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Press Release

**Can-Fite Out Licenses Rights for its Drug, CF101,  
in Japan to the Seikagaku Corporation and  
Expects to Receive US\$ 19.5 Million from  
Licensing Fees and Milestone Payments and  
Collect Substantial Royalties**

**Can-Fite will immediately receive US\$ 3.5 million and expects to receive a further US\$ 2 million within the course of the coming year**

**The remainder of this amount is payable over several years according to milestones set forth by both parties. Once CF101 is approved for marketing in Japan, Can-Fite will also collect substantial royalties from the marketing thereof in the Japanese market**

**Can-Fite, a biotechnology company traded on the Tel Aviv Stock Exchange,** announced today that it has entered into an exclusive license agreement with a Japanese pharmaceutical company, Seikagaku Corporation, to develop and market CF101 in Japan for the treatment of inflammatory indications including rheumatoid arthritis (RA) but not including ophthalmic indications. Under the terms of the agreement, Can-Fite will receive an aggregate consideration of approximately US\$ 19.5 million, according to agreed milestones, and collect substantial royalties from the sale of CF101 in Japan.

Within the agreement, the Japanese company was granted exclusive license to develop and market CF101 for inflammatory diseases in the Japanese market. This will enable Seikagaku Corporation to develop the drug in Japan for the treatment of rheumatoid arthritis (RA) and other inflammatory diseases, not including ophthalmic indications. As previously announced, Can-Fite expects to soon enter a phase IIa clinical trial in Israel with CF101 for the treatment of Keratoconjunctivitis Sicca (KCS), an indication excluded from the SKK license agreement.

Can-Fite will immediately receive a US\$ 3.5 million payment and a further US\$ 1.5 million during the course of the coming year, contingent on achieving progress-related milestones in the ongoing phase IIb RA trial, which is due for completion in the course of 2007. The Company will also receive annual license fees up to a total of US\$2.5 million. Can-Fite will receive the remainder of the consideration, US\$ 12 million, contingent on achieving milestones set forth in the agreement and based on Seikagaku Corporation's progress in developing CF101 for RA in Japan.

Other than these funds, Can-Fite will also receive substantial royalties from the sales of CF101, if marketed by Seikagaku Corporation, and generate additional income from the sale to Seikagaku Corporation of the active pharmaceutical ingredient needed to manufacture the drug for marketing in Japan.

**Dr. Ilan Cohn, co-founder of Can-Fite, Deputy Chairman of the Board of the company,** who led the negotiations with SKK on behalf of Can-Fite, said today that

"we are very pleased to partner with a respectable Japanese company such as Seikagaku Corporation. Seikagaku Corporation is a very experienced and well established research-based Japanese pharmaceutical company that entered into this agreement after having conducted a thorough and in-depth due diligence pertaining to all aspects of our CF101 drug. In signing this agreement, SKK became the first reputable international company to validate the scientific foundations of Can-Fite and the results of the clinical trials conducted thus far. This agreement will allow a continued cash flow which will help Can-Fite to continue to develop its drug pipeline." Dr. Cohn also added that this agreement and the progress made in the clinical development are very important milestones towards lucrative deals with large multinational pharmaceutical companies.

Can-Fite's drug CF101 is a targeted drug that specifically attacks affected cells without compromising normal body systems, and therefore has a favorable safety profile. The receptor targeted by CF101 was found to be predominantly expressed on the surface of diseased cells. This was demonstrated in trials conducted by the company.

Can-Fite also announced recently of its intention to commence a Phase II trial in psoriasis and is currently preparing for a trial in this indication. As also recently announced, the Company has also received approval from the Israeli Ministry of Health to conduct a phase II clinical trials with CF101 for the treatment of DES, and has also initiated a Phase IIb trial with CF101 in 250 patients with RA in the US, Europe and Israel.

**SEIKAGAKU CORPORATION** ([www.seikagaku.co.jp/english](http://www.seikagaku.co.jp/english)) is a significant, research-based and innovative Japanese pharmaceutical company traded on the Tokyo Stock Exchange. The company is a pioneer and leader in the field of glycoscience and therapeutics for joint diseases such as arthritis. It has developed sodium hyaluronate injection (trade named: SupartzR, ArtzR or ArtzalR), is a first specialty product for osteoarthritis and acquired approval in 23 countries, including the USA. Based on the existing core business area and further focusing on inflammation including arthritis, Seikagaku is engaged actively in the collaborative research and in-licensing arrangement with companies or organizations who have innovative technologies, particularly in the areas of inflammatory and allergy diseases.

**CAN-FITE BIOPHARMA LTD** is a public company listed on the Tel Aviv Stock Exchange. The Company, which commenced business activity in 2000, was co-founded by investigator Prof. Pnina Fishman and patent attorney Dr. Ilan Cohn. The Company focuses on the development of molecule-based drugs that inhibit the development of cancer and inflammatory cells.

The potential market for RA treatments is estimated at approx. US\$ 7 billion annually and is projected to grow at an annual rate of approx. 20%. Can-Fite is also developing a drug for the treatment of DES; the potential market for DES treatments is estimated at US\$ 1 billion. The Company has recently entered drug development for the treatment of psoriasis; the potential market for psoriasis treatments is estimated at US\$ 3 billion annually.

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