Progenics

Velan's Lack of Experience in the Oncology Radiopharmaceutical Space Jeopardizes the Long-Term Success of Progenics

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Important Additional Information and Where to Find It

Progenics has filed a definitive proxy statement and accompanying WHITE proxy card with the SEC in connection with the solicitation of proxies for its 2019 Annual Meeting of Shareholders. **Progenics' shareholders are strongly encouraged to read the definitive proxy statement (including any amendments or supplements thereto) and the accompanying WHITE proxy card because they contain important information**. Shareholders may obtain copies of Progenics' 2019 proxy statement, any amendments or supplements to the proxy statement, and other documents filed by Progenics with the SEC in connection with its 2019 Annual Meeting of Shareholders when they become available and for no charge at the SEC's website at www.sec.gov. Copies will also be available for no charge in the Investors section of Progenics' website at www.progenics.com.

Certain Information Regarding Participants

Progenics, its directors, executive officers and certain employees may be deemed participants in the solicitation of proxies from shareholders in connection with Progenics' 2019 Annual Meeting of Shareholders. Information regarding these participants, including their respective direct or indirect interests by security holdings or otherwise, is set forth in the definitive proxy statement for Progenics' 2019 Annual Meeting of Shareholders, which can be obtained free of charge from the sources indicated above.

Velan demonstrates a complete lack of understanding of the oncology & radiopharmaceutical space

1. The development and commercialization of radiopharmaceuticals is not a **cookie-cutter process,** that can be generalized across unique and complex drugs

2. Velan incorrectly draws comparisons to two drugs, XOFIGO and LUTATHERA, that were developed and commercialized faster than AZEDRA

3. AZEDRA, however, is clearly not comparable to XOFIGO or LUTATHERA, necessitating a longer development and commercialization period

4. **Different administration protocols:**

   - AZEDRA is a complex radiopharmaceutical designed to treat **ultra-orphan** cancers, **has a high level of radiation** and requires patients to be treated in an “in-patient” setting.
   - XOFIGO and LUTATHERA are for **broader indications**, have **lower levels of radiation** and can be administered in an **“out-patient**” setting

5. **Different commercialization requirements:**

   - Positioning AZEDRA for commercial success required additional manufacturing, regulatory and administrative steps compared to XOFIGO and LUTATHERA
   - XOFIGO and LUTATHERA require significantly less “red-tape” and supply chain management than AZEDRA

Shareholders should question Velan’s qualifications to be on a Board of a radiopharmaceutical company

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Velan's comparison of AZEDRA to XOFIGO and LUTATHERA is deeply flawed

	Only compared drug that has Breakthrough Therapy designation from the FDA	Xofigo®	Advanced Accelerator Applications LUTATHERA® (lutetium Lu 177 dotatate) injection, for intravenous use
	AZEDRA®		
Patient Location	**In-patient**	Out-patient	Out-patient
Radiation Dosage(1)	**Large**	Small	Small
Indication	**Ultra-orphan Neuroendocrine Tumors**	Castration-Resistant Prostate Cancer	Orphan Neuroendocrine Tumors
Indicated Patient Size(2)	**Narrow & Specific**	Broad	Narrow

Comparing AZEDRA to drugs without the same commercialization complexities is in our view quite misleading

(1) XOFIGO dose: 50 kBq (1.35 mCi) per kg body weight. LUTATHERA dose: 370 MBq/mL (10 mCi/mL). AZEDRA Therapeutic dose: Patients >62.5 kg, 18,500 MBq (500 mCi); Patients ≤ 62.5 kg: 296 MBq/kg (8 mCi/kg).

(2) AZEDRA: 2-8 patients per 1 million, LUTATHERA: ~32k patients; XOFIGO: ~40k patients.

Velan's criticisms of AZEDRA's commercialization process illustrate a poor understanding of the product

Progenics proactively and carefully took AZEDRA from an undeveloped, undervalued asset to an analyst estimated $130m to $230m annual revenue-generating asset that will save lives

1	**Acquires MIP Assets at a Discount**	***Progenics' Board and management*** *saw value in MIP and* ***acquired AZEDRA at a steep discount*** *and* ***made AZEDRA into the valuable asset it is today***
2	**Receives FDA approval – First of its Kind**	*Progenics* ***achieves FDA approval*** *making AZEDRA* ***the only FDA approved treatment*** *for two rare life threatening cancers. Progenics* ***applied and achieved Breakthrough Therapy designation*** *(Jul '15), which* ***accelerated the eventual approval timeline of AZEDRA***
3	**Secures Iodine & Manufacturing Facility**	*Progenics' secures* ***necessary iodine supply*** *and* ***acquires AZEDRA's manufacturing facility,*** *which is complimentary to future pipeline drugs and* ***valuable to big pharma.*** *Acquiring the facility before FDA approval would have been speculative and a potential misallocation of capital given Progenics' size and liquidity*
4	**Achieves Complex Regulatory Approvals**	*Progenics'* ***obtained necessary regulatory licensing*** *from* ***multiple state and federal boards, various hospital licensing, and approval from multiple provincial agencies***
5	**Establishes Treatment Centers & Salesforce Team**	*Progenics successfully* ***established 12 treatment centers for AZEDRA with 30 expected by FYE****. Progenics also built out an appropriately-scaled and efficient team to ensure AZEDRA is successfully introduced into the market*
6	**Administers AZEDRA & Records Revenue**	*Progenics properly and* ***safely administered a highly radioactive therapy treatment*** *that is the* ***first FDA approved treatment of it's kind***[(1)]*.* *AZEDRA* ***recorded revenue in Q2 2019***

Where was Velan while Progenics developed AZEDRA?

Instead, Velan takes the "easy road", stepping in when future value is already created

Shareholders should question Velan's hostile attempt to remove Directors who had the vision to acquire and commercialize AZEDRA

Source: Research analyst reports, news runs.

(1) First FDA approved therapy treatment for pheochromocytoma and paraganglioma (rare neuroendocrine tumors of neural crest origin) patients who require systemic anticancer therapy.

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Progenics has demonstrated a positive and financially sound rationale around the company's approach to 1095

	Jan '13		Dec '16	Feb '17	Sep '17	Oct '17	Feb '18	Jun '18	Oct '18	May '19
Timeline of 1095	Progenics acquires MIP at a discount which includes 1095 and other late pipeline assets		Peter Mac study ends, which generated positive PSMA-617 Phase 2 clinical data[1]	Progenics announces initiation of Phase 1 for 1095 in later stage mCRPC patients	PSMA-617 Phase 2 data is presented showing positive clinical results	Endocyte acquires PSMA-617 at a significantly discounted price	PSMA-617 Phase 3 trial and supply agreement is announced	Endocyte enrolls 1st patient in Phase 3 registration trial of PSMA-617	Novartis acquires Endocyte	Progenics announces initiation of Phase 2 trial for 1095 in pre-chemo patients
Progenics' Strategic Rationale	Given limited resources, Progenics focuses on later stage assets with stronger data		Progenics continues preparations to move 1095 into a Phase 1 trial, having begun to secure necessary approvals and contracts in the preceding months	Progenics promptly begins the Phase 1 trial for 1095 following IND FDA approval in December		Endocyte allocated all capital to PSMA-617, its only pipeline drug	Endocyte's 17x share price increase from ~$1.40 to $24.00 prior to sale to Novartis is evidence that the market did not know the value of PSMA-617 due to the previous lack of promising data *Progenics moves assets forward when there is strong data for success to preserve shareholder capital*		Following a successful FDA meeting in October, Progenics commences Phase 2 trial start up activities ***Key competitive advantages of 1095 include:*** *Pre-chemo market (at least 2x larger than post-chemo), better understood isotope, leader in combination treatment, and synergistic production with AZEDRA*	
Velan's Lack of Understanding	Velan wants to gamble shareholder capital on early stage assets with no data		Velan's incorrect interpretation of the 2013 PSMA-617 data demonstrates their lack of radiopharmaceutical and pipeline management experience		Velan criticizes Progenics for not being "first to market;" however, Progenics took calculated steps to ensure 1095 is more marketable		Velan is not sophisticated enough to recognize the lack of sufficient data in 2013, further evidenced by the fact that no other company developed PSMA-617 before Phase 2 data was released in 2017		Velan is using the benefit of hindsight to criticize Progenics. It would have been an irrational risk to develop 1095 in 2013 with no data and other later stage assets in the pipeline	

~4 Years Later – Positive clinical data becomes available

Shareholders should question Velan's superficial and baseless arguments regarding 1095

Source: Research analyst reports, news runs.

(1) The most impactful data was released after the conclusion of the Peter Mac study, which is a typical sequence for the release of clinical trial data. Lancet Oncol. 2018 Jun;19(6):825-833. doi: 10.1016/S1470-2045(18)30198-0. Epub 2018 May 8.

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Velan has consistently prioritized control over improving the Board and creating value

While we disagree with Velan's business points, we value their input into the composition of our board as a ~10% shareholder. This is why we made a generous offer to balance our valid ESG concerns against a large shareholder's ability to give meaningful input into the composition of the Board

Our last and still outstanding offer

Allow Velan to designate **2 additional directors for two years** with requisite experience and to nominate them for both the 2019 and 2020 AGM

*(We offered a **~10% shareholder** the right to designate 2/9 directors, or more than 20% of our board, so long as they had requisite experience and no ESG concerns)*

Velan's insistent terms

Expand the Board by 2 directors, replace the Chairman, and add 3 new directors, including Velan's nominees

*(Insisting on Bala Venkataraman and Ryan Melkonian, the two nominees most directly **involved in past price gouging**)*

- Velan originally nominated **six candidates** to the Board in order to **TAKE CONTROL** of the management of Progenics **without the payment of a control premium** to shareholders and without **anything resembling a plan!**
- Velan has refused **ALL** settlement offers that do not include a Board seat for Bala Venkataraman or one of his business partners involved in past price gouging
- Velan rejected our generous offer to name 2 additional directors for 2 years so long as they have requisite experience and comply with our governance standards
- Allowing Velan's nominees to join our Board, with significant ESG shortcomings, including price gouging, would destroy the trust we have gained with patients and key stakeholders, damaging our reputation and sustainable value creation

We encourage shareholders to ask Velan whether it truly wants to augment the Board in the best interests of shareholders or simply secure control for itself at everyone else's expense?

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Velan's shallow criticisms are illogical, contradictory or categorically untrue

Velan fallaciously criticizes past sound decision-making that is driving real value creation today

Pipeline

- Velan argues the purchase of the Somerset facility should have been made prior to FDA approval, which would have been an **IRRESPONSIBLE** and **SPECULATIVE** investment at the time, not to mention contradicts Velan's other criticism that the Company purchased redundant capabilities
- An investment in MIP-1095 with the Company's resources and other investable assets in 2013, as Velan suggests, would have been **RECKLESSLY GAMBLING** with shareholder money since meaningful clinical data was not in hand
- Demonstrates a basic **LACK OF UNDERSTANDING** through the comparison of the launch of AZEDRA to the launch of XOFIGO and LUTATHERA, two drugs with significantly different characteristics and less complex and longer development and commercialization timelines

Finance

- **ILLOGICAL** to state an "alarming continuation of high cash burn", yet criticize the AZEDRA royalty payment in stock instead of cash as poor capital allocation and demand faster development of 1095, which is capital intensive
- **FALSELY** implies a ~50% cost of equity, representing **CARELESS** financial analysis and **MISLEADING** investors

Governance

- Issues **UNFOUNDED** claims that the Board has poor corporate governance despite the myriad of ways the Board is held accountable to shareholders
  - Favorable shareholder rights include the ability to amend charter / bylaws, call special meetings, shareholder action by written consent, right to proxy access, and election of directors annually
- Refuses to identify director candidates without ethical business practice violations, including **PRICE GOUGING**, which would **DESTROY** patient and key stakeholder trust and **DAMAGE** our opportunity to provide meaningful treatment to those in need

Oncology & radiopharmaceutical product development and commercialization is significantly more complex than Velan's practice of acquiring an already developed drug to "flip" through price engineering