DKK 19,061 on the cash position.

The Group reported a net loss of kDKK 86,192 for 2001 against a net loss of kDKK 40,670 in 2000. The minority share of Inoxell amounts to kDKK 963.

As at December 31, 2001, total assets of the Pharmexa Group amounted to kDKK 350,393 with cash and cash equivalents of kDKK 309,313.

As at December 31, the Pharmexa Group had 130 employees compared with 91 employees at year-end 2000. 107 of these employees are engaged in research and development. As of the date of this document, Pharmexa has 118 employees, while Inoxell has 25 employees.

Pharmexa's AutoVac™ research & development pipeline

Target	Indication	Marketing rights	Status
HER-2 DNA	Breast cancer	Pharmexa	Phase I/II
HER-2 Protein	Breast cancer	Pharmexa	Late pre-clinic
IL5	Asthma	Pharmexa	Late pre-clinic
RANKL	Bone degeneration	Pharmexa	Pre-clinic
IgE	Allergy	Pharmexa	Research
Undisclosed	Neurodegenerative diseases	H. Lundbeck	Research
Undisclosed	Veterinary applications	Schering-Plough	Relevant animal models
Undisclosed	Cancer	Lexigen/ Merck KGaA	Research

* Regarding the TNF-alpha programme please refer to page 9

Scientific progress and project status

The AutoVac™ technology

The human immune system is first and foremost intended to fight invading foreign organisms and compounds. This normally occurs very efficiently when the immune system produces so called antibodies and/or activates special killer cells that are able to directly attack other cells or bacteria.

A number of serious diseases, such as cancer, rheumatoid arthritis, osteoporosis, asthma and allergy are associated with the body itself producing too much of certain of its own proteins. Since such proteins are not foreign to the immune system it remains passive and the disease progresses unhindered. The basic concept of Pharmexa's AutoVac™ technology is to activate the immune system. Through a special, active vaccination the immune system is awaken into action, and in this way the patient himself begins to combat his disease.

The AutoVac™ technology is especially efficient in cancer treatment, where the immune system is induced to attack cancer antigens, which also are some of the body's own proteins. Cancer antigens are found in large amounts on the surface of cancer cells and therefore form a good target for the immune system, if only the immune system can be brought to recognise them as foreign. That is precisely what the AutoVac™ treatment can do.

The HER-2 DNA and HER-2 Protein AutoVac™ programmes against breast cancer

Breast cancer is the most common cancer form among women and is the most common single cause of death among women aged 35-54 years in the Western world. Current treatments rely on or work in conjunction with chemotherapy, which has unwanted and potentially dangerous side effects.

HER-2 is a self-protein, which is over expressed in a large number of human cancers, including those of the breast, ovary, uterus, stomach, bladder, prostate, colon and lung. Up to 30% of breast cancers over express HER-2, which contributes to the uncontrolled growth of the cancer cells. HER-2 is also the target of the several hundred million dollars monoclonal antibody product, Herceptin, successfully marketed by Genentech Inc. (USA). However, compared to monoclonal antibodies Pharmexa expects an AutoVac™ product to be not only significantly more effective but also more competitive due to substantially lower manufacturing and healthcare costs.

At the 11th International Congress of Immunology held in Stockholm on 22-27 July 2001, Pharmexa presented important pre-clinical data from its AutoVac™ HER-2 programme. At the conference it was presented that tumour growth in AutoVac™ HER-2 DNA vaccinated mice was significantly reduced compared to that seen in control animals. Approximately 50% of the mice in the treatment group became tumour free. On average, AutoVac™ DNA vaccinated mice showed a 70% reduction in tumour size compared to the control group, and it was demonstrated that induction of therapeutic CTL´s ("killer cells") were the primary effector mechanism for tumour inhibition. This is important because it is widely recognized that a truly effective cancer immunotherapy must include CTL' s that can directly attack and kill cancer cells.

AutoVac™ HER-2 Protein vaccination likewise provided significant protection against the tumour. Approximately 95% of the mice in the treatment group became tumour free. When vaccination was applied after the onset of the cancer, as a true therapeutic vaccine, the AutoVac™ HER-2 pharmaccine could successfully treat already established tumours. A single vaccination with AutoVac™ HER-2 Protein dramatically inhibited the growth of tumour cells in mice, even when the vaccination was delayed up to 9 days after tumour implantation.

Pharmexa has two different anti-HER-2 AutoVac™ products in the development phase for metastatic breast cancer: HER-2 DNA and HER-2 Protein. Pharmexa has decided to develop two different anti-HER-2 products because each of them is expected to induce very different anti-tumour effects in man although they both target the HER-2 molecule. HER-2 DNA has been proven in animals to induce potent CTL responses, but relatively low antibody responses. On the other hand the HER-2 Protein product is expected to induce very high titred antibody responses, but no or few CTL responses. The future clinical trials will demonstrate which approach is the most efficient at treating human metastatic breast cancer or whether a combination of the two products will be most preferable.
In March 2001 Pharmexa submitted a Clinical Trial Application on the HER-2 DNA vaccine product in both Denmark and in the United Kingdom and upon approval enrolment of breast cancer patients commenced in four clinical trial centres in Denmark and two in the United Kingdom. Twenty-seven patients will be enrolled in all. The objective of the trial is to evaluate safety and tolerability as well as

immunogenicity of the AutoVac™ HER-2 molecule at three escalating dose levels. Preliminary trial data are expected to be available by the end of 2002. If these data are positive phase II of this trial could be initiated in early 2003.

The development of Pharmexa's HER-2 Protein product also progressed well in 2001. The manufacturing upscale process of the selected clinical candidate molecule was successfully completed and the manufacturing process was transferred to a contract manufacturing company in the UK.

The development of the HER-2 Protein molecule is slightly more complicated than the HER-2 DNA molecule, because it is a recombinant protein molecule. In order to ease this process Pharmexa in-licensed in June 2001 a sophisticated cell-vector manufacturing system from GlaxoSmithKline - one of the largest vaccine companies in the world. Pharmexa expects to complete the entire pre-clinical development phase by the end of 2002 and immediately thereafter to submit a Clinical Trial Application to initiate another phase I/II trial in metastatic breast cancer.

The AutoVac™ IL5 programme against Asthma

Asthma is one of the most common chronic diseases worldwide and affects approximately 15 million people in the United States alone. According to the World Health Organization (WHO), the socio-economic costs associated with asthma exceed the combined costs of tuberculosis and HIV/AIDS. Current methods of treatment are focused on long-term control and quick relief of symptoms related to chronic and acute asthma. The side effects related to the majority of the available medications, of which corticosteroids have the highest market share, make AutoVac™ IL5 DNA a potential first line treatment of patients suffering from mild to severe asthma.

The cytokine IL5 is known to play an important role in the inflammatory airway response in asthma. A common feature in the pathogenic effect of asthma and certain other chronic allergic diseases is the presence of highly elevated numbers of eosinophil cells in the affected tissues. IL5 is directly involved in the recruitment of these cells.

In September 2001 Pharmexa published pre-clinical research data from its AutoVac™ IL5 project in the Journal of Immunology (Hertz et al., Vol. 167: p. 3792, 2001) one of the world's most prestigious scientific journals. The article was based on a series of studies performed in collaboration between scientists at Pharmexa and the John Curtin School of Medical Research, Canberra, Australia.

Together with Dr. Paul S. Foster and his group at the John Curtin School of Medical Research, Pharmexa tested the effect of an AutoVac™ DNA vaccine against IL5 in a number of pre-clinical asthma animal models. It was shown that the immune response elicited with the AutoVac™ IL5 vaccination were able to attack and down-regulate IL5 and in three different mouse models of lung inflammation the number of eosinophils in the lungs was dramatically reduced.

Most importantly the therapeutic effect also translated into improved lung function. In two different models of asthma in mice it was shown that AutoVac™ DNA vaccination against IL5 was able to completely normalize the lung function. Further studies indicated that Pharmexa's vaccine also had a profound inhibitory effects on other proteins believed to be involved in allergic asthma, such as IL4 and IL10, which may also have contributed to the dramatic improvements observed. The ability of Pharmexa's vaccine to induce these added effects may give rise to important additional advantages over other therapeutic approaches, such as intravenous passive infusion with monoclonal antibodies against IL5.

The pre-clinical development of the selected AutoVac™ is progressing well and Pharmexa expects to submit a Clinical Trial Application to initiate a clinical study towards the end of 2002/early 2003. The primary objective of this study will be to evaluate safety and immunogenicity of the product.

The AutoVac™ RANKL programme against bone disorders

Therapeutic vaccination against RANKL is of interest in diseases of the bone such as osteoporosis, rheumatoid arthritis and bone metastases because RANKL is a powerful regulator of bone metabolism. Excess amounts of RANKL in the bone results in bone degradation through activation of bone degrading cells called osteoclasts.

Osteoporosis is a major health concern affecting more than 40 million women over the age of 50 in the US, EU and Japan combined. In osteoporosis the normal process of maintaining bone strength is imbalanced resulting in weakened bones that are more likely to fracture. In 1999 alone the total costs related to osteoporosis reached about 50 billion USD in the US, EU and Japan combined (WHO). There is an urgent need for more efficient and safer treatments for osteoporosis.

Rheumatoid arthritis is one of the most widespread chronic inflammatory diseases in the western world. It is estimated that approximately 2.1 million people in the US suffer from rheumatoid arthritis. The disease leads to the destruction of cartilage, connective tissue and bone, resulting in destruction and deformity of synovial joints and severe disability of the patients. As for osteoporosis, there is a great need for new and better therapeutics for rheumatoid arthritis.

Every year, millions of new patients around the world are diagnosed with cancer. In many of these cases the cancer will eventually spread as metastases to the bones. It is estimated that 65-75% of breast cancer and 95-100% of multiple myeloma patients develop bone metastases during the course of their disease, leading to severe pain and bone fractures. A large proportion of hospital costs of cancer patients are related to skeletal complications and the number of current treatments is low and has severe side effects.

In October 2001 Pharmexa presented important pre-clinical research data at the prestigious American Society of Bone and Mineral Research (ASBMR) annual meeting in Phoenix, Arizona (USA). Drs. Takuo Juji and Sakae Tanaka of the University of Tokyo, together with scientists from Pharmexa presented data from a research collaboration using Pharmexa's AutoVac™ technology to vaccinate against RANKL. Drs. Juji and Tanaka tested Pharmexa's AutoVac™ RANKL molecules in several pre-clinical bone disease models in mice. High-titred antibodies towards RANKL were induced and Drs. Juji and Tanaka were able to demonstrate significantly reduced bone loss in a mouse model of postmenopausal osteoporosis. In contrast to mice suffering from osteoporosis, with a 16% reduction on average in bone mineral density and increased osteoclast number mice treated with the AutoVac™ RANKL vaccine were protected against bone loss and had normal osteoclast counts.

In a disease model of rheumatoid arthritis AutoVac™ RANKL treated mice were also protected from common signs of this disease such as joint destruction and inflammation. The level of inflammation in the joints of AutoVac™ RANKL treated mice was reduced by 40% compared to the control group and the number of osteoclasts was reduced by more than 60%. Most importantly however, the level of bone destruction associated with rheumatoid arthritis was reduced by more than 80% in the AutoVac™ RANKL treated mice. Particularly, the destruction of joints by activated osteoclasts is a hallmark of advanced rheumatoid arthritis, and the ability to prevent this bone destruction would therefore be a highly desirable feature in any new therapy.

Pharmexa's AutoVac™ RANKL programme is currently in the early pre-clinical phase. Pharmexa expects to submit a Clinical Trial Application to initiate phase I/II studies in late 2003. The primary objective of this study will be to evaluate the safety and immunogenecity of the AutoVac™ RANKL vaccine.

The AutoVac™ TNF-alpha programme against inflammatory diseases

In 1997 Pharmexa signed a license agreement with Ferring transferring the rights to Pharmexa's AutoVac™ technology for the development of a therapeutic vaccine against TNF-alpha. This included also a patent application covering this specific application of the technology. When signing the agreement with Ferring, Pharmexa transferred to Ferring two human AutoVac™ TNF-alpha molecules, TNF2-5 and TNF30-3, which jointly were to be used in the vaccine.

During the year 2000 Ferring authorized the initiation of a phase I/II clinical trial by the Cancer Research Campaign (CRC), a UK-based, not-for-profit organization. The trial is run in London in patients suffering from cancer cachexia (a pathological wasting condition related to advanced cancer).

In connection with the company's initial public offering in June 2000 Pharmexa announced, with Ferring's consent, that Ferring was expected to publish final results from this trial by summer 2001. In addition, Ferring agreed to release its decision on the further development of the project by that time.

According to Ferring, the trial sponsor CRC has encountered a number of delays in running the trial and as a result Ferring could not publish the final data as previously agreed. Neither could Ferring make statements on its decision on the future of the project. In autumn 2001 Pharmexa expressed its wish to license the anti-TNF-alpha AutoVac™ project back from Ferring. The companies entered negotiations that unfortunately have not been successful.

From Pharmexa´s point of view the TNF-alpha license agreement with Ferring including the two vaccine molecules, TNF2-5 and TNF30-3, as well as the vaccine formulation Ferring has brought into clinical development is today of limited value. The project is delayed and Pharmexa is not in the present situation able to communicate its expectations for the project to the stock market in a meaningful way. Based on this, Pharmexa has decided to remove the TNF-alpha project from its project portfolio.

It should be emphasized that Pharmexa by this in no way expresses an opinion about Ferring's chances of success for the project nor the commercial and scientific value of the project in general. Pharmexa continues to believe that TNF-alpha is an excellent target for an AutoVac™ vaccine and that better AutoVac™ molecules and formulations can be developed.

The AutoVac ™ IgE programme against allergy

The immunoglobulin molecule IgE is involved in the pathogenesis of several types of allergic conditions including allergic asthma and allergic rhinitis. Genentech Inc. (USA) has filed for marketing approval with the FDA on an anti-IgE monoclonal antibody that has shown clear therapeutic benefit in patients suffering from these diseases. Pharmexa initiated its AutoVac™ IgE project in the autumn of 2000.

Since then Pharmexa has made good progress with the project. A number of AutoVac™ IgE molecules have been made and more continue to be made, and all relevant *in vitro* and *in vivo* testing systems have been established. Proof of concept in animal models is expected this year and Pharmexa expects to establish a panel of human AutoVac™ IgE molecules for future pre-clinical and clinical development.

Other AutoVac™ research programmes aimed at different cancers

Pharmexa is working on a number of target proteins in cancer. Among these is Prostate Specific Membrane Antigen (PSMA). In addition to PSMA, Pharmexa is working on a number of other relevant and validated cancer target proteins. Once one or more of these research programmes enter the pre-clinical phase, or are out-licensed to a pharmaceutical or biotechnology partner, they will be announced and included in the project pipeline.

Research collaborations

Agreement with H. Lundbeck

In April 2000 Pharmexa signed a three-year research and development collaboration agreement with H. Lundbeck for the use of the AutoVac™ technology on a specific target in the central nervous system for the development of a pharmaccine for treatment of a human neurodegenerative disease. The agreement gives H. Lundbeck a global exclusive license to apply the AutoVac™ technology on one undisclosed specific target in the central nervous system. If successful, Pharmexa will receive from H. Lundbeck milestone payments amounting to approximately DKK 150 million as well as royalties on the eventual product sale. Pharmexa is very pleased with the collaboration.

Agreement with Lexigen/Merck KGaA

In December 2001 Pharmexa signed an agreement with Lexigen Pharmaceuticals Corp. (USA). Lexigen is a subsidiary of Merck KGaA, a world leader in the cancer immunotherapy field that has in-licensed Theratope®, a cancer vaccine currently undergoing phase III trials in the United States. Under the agreement, Lexigen has a one-year, exclusive option to acquire an exclusive license to a therapeutic cancer vaccine (pharmaccine) based on Pharmexa's proprietary AutoVac™ technology. The agreement covers one cancer target, which the parties have agreed not to disclose. Lexigen and Pharmexa believe that active vaccination against this protein may have beneficial effects for treatment of certain forms of cancers. Upon signing the agreement Lexigen paid Pharmexa a small signing fee. If Lexigen decides to exercise its option to acquire an exclusive license, Pharmexa expects to receive further upfront- and milestone payments as well as royalties on sales of marketed products under such license terms.

Agreement with Schering-Plough Animal Health

In March 2000, Pharmexa signed a broad and global license agreement with Schering-Plough Animal Health regarding the use of the AutoVac™ technology in the veterinary field. Pharmexa still owns all human applications of results obtained by Schering-Plough with the AutoVac™ technology. Schering-Plough has paid to Pharmexa a technology transfer fee and will pay up-front and milestone payments on each product. Pharmexa will eventually also receive a share of Schering-Plough's profit from product sales. In December 2001, the exclusivity period of this agreement was extended to September 2003. Pharmexa is very pleased with the collaboration.

Research collaboration with Poseidon A/S

Pharmexa entered into a joint-research collaboration with NeuroSearch A/S in the autumn of 2000 with the purpose of further exploring and identifying small molecule based potassium (IK) channel modulators that might affect T-cell function. A number of potent compounds have been identified and good progress has been made in 2001. In late 2001 NeuroSearch spun out part of the IK channel activities including the collaboration with Pharmexa in a new company, Poseidon A/S. Pharmexa believes that the collaboration with Poseidon could lead to discovery of therapeutically relevant compounds with immunosuppressive properties for use in the treatment of organ transplantations or autoimmune diseases such as rheumatoid arthritis. Existing immunosuppressive drugs have serious adverse side effects and there is a large need for new and better treatment options. The collaboration is still at an early stage.

In-licensing of complementary technology

Since several of Pharmexa's products are now moving into the Development phase a number of tools used for formulation and manufacturing of the AutoVac™ products are occasionally needed or desired. This is why in June 2001 Pharmexa signed a license agreement with GlaxoSmithKline about a cell-vector production system for use in Pharmexa´s AutoVac™ HER-2 Protein project against cancer. The system is established at Pharmexa and the manufacturing process using the system has been transferred to a Contract Manufacturing company in the UK in order to produce material for the planned clinical trial.

Although Pharmexa has essentially optimised all steps both in the Research and Development phase of its AutoVac™ projects the company continues to look for technologies that facilitate R&D speed even further. The signing of a license agreement in June 2001 with Epimmune Inc. (USA) regarding the use of Epimmune's PADRE® technology for use together with Pharmexa's AutoVac™ technology is an example of this strategy. PADRE® is a universal T-cell epitope that powerfully enhances the immune system's response against an administered antigen. Pharmexa believes for some targets this may simplify and reduce the number of AutoVac™ molecules needed to be constructed and eventually manufactured and thereby reduce R&D time and costs.

Pharmexa has acquired a non-exclusive license to use PADRE® in conjunction with AutoVac™ with five specific target antigens. Financial terms of the agreement include a moderate upfront payment, license fees, and royalties on product sales and milestone payments on product sublicensed by Pharmexa. The parties have agreed not to disclose further financial details of the collaboration.

Creation of Inoxell

Pharmexa's 83,3% owned subsidiary, Inoxell is a drug discovery company based on a proprietary target identification platform technology, CellScreen™. Since Inoxell was created as a spin-off from Pharmexa in July 2001, significant progress has been made. The new management team in Inoxell has hired additional highly qualified personnel bringing the number of employees in Inoxell to 19 as of December 31, 2001. Important technological progress has been made, and the collaboration with AstraZeneca is progressing according to plan. Inoxell has established approximately 500 sqm. office facilities close to Pharmexa and has from December 2001 had access to custom fitted, 400 sqm. state-of-the-art molecular biology laboratories in an adjacent building.

In December 2001, Inoxell and AstraZeneca announced the achievement of the first milestone in their collaboration. In the first half of 2002 Inoxell will double the number of employees working on the AstraZeneca project, which will be reflected in the research funding provided by AstraZeneca. As a consequence of achieving this milestone, the year 2001 result of Inoxell and Pharmexa was affected positively by approximately DKK 6 million. In addition, the ongoing collaboration is expected to lead to revenues in Inoxell of at least DKK 5 million in 2002.

Inoxell has issued patents on the CellScreen™ technology in Europe and Australia. The patent application in the United States is pending. Further, the company has initiated so-called interference proceedings in the United States, with respect to additional claims. These proceedings will seek to establish whether Inoxell or the U.S. based company**,** Rigel, Inc.**,** have the rights to the technology in the United States. The CellScreen™ patent application antedates Rigel's patent application by approximately 8 months. In Europe it is always the party who has filed the first application that may receive the patent on an invention. However, United States patent law leaves a theoretical possibility that Rigel may keep current patent rights on parts of the CellScreen™ technology in the United States alone. To achieve this Rigel must prove that their technology was invented before the date of the first CellScreen™ patent application. Inoxell and its advisors continue to believe that this will be difficult for Rigel to prove and no evidence of this has been presented to date. Inoxell is prepared to vigorously enforce its intellectual property rights. Inoxell and Rigel are engaged in ongoing discussions.

Together with the new management team, the board of directors in Inoxell has implemented an aggressive strategy that over the course of the next few years will position Inoxell as an important player in the drug discovery market based on novel validated drug targets. To achieve this position, Inoxell must have access to additional funding, which is expected in the course of 2002.

Creation of subsidiary in Germany

Pharmexa's AutoVac™ technology can be used to generate a controlled, specific immune response against any self-antigen in the body. The company currently has in its database more than 250 targets that may be potential targets for therapeutic intervention with the AutoVac™ technology. These targets span most medicinal fields including cancer, cardio vascular, gastro intestinal, metabolic, CNS, allergic and other diseases. Approximately 100 of the targets in the company's

database are in the field of cancer.

To capitalize to the greatest possible extent on the broad applicability of the AutoVac™ technology, Pharmexa has previously announced earlier its intention to establish a subsidiary outside of Denmark. Over the course of 2001, Pharmexa has surveyed a number of European countries and different locations within these countries to seek out the optimal location for a subsidiary. A large part of this effort has focused on the availability of highly qualified scientific personnel and leading academic collaborators in the respective regions. These investigations have confirmed Pharmexa's belief that significant value can be added by establishing a foreign subsidiary, and that the best location of such a subsidiary is Germany. Pharmexa is currently investigating specific sites at three alternative locations (Mainz, Berlin and Heidelberg) and expects to select one of these sites shortly. The German subsidiary would initially be set up as an integral part of Pharmexa's operations in Denmark, will be fully owned by Pharmexa and focus on applications of the AutoVac™ technology in the cancer field but may work on other disease areas as well where value can be added to Pharmexa's current pipeline.

Expansion of research facilities
Pharmexa continued its expansion in 2001. One area of rapid growth was in Development, where a strong department has been established to manage the several new products now progressing into the development phase.

The rapid expansion has created a need for more space and in 2001 Pharmexa in collaboration with Hørsholm Science Park, planned and initiated the building of approximately 4.700 sqm. of new laboratory, office and animal facilities adjacent to Pharmexa's current facility. The new building, which is financed and owned entirely by Hørsholm Science Park but leased for a 10-year period by Pharmexa, will be finished in June 2002. Together with Pharmexa's existing facilities the new building is large enough to hold Pharmexa's activities in Denmark for the years to come. Pharmexa is thankful for the collaborative spirit shown by Hørsholm Science Park throughout this large project.

Patent status and strategy
Pharmexa holds a broadly covering and very solid patent portfolio that protects Pharmexa's core technologies and projects.

Pharmexa's patent portfolio is continuously growing and several new patent applications have been filed during 2001. Also, significant progress has been made in the patent prosecution of Pharmexa's core technology patents. The basic patent for the AutoVac™ technology is now granted in Europe, Australia and South Korea, and applications are still pending in the USA, Canada, and Japan. With respect to the more recent patent families, it is positive that the international patent application relating to the AutoVac™ DNA vaccine technology was found by the European Patent Office to meet the basic patentability criteria (novelty, inventive step and industrial applicability). In addition the United States Patent Office has not cited any anticipating technology either. Also, the patent applications relating to Pharmexa's RANKL and IL5 projects have been found by both the European Patent Office and the United States Patent Office to meet the basic patentability criteria.

Report for the financial year 2001

Comments to the accounting policies
The annual report for Pharmexa in 2001 has been prepared in accordance with the new Danish Financial Statements Act of 2001, which does not become mandatory until financial years commencing on or after 1 January 2002. However companies may voluntarily choose to apply the new act for the current financial year.

Since 2000, Pharmexa has prepared financial statements in accordance with International Accounting Standards (IAS). The application of the new Danish Financial Statements Act has not resulted in changes in the accounting policies applied for 2001 compared to previously. However, the change has implied individual changes to the accounting lay-out and notes and with the necessary restatements of comparative figures and financial highlights. This means that the comparative figures and financial highlights do not in all cases agree with figures stated in the Company's statutory financial statements for 2000. Furthermore, certain additional and more explicit formulations of applied accounting policies have been stated.

Management's discussion and analysis of results of operations and financial condition

Net turnover

Net turnover of the Pharmexa Group totalled kDKK 19,913 in 2001 compared with kDKK 13,101 in 2000. Turnover primarily resulted from research funds stemming from the collaborations with AstraZeneca, H. Lundbeck and Schering-Plough Animal Health.

Research costs

Research costs increased to kDKK 76,419 in 2001 from kDKK 50,546 in 2001. Included herein are research costs of kDKK 11,438 in Inoxell. The increase is mainly due to a larger headcount in research (2001 saw the net addition in research of 13 employees in Pharmexa and 8 in Inoxell) and an increase in the overall activity level. A contributing factor was also higher costs associated with protecting the company's intellectual property rights and with commercialising the company's products and technologies (business development).

Development costs

Development costs amounted to kDKK 26,169 in 2001 against kDKK 9,611 in 2000. Inoxell did not incur any development costs. The large increase was spurred by the Company's HER-2 DNA programme, which currently is in clinical development in Denmark and the UK. The HER-2 Protein project against breast cancer and the IL5 project against asthma are in the late pre-clinical development, generating costs in the company's development department as well. In the course of 2001, Pharmexa raised the headcount in the development department from 13 to 22 at January 1, 2002. Many of these employees are highly experienced in industrial drug development. Establishing an integrated, capable development department that can take selected projects further into clinical development prior to seeking a collaboration partner is an important part of the company's strategy. Development costs include costs of operations, mainly personnel costs, and expenditure relating to external suppliers such as contract research organisations and manufacturers.

Administrative expenses

Administrative expenses rose to kDKK 19,193 in 2001 from kDKK 7,335 in 2000, including administration costs in Inoxell of kDKK 1,085. The increasing administration costs were prompted by the large increase in Pharmexa's activities including Investor Relations and by the company's status as publicly listed.

Financial items

The Pharmexa Group's financial income increased to kDKK 19,061 in 2001 from kDKK 16,462 in 2000. Cash and cash equivalents totalled kDKK 309,313 at December 31, 2001 against kDKK 390,036 in 2000. Under an agreement with LB Kiel, the Group has deposited funds at a rate based on a portfolio of Danish government bonds with a maximum average duration of 2 years.

Financial expenses totalled kDKK 4,171 in 2001 compared with kDKK 2,033 in 2000. Interest on a loan granted to Pharmexa by the Danish Growth Fund (Vækstfonden) for kDKK 1,812 and exchange rate adjustment of kDKK 715 at December 31, 2001 primarily made up financial expenses.

Net financial items totalled kDKK 14,890 compared with kDKK 14,429 in 2000.

Net loss
The company reported a net loss of kDKK 86,192 for 2001 against a net loss of kDKK 40,670 in 2000. Included are minorities in Inoxells kDKK 963. As the activity level and the headcount were significantly higher in 2001 than in 2000, the increased loss mainly resulted from increasing costs within research, development and administration. The figures reported for 2001 were in-line with the company's announced forecasts.

Balance sheet items
The Pharmexa Group's assets totalled kDKK 350,393 at December 31, 2001 compared with kDKK 413,385 the year before. Shareholders' equity declined from kDKK 368,442 in 2000 to kDKK 282,264 in 2001, mainly due to research and development costs. Non-current liabilities increased slightly from kDKK 24,152 in 2000 to kDKK 25,964 in 2001 as a consequence of charged interests. Furthermore there is minority interest in Inoxell of kDKK 14,020.

Current liabilities also increased from kDKK 20,791 in 2000 to kDKK 28,145 in 2001 as a result of higher trade payables, various public duties owed and provisions for vacation allowance and accrued revenue.

Capital resources and liquidity
Like other biotechnology companies, the Pharmexa Group will record a loss for a number of years and is therefore dependent on continuous capital contributions until the company's activities start to yield a profit. The Pharmexa Group reported a kDKK 86.192 loss for the financial year 2001 and had liquidity resources of kDKK 309,313 at year-end 2001. Assuming no further collaboration agreements are concluded, the company expects the present liquidity resources to cover operations into the financial year 2004.

Cash flow statement
The cash flows for the year are a negative kDKK 80,723 and in all materiality relate to the operating activity. The cash flows for the year from the operating activity increased to a negative kDKK 78,316 from kDKK 20,644 in 2000. This is attributable to an increase in research and development activities and resulting increase in administrative expenses. Due to the increased activity level, investments were made in intangible and tangible fixed assets of a net amount of kDKK 17,403. Cash flows from the financing activity in all materiality derive from capital infusion from the minority shareholders in connection with the establishment of the subsidiary Inoxell.

Outlook for 2002
The following statements contain forward-looking information with respect to the plans, projections and future performance of the Company, each of which involves significant uncertainties. The Company's actual results may differ materially from the information set forth in these statements.

Pharmexa expects the high level of activity to continue in 2002, which in turn will lead to significant increases in research, development and administrative expenses. Based on the company's current collaborative agreements, Pharmexa expects research and development costs of approximately DKK 130 million in the financial year 2002. The net loss is expected to be approximately DKK 115 million. Moreover, the Pharmexa Group expects a negative result in its subsidiary Inoxell.

Collaborations with major pharmaceutical and biotechnology companies continue to be an important part of Pharmexa's strategy to ensure the broadest possible application of the AutoVac™ technology. It is not possible to predict the exact timing of such collaboration agreements or whether such agreements can be concluded in 2002. If concluded, such agreements could significantly affect the company's financial results.

Risks
New and existing shareholders in Pharmexa should be aware that investing in Pharmexa involves a high degree of risk. The Company cannot guarantee that Pharmexa's research and development

efforts will be successful or that any of our products will obtain regulatory approval or market acceptance.

Furthermore, Pharmexa cannot guarantee that it will be able to enter into new collaborative agreements in the future, that existing collaborative agreements will not be terminated or that the patent portfolio will be sufficiently broad to cover products resulting from research and development activities, or that the patents will not be challenged or circumvented.

There is likewise a technological and patent risk associated with the subsidiary Inoxell, and there is a risk that it will not be possible to raise sufficient funds to finance the further development of Inoxell.

Failure to meet any of these and other important company objectives could have a serious adverse impact on the financial results of Pharmexa, as well as on the price of Pharmexa's shares on the Copenhagen Stock Exchange.

Pharmexa currently has more than ten AutoVac™ programmes in various stages of research, pre-clinical and clinical development and expects to add more over the coming years, alone or in collaboration with partners. There is a risk that none of these programmes will make it all the way to the market.

It is important to distinguish between two types of "scientific risk" in connection with Pharmexas activities:

Technology risk
Technology risk is the risk that the AutoVac™ technology will not work in humans, as it has in numerous animal models. Pharmexa regards this risk as limited: The AutoVac™ technology has so far succesfully been applied in animals on 9 different disease targets. Proof of concept has been obtained in 14 different mouse models, and the technology has also been shown to work in rats, chickens, pigs and monkeys. Independent academic and industry labs all over the world have reproduced our results. The first human data is expected to be in hand before the end of 2002. In addition, the immunological mechanism by which the AutoVac™ technology works is now well understood and clinically validated by conjugated vaccines, several of which will reach the market place soon. These vaccines use the same immunological mechanism but a much inferior technology compared to AutoVac™.

Target risk
Target risk is the risk that Pharmexa applies the AutoVac™ technology on the wrong disease target. The company has a database containing more than 250 disease targets on which it may be relevant to apply the AutoVac™ technology. However, not all these targets will be good and targets may be more or less validated. Pharmexa takes a portfolio approach when selecting new targets. The company has initially selected "safe" targets, such as HER-2 and TNF-alpha. These two targets are validated by marketed products (Herceptin® and Remicade® respectively) so it is known that they are safe, therapeutically relevant targets. As the AutoVac™ technology has become more validated some of the targets Pharmexa has selected have been less validated, such as RANKL, which carry great returns if successful. It is important to underline that if a disease target is selected that later turns out unsuccessful, all is not lost: Pharmexa can then go back to the AutoVac™ technology and select a new target. That is why AutoVac™ is a platform technology.

Capital
There is also a risk associated with raising additional capital in the future. The Pharmexa Group had a solid financial position with kDKK 309.313 million in cash and cash equivalents at year-end 2001. However, it is likely that Pharmexa some time in the future will need to obtain additional financing. If

this financing is not available it would constitute a problem under the current business model. In Pharmexa's opinion, financing will be available for biotech companies that continue to demonstrate progress in its pipeline and which are seen to create value for its shareholders.

Financial risks
Due to operation, investments and financing, the Pharmexa Group is not especially exposed to changes in exchange rates. The Group is exposed to changes in interest level for placing of excess proceeds of the stock exchange listing, which is expected applied for future research and development. The company does not use financial instruments to hedge any risks or for speculative purposes.

Intellectual capital
The basis of business of the Pharmexa Group requires a strong focus on intellectual capital, as this is a precondition for the success of the company.

In order to be able to ensure the intellectual capital in the company it is necessary for the Group to attract and maintain highly qualified, highly educated staff as the research and development activities increase.

Further education and participation in scientific conferences for all scientific employees are included in the budget, and all employees are offered warrants in the company at the time of employment.

Incentive programmes
In Pharmexa's opinion, share-based incentive programmes could prove a valuable tool in achieving the company's long-term objectives. Both Pharmexa and Inoxell have implemented a number of warrant schemes for its employees and all permanent employees in the Group have warrants.

Environmental matters
No significant environmental impacts are associated with the Pharmexa Group's activities.

Related-party transactions
Pharmexa has entered into a management agreement with the subsidiary Inoxell, according to which Inoxell initially buys certain services from Pharmexa. These services include assistance relating to IT, patents, bookkeeping and financial matters and access to Pharmexa's canteen and certain research facilities. The parties believe that the management agreement reflects arm's length conditions and does not favour any of the two companies. Over the next year, Inoxell is expected to step down from the agreement as the company gradually builds up its own facilities.

There have been no other related party transactions.

Post balance sheet events
No material events have been recorded since the end of the financial year 2001 and up to March 15, 2002.

Changes in the Board of Directors
Dr. Karl Olof Borg was elected as a new member of the Board of Directors at the Annual General Meeting on May 16, 2001. Dr. Borg has more than 25 years of experience in the pharmaceutical sector. He has held positions as Director of Research and Development in Astra, Pharmacia and Ferring. From 1997 to 2000 he was Director of Research and Development in Active Biotech AB. He holds a PhD in Pharmaceutical Sciences and currently serves on the boards of 7TM Pharma A/S, Bioinvent International AB and Cartela AB, all privately held companies in the biotech sector.

Financial statements

Income statement for the period 1 January – 31 December

	Group		Parent company	
	2001	2000	2001	2000
	kDKK	kDKK	kDKK	kDKK
Net revenues	**19,913**	**13,101**	**13,830**	**13,101**
Research costs	-76,419	-50,546	-64,981	-50,546
Development costs	-26,169	-9,611	-26,169	-9,611
Administrative expenses	-19,193	-7,335	-18,108	-7,335
Operating profit/(loss)	**-101,868**	**-54,391**	**-95,428**	**-54,391**
Other operating income	99	0	99	0
Other operating expenses	-276	-708	-276	-708
Profit/(loss) before net financials	**-102,045**	**-55,099**	**-95,605**	**-55,099**
Profit/(loss) from investments in Subsidiaries before tax	-	-	-4,814	0
Other financial income	19,061	16,462	18,372	16,462
Other financial expenses	-4,171	-2,033	-4,145	-2,033
Profit/(loss) before tax	**-87,155**	**-40,670**	**-86,192**	**-40,670**
Corporation tax	0	0	0	0
Profit/(loss) before minority interests	**-87,155**	**-40,670**	**-86,192**	**-40,670**
Minority interests' share of net income/(loss) from subsidiaries	963	0	-	-
Net income/(loss)	**-86,192**	**-40,670**	**-86,192**	**-40,670**

Settlement of loss

	2001	2000
	kDKK	kDKK
Settlement of loss:		
Loss carried forward offset against share premium	-86,192	-40,670
	-86,192	**-40,670**

Balance sheet at 31 December

Assets

	Group		Parent company	
	2001 kDKK	2000 kDKK	2001 kDKK	2000 kDKK
Licences and rights	3,623	0	3,623	0
Intangible assets	**3,623**	**0**	**3,623**	**0**
Plant and machinery	14,181	10,710	12,032	10,710
Other fixtures and fittings, tools and equipment	6,108	6,322	4,875	6,322
Leasehold improvements	3,802	1,522	3,802	1,522
Prepayments for tangibles fixed assets and tangible fixed assets under construction	1,961	1,208	609	1,208
Tangible fixed assets	**26,052**	**19,762**	**21,318**	**19,762**
Investments in subsidiaries	-	-	20,099	0
Financial assets	**0**	**0**	**20,099**	**0**
Non-current assets	**29,675**	**19,762**	**45,040**	**19,762**
Finish goods	**8**	**51**	**8**	**51**
Trade receivables	1,644	0	1,644	0
Receivables from subsidiaries	0	0	23	0
Other receivables	8,413	3,346	1,736	3,346
Prepayments and accrued income	1,340	190	750	190
Receivables	**11,397**	**3,536**	**4,153**	**3,536**
Cash and cash equivalents	**309,313**	**390,036**	**275,910**	**390,036**
Current assets	**320,718**	**393,623**	**280,071**	**393,623**
Assets	**350,393**	**413,385**	**325,111**	**413,385**

Balance sheet at 31 December
Equity and liabilities

	Group		Parent company	
	2001 kDKK	2000 kDKK	2001 kDKK	2000 kDKK
Share capital	40,962	40,950	40,962	40,950
Share premium	241,302	327,492	241,302	327,492
Retained profit/(loss)	0	0	0	0
Equity	**282,264**	**368,442**	**282,264**	**368,442**
Minority interests	**14,020**	**0**	**0**	**0**
Deferred tax	0	0	0	0
Provisions	**0**	**0**	**0**	**0**
Loan from Business Development Finance (Vækstfonden)	25,964	24,152	25,964	24,152
Non-current liabilities	**25,964**	**24,152**	**25,964**	**24,152**
Trade payables	11,903	8,043	7,052	8,043
Other payables	9,747	5,289	8,148	5,289
Deferred income	6,495	7,459	1,683	7,459
Current liabilities	**28,145**	**20,791**	**16,883**	**20,791**
Liabilities	**54,109**	**44,943**	**42,847**	**44,943**
Equity and liabilities	**350,393**	**413,385**	**325,111**	**413,385**

Statement of changes in equity

	Number of shares	Share capital	Share premium	Loss carried forward	Total
		kDKK	kDKK	kDKK	kDKK
Group and parent company					
Equity at 1 January 2001	**4,094,980**	**40,950**	**327,492**	**0**	**368,442**
Capital increase by exercising warrants	1,250	12	88	-	100
Share of costs in connection with formation of Inoxell A/S	-	-	-	-86	-86
Net income/(loss)	-	-		-86,192	-86,192
Transfer to cover loss	-	-	-86,278	86,278	0
Equity at 31 December 2001	**4,096,230**	**40,962**	**241,302**	**0**	**282,264**
Equity at 1 January 2000	**498,896**	**4,989**	**27,700**	**-48**	**32,641**
Issue of bonus shares	1,995,584	19,960	-19,960	-	0
Capital increase by exercising warrants	500	1	69	-	70
Capital increase by stock exchange listing	1,600,000	16,000	384,000	-	400,000
Expenses in connection with stock exchange listing	-	-	-23,599	-	-23,599
Net income/(loss)	-	-	-	-40,670	-40,670
Transferred to cover loss	-	-	-40,718	40,718	0
Equity at 31 December 2000	**4,094,980**	**40,950**	**327,492**	**0**	**368,442**

Movements on the Share capital:

	2001	2000	1999	1998	1997
	kDKK	kDKK	kDKK	kDKK	kDKK
Share capital at the beginning of period	**40,950**	**4,989**	**4,528**	**4,528**	**500**
Capital increase	12	35,961	461	0	4,028
Share capital at the end of period	**40,962**	**40,950**	**4,989**	**4,528**	**4,528**

Consolidated cash flow statement for the period 1 January - 31 December

	2001 kDKK	2000 kDKK
Profit/(loss) before minority interest	-87,155	-40,670
Adjustments	-7,398	-9,638
Change in working capital	-465	13,836
Cash flows from operating activities before net financials	-95,018	-36,472
Interest received, etc	19,061	16,462
Interest paid, etc	-2,359	-634
Cash flows used in operating activities	**-78,316**	**-20,644**
Purchase of intangible assets	-4,090	0
Purchase of tangible fixed assets	-13,568	-9,845
Sale of tangible fixed assets	255	3,119
Sale of available for sale investments	0	11,869
Cash flows used in investing activities	**-17,403**	**5,143**
Share capital increase	100	400,070
Expenses in connection with stock exchange listing	0	-23,599
Capital contribution from minority interests in connection with formation of subsidiary	15,000	0
Expenses in connection with formation of Inoxell A/S	-104	0
Raising of loan from Business Development Finance (Vækstfonden)	0	4,291
Cash flows from investing activities	**14,996**	**380,762**
Change in cash and cash equivalents	**-80,723**	**365,261**
Cash and cash equivalents at 1 January	390,036	24,775
Cash and cash equivalents at 31 December	**309,313**	**390,036**