Consolidated Financial Statements and Group Management Report December 31, 2011

Declaration Regarding Company Management/ Corporate Governance Report

Supervisory Board Report

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DECLARATION REGARDING COMPANY MANAGEMENT / CORPORATE GOVERNANCE REPORT

STRONG COMMITMENT TO CORPORATE GOVERNANCE

Agennix AG (hereinafter "Agennix") places great importance on good corporate governance. The Company's framework for corporate governance is based upon applicable German law, the German Corporate Governance Code and stock market self-regulation. Essential elements of good corporate governance include respect for the interests of shareholders, effective cooperation between the Management Board and Supervisory Board, and open and transparent communication.

DECLARATION OF COMPLIANCE 2011

Agennix complies with the recommendations of the German Corporate Governance Code with one exception. The Management Board and the Supervisory Board most recently published the compliance declaration pursuant to Section 161 of the German Stock Corporation Act (hereinafter "AktG") as presented below and made it publicly available on the Agennix corporate Web site. Pursuant to the recommendation of the Code, the Company will keep previous declarations of conformity with the Code available for viewing on its website for five years.

Declaration of the Management Board and the Supervisory Board of Agennix AG according to Section 161 AktG, regarding the German Corporate Governance Codex in the version as of May 26, 2010

Agennix AG has complied with the recommendations of the "German Corporate Governance Codex" in the version as of May 26, 2010 (the Codex"), with the following exception:

The Supervisory Board is comprised of certain members from the United States where a personal deductible is not common. As a result, the directors' and officers' liability insurance of Agennix AG does not provide for any personal deductible for members of the Supervisory Board (Code Section 3.8, Para. 2).

The Management Board and the Supervisory Board of Agennix AG hereby declare that the recommendations of the "German Corporate Governance Codex" in the version of May 26, 2010 are being complied with and have been complied with (but for the aforementioned exception) since the last declaration of compliance dated December 20, 2010.

22 December 2011

The Management Board The Supervisory Board

MANAGEMENT AND CONTROL STRUCTURES

Overview

In accordance with the German Stock Corporation Act, Agennix has a dual board system. This is characterized by a strict separation of personnel between the Management Board as the managing body and the Supervisory Board as the supervising body. The Management Board and the Supervisory Board work closely together in the interest of the Company.

Management Board

The Management Board is responsible for the management of the Company. The members of the Management Board are jointly responsible for management in accordance with applicable law, the Articles of Association and its internal rules of procedure (Geschäftsordnung). The Supervisory Board appoints the members of the Management Board. The Supervisory Board can appoint a chairman and a deputy chairman of the Management Board. The Supervisory Board can also appoint a spokesperson for the Management Board. The resolutions of the Management Board are adopted by simple majority of the votes of the members of the Management Board participating in the adoption of the resolution. In the case of a tie vote, a motion will be deemed as rejected. The Supervisory Board has determined that certain matters of the Management Board require its approval.

The Management Board represents Agennix in its dealings with third parties. The Management Board is required to ensure that adequate risk management and internal monitoring systems exist within the Company to detect risks relating to business activities at the earliest stage possible.

The Management Board reports regularly to the Supervisory Board about Agennix's operations and business strategies and prepares special reports upon request. Pursuant to the Articles of Association, the Management Board may consist of one or more members and the Supervisory Board determines the exact number. The appointment of Dr. Friedrich von Bohlen und Halbach as interim CEO ended on February 28, 2011. Since March 1, 2011, the Management Board has consisted of two members: Dr. Torsten Hombeck, Chief Financial Officer, and Dr. Rajesh Malik, Chief Medical Officer. Dr. Torsten Hombeck was also appointed as Spokesperson of the Management Board. The Company is legally represented by two members of the Management Board or by one member of the Management Board together with a person holding general commercial power of attorney (Prokura). The Company has currently granted no general commercial power of attorney. If only one member of the Management Board is appointed, then he represents the Company alone. The Supervisory Board may grant power of sole representation to one or several members of the Management Board. The Supervisory Board can release individual or all members of the Management Board from the prohibition on multiple representation of Section 181 2. Alt. Civil Code.

A member of the Management Board may be removed by the Supervisory Board prior to the expiration of that member's term only for cause in accordance with the German Stock Corporation Act.

A member of the Management Board may not participate in votes on matters relating to certain contractual agreements between such member and Agennix and may be liable to Agennix if such member has a material interest in any contractual agreement between Agennix and a third party which was not disclosed to and approved by the Supervisory Board. Further, as the compensation of the Management Board members is set by the Supervisory Board, Management Board members are not permitted to vote on their own compensation.

Supervisory Board

The Supervisory Board appoints, supervises and advises the Management Board and is directly involved in decisions of fundamental importance for the Company. In order to ensure that the comprehensive monitoring functions of the Supervisory Board are carried out properly, the Management Board must, among other requirements, regularly report to the Supervisory Board on current business operations and future business planning (including financial, investment and personnel planning). The Supervisory Board represents Agennix in connection with transactions between a member of the Management Board and Agennix. The Supervisory Board may at any time request special reports regarding the affairs of the Company, the legal or business relations of Agennix and its subsidiary or the affairs of its subsidiary to the extent that the affairs of such subsidiary may have a significant impact on Agennix.

Meetings of the Supervisory Board generally should be held once each calendar quarter. At least two meetings must be held in the calendar half year. Meetings of the Supervisory Board are convened in writing, by fax or by e-mail by the Chairman of the Supervisory Board with two weeks' notice, not counting the day on which the invitation is sent nor the meeting day. The Chairman shall determine the form of the meeting. In urgent cases, the Chairman may appropriately shorten this period and convene the meeting orally, by telephone, or by other customary means of telecommunication.

Unless otherwise required by law, resolutions of the Supervisory Board are adopted by simple majority of the votes cast. Abstention does not count as voting. A relative majority is sufficient in elections. The Supervisory Board has issued its own rules of procedure.

The Company's Supervisory Board consists of six members, who can be elected and removed by the annual general meeting. Effective as of February 14, 2011, Alan Feinsilver replaced Dr. Robert van Leen on the Supervisory Board. Dr. van Leen resigned from the Supervisory Board in November 2010. Alan Feinsilver was already named as a successor (replacement member) for Dr. van Leen at the time of the completion of the merger of GPC Biotech AG into Agennix AG. Prof. Dr. Jürgen Drews resigned from the Supervisory Board effective as of March 18, 2011. Effective as of his resignation, Dr. Friedrich von Bohlen und Halbach joined the Supervisory Board as the replacement member for Prof. Dr. Drews.

Supervisory Board committees

To increase the efficiency of the work of the Supervisory Board and the handling of complex matters, certain committees have been created in accordance with the Articles of Association of Agennix and the internal rules of procedure of the Supervisory Board.

The Board Committees may, to the extent legally possible, also be charged with decision-making powers. The Supervisory Board may, at its discretion, establish, permanently or temporarily, other committees and give them decision-making powers. The composition, powers and procedures of the committees are established by the Supervisory Board.

The Supervisory Board has established the committees described below.

Audit Committee
The Audit Committee is directly responsible for:

- overseeing external accounting and risk management matters;
- ensuring the independence of the external auditors;
- determining the scope of the external audit and engaging the external auditors as elected by the shareholders at annual general shareholders' meetings;
- determining specific key aspects of the external audit and the compensation of the external auditors; and
- communicating with the external auditors on a regular basis.

Compensation Committee
The Compensation Committee is responsible for the review and approval of compensation policies and programs, including stock option programs and similar incentive-based compensation. It is also responsible for overseeing ongoing personnel matters of the members of the Management Board, including their membership on the boards of other companies.

Nominations Committee
The Nominations Committee is responsible for:

- proposing suitable candidates to the Supervisory Board for recommendation to the general shareholders' meeting;
- ensuring that the Supervisory Board, at all times, is composed of members who, as a whole, have the required knowledge, abilities and experience to properly complete their tasks and are sufficiently independent.

Terms and Committee Membership of Members of the Supervisory Board (Fiscal Year 2011)

			Membership in Supervisory Board Committees		
	Year First Elected	End of Term (*)	Audit Committee	Compensation Committee	Nominations Committee
Christof Hettich, L.L.D. (Chairman)	2009	2014	X	Chairman	X
Frank Young, M.D., Ph.D. (Vice Chairman)	2009	2014		X	
Jürgen Drews, M.D., Ph.D. (**)	2009	2014		X	X
Alan Feinsilver (***)	2011	2014			
Bernd R. Seizinger, M.D., Ph.D.	2009	2014	X		
Friedrich von Bohlen und Halbach, Ph.D.	2011	2014		X	X
James D. Weaver III	2009	2014	Chairman		Chairman

(*) Term ends upon the adjournment of the Annual General Meeting held in the year indicated.
(**) Effective as of March 18, 2011, Prof. Dr. Jürgen Drews resigned from the Supervisory Board. Effective as of Prof. Dr. Drews' resignation, Dr. Friedrich von Bohlen und Halbach joined the Supervisory Board as the replacement member for Prof. Dr. Drews.
(***) Effective as of February 14, 2011, Alan Feinsilver succeeded Dr. Robert van Leen who resigned from the Supervisory Board in November 2010.

Composition of Supervisory Board
In order to ensure that the Supervisory Board can effectively serve the needs and interests of the Company, the Supervisory Board's Rules of Procedure indicate that the Supervisory Board should be comprised of members with relevant experience in the pharmaceutical or biotech industries, finance, or corporate law. Due to the transatlantic operations of the Company, relevant business experience in Europe or the United States is also an important attribute. In addition, in selecting new or additional candidates for membership on the Supervisory Board, preference shall be given to qualified candidates with no potential conflicts of interest with the Company. The selection process shall also have a goal of increasing the diversity of the Supervisory Board, including an appropriate representation of women. The Supervisory Board will actively seek to implement these diversity goals in connection with the replacement of the current members of the Supervisory Board, all of whom still have a few years remaining in their terms.

COMPENSATION REPORT

Compensation of the Management Board
The compensation of the Management Board is set by the Supervisory Board. The compensation system provides for compensation that is appropriate for the responsibilities and duties of the Management Board members as well as the situation of the Company. In addition to personal performance, the business environment and the success of the Company are taken into account. The compensation of the Management Board is comprised of the following:

1. Fixed salary
2. Variable bonus
3. Stock options
4. Other income
5. Payments upon early termination or non-renewal of service agreements

1. Fixed salary
The fixed salary is paid in twelve equal monthly installments.

2. Variable bonus
The variable bonus is based on individual performance and the responsibilities of the Management Board member. In addition to individual performance, the economic performance and success of the Company are also considered. The variable bonus is determined by the Supervisory Board. If a Management Board member resigns during the course of a calendar year, the Supervisory Board will take into account the performance of the Management Board member up until the time of his resignation.

3. Stock options
Management Board members are also granted stock options. Pursuant to the existing stock option plans, the stock options can first be exercised after expiration of a waiting period, which is based on the minimum legal waiting period, but a maximum of four years. Exercise of stock options is possible if the closing price of the Company's stock during a reference time period (namely between issuance of the stock options and the point in time that is four weeks before exercise) develops better than the TecDAX stock index of the Frankfurt Stock Exchange. The exercise price for the stock options is the average of the closing prices of the Company's stock in electronic trading on the Frankfurt Stock Exchange (XETRA® or a comparable successor system) during the last five trading days before the grant of the options but at least the nominal value of one share of the Company.

4. Other income
Other income may include contributions by the Company to a defined contribution plan and household allowances.

5. Payments upon early termination or non-renewal of service agreements
In the case of both Dr. Hombeck and Dr. Malik, if, within nine months of the expiration of his service agreement, the Supervisory Board does not present a resolution to the Management Board member for his reappointment as well as a binding offer regarding the renewal of this service agreement under comparable conditions to his expiring service agreement in all material respects or if, the Supervisory Board informs the Management Board member that he will not be offered a renewal of contract, and the chairmanship of the Supervisory Board has changed and agreement on the reappointment and renewal of the service agreement of the Management Board member cannot be subsequently reached, then the Management Board member shall be entitled to payment of his base salary for a period of twelve months. The twelve month period shall begin on the date (1) the Management Board member receives a resolution for reappointment as well as a binding offer regarding the renewal of his service agreement under comparable conditions in all material respects, or (2) the Management Board member is notified that he will not be offered reappointment and renewal of his service agreement or (3) his service agreement expires in the case that neither (1) or (2) are fulfilled, up to (but no longer than) the end of the year following the expiration of his service agreement.

In addition to any compensation due to a Management Board member in connection with a change of control as provided below, in the event that either Dr. Hombeck or Dr. Malik is removed from office without good cause, he has the right to terminate his service agreement and is entitled to receive a payment in the amount of the compensation not received (base salary plus any annual bonus) due to the early termination of the agreement. In addition, all stock options, convertible bonds or similar rights shall become fully vested and may not be terminated by the Company during the remainder of their respective terms.

The service agreement of each Management Board member provides that, if one or more persons whose direct or indirect shareholdings in the Company do not exceed 10% of the voting rights as of the date of the 2011 addendum to the respective service agreement (December 22, 2011, in the case of Dr. Malik and December 23, 2011, in the case of Dr. Hombeck) obtain a controlling interest (more than 50% of voting rights) for a consideration of at least € 400,000,000 based on 100% of outstanding shares and the office of the Management Board member ends within twelve months thereof, without the Management Board member giving cause for termination, the Management Board member will be entitled to a one-time payment of his annual base salary.

The total cash compensation of the Management Board during 2011 amounted to € 968,567 and was comprised of the following:

Total Compensation of the Management Board of Agennix (Fiscal Year 2011)

in €	Salary	Bonus	Other Compensation (*)
Friedrich von Bohlen und Halbach, Ph.D. (**)	40,525	80,000	-
Torsten Hombeck, Ph.D.	285,017	160,980	18,399
Rajesh Malik, Ph.D.	268,327	110,040	5,279
Total cash compensation	**593,869**	**351,020**	**23,678**

(*) Other compensation represents employer contributions to a defined contribution plan and other taxable benefits.
(**) Term as interim Chief Executive Officer expired February 28, 2011.

On September 30, 2011 the Company granted 280,000 stock options to members of the Management Board. Fair value of the options at the date of grant was estimated at € 1.93 per option.

Compensation of the members of the Supervisory Board

Section 4.7.1 of the Articles of Association of Agennix provides that the Chairman of the Supervisory Board receive an annual remuneration of € 20,000, the Deputy Chairman receive an annual remuneration of € 15,000, and each of the other members of the Supervisory Board receive an annual remuneration of € 10,000, in each case plus expenses and VAT, if applicable.

Supervisory Board members serving as chairman of one or several committees shall receive an additional annual remuneration of € 5,000 plus VAT, and Supervisory Board members serving as a member of one or several committees shall receive an additional annual remuneration of € 2,500, in each case plus expenses and VAT.

Notwithstanding this provision, the chairman of the audit committee will receive an additional annual remuneration of € 10,000, and members of the audit committee will receive an additional annual remuneration of € 5,000. If a member of the Supervisory Board is a member of the audit committee, he will not receive an additional remuneration for work on other committees.

At the Annual General Meeting of the Company held on May 10, 2011, shareholders approved success-based compensation for members of the Supervisory Board as follows:

a.) The Chairman of the Supervisory Board will receive a payment of € 60,000, the Vice Chairman and the Chairman of the Audit Committee - if not the same person - will receive a payment of € 50,000 each, and every other member will receive a payment of € 40,000, when (i) the first Biologics License Application („BLA“) for talactoferrin is submitted to and accepted for review by the US Food and Drug Administration („FDA“) and when (ii) the first Marketing Authorization Application („MAA“) for talactoferrin is submitted to and accepted for review by the European Medicines Agency („EMA“). The claim to the compensation arises with the first acceptance for review of the submission of a BLA by the FDA and with the first acceptance for review of the submission of an MAA by the EMA.

b.) Moreover, the Chairman of the Supervisory Board will receive a payment of € 120,000, the Vice Chairman and the Chairman of the Audit Committee - if not the same person - will receive a payment of € 100,000 each, and every other member will receive a payment of € 80,000, if talactoferrin is either approved by the FDA or by the EMA for an indication. The claim to the compensation arises with each approval for a new indication in the U.S. or in Europe.

c.) The assessment period for the success-oriented compensation is the period between May 30, 2011 (the date of registration in the Commercial Register of the amendment to the Articles of Association of the Company with regard to Supervisory Board compensation) and the attainment of the Company's goals as respectively set forth in a) and b) above. Members of the Supervisory Board who were not on the Supervisory Board during the entire assessment period will receive a pro-rated payment. This payment will be based on the length of term of office during the assessment period in proportion to the entire assessment period. The compensation is payable within 100 calendar days after the claim to compensation arises.

Total compensation of the Supervisory Board for 2011 amounted to € 100,116 and is comprised of the following:

Total Compensation of the Supervisory Board of Agennix (Fiscal Year 2011)

in €	Fixed compensation	Success based compensation
Christof Hettich, L.L.D. (Chairman)	25,000	-
Frank Young, M.D., Ph.D. (Vice Chairman)	17,500	-
Jürgen Drews, M.D., Ph.D . (*)	3,048	-
Alan Feinsilver (**)	9,123	-
Bernd R. Seizinger, M.D., Ph.D.	15,000	-
Friedrich von Bohlen und Halbach, Ph.D.	10,445	-
James D. Weaver III	20,000	-
Total compensation	**100,116**	-

(*) Effective as of March 18, 2011, Prof. Dr. Jürgen Drews resigned from the Supervisory Board. Effective as of Prof. Dr. Drews' resignation, Dr. Friedrich von Bohlen und Halbach joined the Supervisory Board as the replacement member for Prof. Dr. Drews.

(**) Effective as of February 14, 2011, Alan Feinsilver succeeded Dr. Robert van Leen who resigned from the Supervisory Board in November 2010.

In 2011 the Company paid approximately € 0.2 million to RITTERSHAUS Rechtsanwälte, Partnerschaftsgesellschaft, Mannheim, a partnership company in which the Chairman of the Supervisory Board is a partner. Approximately € 57,000 was paid to Dr. Frank Young in 2011 who advised the Company with respect to regulatory matters and drug development.

ANNUAL GENERAL MEETING

Agennix shareholders exercise their voting rights at the Annual General Meeting (AGM), convened at least once a year. The AGM makes decisions on all statutory matters that are binding on all shareholders and the Company. For voting on resolutions, each share confers one vote.

All shareholders registering in due course are entitled to participate in the AGM. Agennix offers shareholders access to key parts of the event after the AGM via webcast. The Company also encourages non-attendees to exercise their voting rights by arranging independent proxies who are bound by the shareholders' instructions. Shareholders may also authorize a person of their choice to represent them in the meeting.

The invitation to the AGM and the reports and information required for voting are published in accordance with the German Stock Corporation Act and provided in German and English on Agennix's Web site (www.agennix.com) in the Investor Relations section.

RISK MANAGEMENT SYSTEM

Agennix has implemented a risk management system that is an integral component of the management tools used to identify risk areas that could potentially harm the continuity and growth of the Company's business. For a detailed discussion of this risk management system, please see the Management Report.

ACCOUNTING AND AUDITING

Agennix provides financial and business information to its shareholders and other interested parties on a regular basis by publishing its annual consolidated financial statements and quarterly reports. As an incorporated company whose registered seat is located within the European Union, Agennix must prepare and publish consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) and also follow Section 315a HGB (German Commercial Code). The consolidated financial statements of the Agennix Group and the financial statements of Agennix AG are audited by an audit firm and approved by the Supervisory Board. The audit firm is elected by the shareholders at the AGM and commissioned by the Supervisory Board. The audit firm participates in the Audit Committee's and the Supervisory Board's deliberations on the financial statements and reports the most significant results of its audit. The Audit Committee uses this information as a guideline for its own evaluation of the statements and reports.

The financial statements and the Management Report for Agennix AG for the year 2011, as well as the consolidated financial statements and Management Report of the Agennix Group, were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich. The auditors issued unqualified audit opinions. These audits also covered

risk management and compliance with reporting requirements concerning corporate governance pursuant to section 161 of the German Stock Corporation Act. The Supervisory Board also approved the financial statements and confirmed the consolidated financial statements for the year 2011.

TRANSPARENCY

Agennix is in compliance with the requirements of the transparency guidelines of the Corporate Governance Code. The Company publishes all important documents on its Web site (www.agennix.com) to ensure that all market participants have equal access to comprehensive and timely information concerning the Company's business and financial situation. The majority of this information is available in German and English, including annual and interim reports, ad hoc releases, transactions requiring disclosure (e.g., directors' dealings), information on the Company's corporate governance and the declarations of compliance. The Company's financial calendar lists the dates on which financial reports will be released. Agennix holds conference calls for analysts and investors in connection with its earnings reporting or from time to time in the event of major Company news, and these calls are accessible to all via telephone or webcast.

SUPERVISORY BOARD REPORT

In 2011 Agennix AG made significant progress in further advancing the development of its lead product candidate, the oral immunotherapy, talactoferrin, and in positioning the Company for a potentially transformational year in 2012.

Achievements during 2011 included the completion of patient enrollment in the FORTIS-M Phase III registration trial in non-small cell lung cancer in March, as well as the initiation of the OASIS Phase II/III trial in severe sepsis at the end of June. Additionally in 2011, important cancer use patents for talactoferrin were granted in the major markets for pharmaceutical products – Europe, the U.S. and Japan, and talactoferrin data from Phase II trials were published in peer-reviewed medical journals and presented at major medical meetings. Agennix also hired several highly experienced executives in key areas as it prepares for a possible regulatory filing for talactoferrin and a potential commercial launch. To further strengthen the Company's financial position, the Company completed a rights offering in December 2011, which raised approximately € 27 million. The proceeds included approximately € 11.3 million from subscriptions against cash and approximately € 16.2 million from the conversion to equity of an existing loan plus interest. The Company believes it now has sufficient cash to fund ongoing operations into the first quarter 2013.

In February 2012, the Company stopped the OASIS trial at the recommendation of the study's Data Safety Monitoring Board. The Company and Supervisory Board were very surprised and disappointed by this result. After the ongoing data review by the Company is completed, the Supervisory Board will discuss with management whether further development in this indication is warranted.

MEETINGS OF THE SUPERVISORY BOARD

During 2011 the Supervisory Board held thirteen meetings, six of which were in person. At these meetings, there was discussion regarding all key aspects of the Company's business. The Supervisory Board supervised the Management Board in its management of the Company and advised the Management Board regarding issues related to the management of the Company. In between the meetings of the Supervisory Board, the Chairman of the Supervisory Board was in frequent contact with the members of the Management Board, especially with the Spokesperson of the Management Board, as well as the other members of the Supervisory Board. The Management Board regularly provided the Supervisory Board with timely and comprehensive updates on the Company's financial position and planning and its business activities.

A focus of the advisory activity of the Supervisory Board was the clinical development strategy and activities for talactoferrin. The Supervisory Board was informed on a regular basis about the status and development of current clinical trials. The Supervisory Board also devoted substantial attention to manufacturing planning and activities for talactoferrin. In addition, the Supervisory Board focused on the execution of the rights offering completed in December 2011. It also stayed well informed about the Company's financial situation, planning and business activities and discussed the Company's future strategy with the Management Board on a regular basis.

The Supervisory Board recognized the partnership of the Chairman, Dr. Christof Hettich, in the law firm Rittershaus Rechtsanwälte, Partnerschaftsgesellschaft, Mannheim, which provides legal services to Agennix AG, as a potential conflict of interest. Insofar as the activities of Rittershaus were the subject of discussions of the Supervisory Board, the Chairman did not participate in these or in any voting. The Supervisory Board also identified the consulting activities of Dr. Frank Young, Vice Chairman, as an additional potential conflict of interest. Dr. Young advises the Company on regulatory matters and drug development. Insofar as the activities of Dr. Young were the subject of discussions of the Supervisory Board, the Vice Chairman did not participate in these or in any voting. In addition, neither Dr. Hettich nor Dr. Friedrich von Bohlen und Halbach participated in voting on matters related to the rights offering completed in December 2011 due to their positions as managing directors of dievini Verwaltungs GmbH in turn acting as manager of dievini Hopp BioTech Holding GmbH & Co. KG, the Company's largest shareholder, which contributed an outstanding loan including interest to the capital of the Company in connection with such rights offering.

COMMITTEES

During 2011, the Supervisory Board had three committees: the Audit Committee, the Compensation Committee and the Nominations Committee. The Audit Committee met four times during 2011. The Committee's activities included discussion of annual and consolidated financial statements as well as other annual accounting documents with the Company's auditors before the statements were submitted to the Supervisory Board for approval, quarterly interim reports and audit fees. There were no meetings of the Compensation Committee or the Nominations Committee.

2011 FINANCIAL STATEMENTS

The financial statements and management report of the Company according to the German Commercial Code (HGB) were audited by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Munich, and approved with an unqualified audit opinion. Ernst & Young GmbH was elected as auditor by resolution of the Shareholders' Meeting of Agennix AG on May 10, 2011. The result of the audit of these financial statements is explained in the Independent Auditors' Report. The consolidated financial statements according to IFRS, the group management report and additional disclosure requirements according to §315a HGB were also audited by Ernst & Young GmbH, which provided an unqualified audit opinion.

The Supervisory Board reviewed the management report and all financial statements of the Company, as well as the audit reports issued by Ernst & Young GmbH. The Company's auditors participated in the meeting of the Audit Committee on March 12, 2012, as well as in the meeting of the Supervisory Board on March 14, 2012, during which the review of the Company's financial statements took place. In these meetings, the Supervisory Board discussed the reports of the independent auditors and the individual and consolidated financial statements as well as the management report and the group management report. The auditors reported on the focal points of the audit and the audit results, taking into consideration accounting-related internal controls and risk management and the auditor's independence. In addition, the auditor answered questions of the Supervisory Board and was available for additional questions and information. After its final review of the audit of the 2011 annual financial statements, the consolidated financial statements, the management report, the group management report and the audit reports, the Supervisory Board agreed with and approved the results of the audit by the auditor. The Supervisory Board approved the annual financial statements and consolidated financial statements at its meeting on March 14, 2012, and the annual financial statements were thereby adopted.

REPORT ON RELATIONS TO AFFILIATED ENTERPRISES

Pursuant to § 312 of the German Stock Corporation Law, the Management Board of Agennix AG prepared a Report on Relations to Affiliated Enterprises (Dependency Report) and provided it thereafter to the Supervisory Board.

The Dependency Report was audited by the Company's auditors, who provided the following unqualified audit opinion:

"Following our dutiful review and evaluation, we confirm that:

1. The information contained in the Report is accurate; and
2. The consideration paid by the Company in the transactions listed in the Report was not unreasonably high.

Munich, March 14, 2012

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gallowsky Auditor
Erhardt Auditor"

The Dependency Report of the Management Board and the audit report of the auditor regarding the Dependency Report were provided to the members of the Supervisory Board and were reviewed and discussed by the Board in detail at its meeting on March 14, 2012. A representative of the audit firm also participated and reported to the Supervisory Board in detail regarding the material results of the audit. In addition, the representative answered questions of the Supervisory Board and remained available for additional questions and information. At its meeting on March 14, 2012, the Supervisory Board approved the result of the audit of the Dependency Report by Ernst & Young Wirtschaftsprüfungsgesellschaft, and no objections were raised.

After its own review, the Supervisory Board also had no objections to the Dependency Report. Following completion of its review, no objections were raised to the statement of the Management Board at the end of the Dependency Report.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY AND THE MANAGEMENT BOARD

The appointment of Dr. von Bohlen und Halbach as a member of the Management Board ended on February 28, 2011. Since March 1, 2011, the Management Board has consisted of two members - Dr. Torsten Hombeck and Dr. Rajesh Malik. Dr. Hombeck was appointed as Spokesperson of the Management Board.

Effective March 18, 2011, Prof. Dr. Jürgen Drews resigned from the Supervisory Board. Dr. von Bohlen und Halbach joined the Supervisory Board as a substitute member for Prof. Drews. Effective February 14, 2011, Alan Feinsilver succeeded Dr. Robert van Leen, who resigned from the Supervisory Board in November 2010.

EXPRESSION OF THANKS

The Supervisory Board would like to acknowledge the significant progress achieved by the Management Board and Agennix employees in 2011. We look forward with anticipation to the FORTIS-M Phase III trial results later this year.

Heidelberg, March 14, 2012

Dr. Christof Hettich, Chairman

INDEPENDENT AUDITORS REPORT

We have audited the consolidated financial statements prepared by Agennix AG, Heidelberg, comprising the consolidated statement of operations, the consolidated statement of comprehensive income (loss), the consolidated statement of financial position, the consolidated statement of cash flows, the consolidated statement of changes in equity and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2011 to December 31, 2011. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB ["Handelsgesetzbuch": "German Commercial Code"] are the responsibility of the Group's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying our opinion, we draw attention to the disclosures in the group management report. As it is described in par. "Going Concern", Agennix AG's ability to continue as a going concern is endangered, since based on the available financial resources as of December 31, 2011, and taking into consideration recurring negative operating cash flows, the Company's operations are financed into the first quarter of 2013. Continuing the Company's operations beyond the first quarter of 2013 is dependent on the ability to obtain additional funding, which in its turn will significantly depend on the top-line data readout from the Fortis-M trial. If the trial were to have a negative data readout, the Company would need to be aligned strategically, and its access to necessary financial resources would become even more difficult.

Munich, March 14, 2012

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

signed

Gallowsky

Wirtschaftsprüfer
[German Public Auditor]

signed

Erhardt

Wirtschaftsprüfer
[German Public Auditor]

MANAGEMENT REPORT 2011

CORPORATE STRUCTURE AND BUSINESS ACTIVITIES

Agennix AG ("Agennix" or "the Company") is a publicly traded company organized under the laws of the Federal Republic of Germany. The Company has three sites of operations: Planegg/Munich, Germany; Princeton, New Jersey, USA and Houston, Texas, USA. The Company's website is www.agennix.com.

The Company is focused on the development of novel therapies that have the potential to substantially improve the length and quality of life of seriously ill patients in areas of major unmet medical need.

BUSINESS AND OPERATING ENVIRONMENT

Economic environment[1]

Global economic development in 2011 was affected by several major events, including the nuclear accident and earthquakes in Japan, the U.S. credit downgrade, as well as the ongoing euro zone debt crisis. The International Monetary Fund (IMF) reported that world output slowed down from a year-over-year increase of 5.2% in 2010 to an increase of 3.8% in 2011. According to the IMF, global growth prospects dimmed and risks sharply escalated during the fourth quarter of 2011, as the euro area crisis entered a critical new stage. However, growth in the advanced economies surprised on the upside, as consumers in the United States unexpectedly lowered their saving rates and business fixed investment stayed strong. The bounce back from the supply chain disruptions caused by the March 2011 earthquake in Japan was also stronger than anticipated. Additionally, stabilizing oil prices helped support consumption. In contrast, growth in emerging and developing economies slowed more than forecasted.

Economic growth in the European Union as well as in the euro zone countries slightly tempered in 2011 with an increase of approximately 1.6% in comparison to approximately 2% in 2010. According to the IMF, the main reason was the escalating euro area crisis.

According to the Federal Statistical Office of Germany, the German economy grew strongly in 2011 for the second year in a row. The price-adjusted gross domestic product (GDP) increased by 3% compared to 2010, with most of the growth occurring mainly in the first half of 2011. Price-adjusted GDP increased by 3.7% in 2010.

In the U.S., the Department of Commerce, Bureau of Economic Analysis reported that real GDP increased 1.7% in 2011, compared to an increase of 3% in 2010. The increase in real GDP in 2011 primarily reflected positive contributions from personal consumption expenditures, exports, and nonresidential fixed investment. These gains were partly offset by negative contributions from government spending, private inventory investment, and an increase in imports.

The capital markets in Europe and the U.S. were extremely volatile throughout 2011 and were strongly affected by the European debt crisis. The German key indices closed the year down significantly. The German blue-chip index DAX decreased 15% in 2011 compared to 2010. The technology index TecDAX decreased 19%, and the mid-cap index MDAX was down 12%. In comparison, the U.S. markets closed 2011 moderately with the Dow Jones increasing 6% and the NASDAQ Composite decreasing 2%. The biotechnology sector performed with mixed results in 2011: The sector index Prime IG Biotechnology of the Deutsche Boerse decreased significantly by 22%, while the NASDAQ Biotech index was up 12% compared to 2010.

Biopharmaceutical industry[2]

According to *BioCentury* in 2011, public biotech companies raised $43 billion, exceeding the record $33.1 billion raised in 2000. However, debt financings accounted for 82% of the total dollars raised in 2011, compared to only 19% in 2000.

Nineteen biotech companies raised $972.7 million through an initial public offering (IPO) in 2011, compared to 31 IPOs that raised $1.6 billion in 2010. The 2011 class traded down a median of 19%, with thirteen of the nineteen companies ending the year below their post-money valuation. Five biotech companies proposed IPOs in the fourth quarter, bringing the total in the queue to at least twelve.

The total value of biotech-related completed merger and acquisition (M&A) transactions in 2011 reached a record $79 billion compared to $21.5 billion in 2010. The 2011 amount was largely driven by the takeouts of Genzyme Corp. by Sanofi and Nycomed GmbH by Takeda Pharmaceutical Co. Ltd. and does not include the $11 billion deal for Pharmasset Inc. by Gilead Sciences Inc., which closed in the first quarter of 2012. The 91 total deals, including private deals where financial terms were not disclosed, far exceeded the next biggest year, 2008, when 76 deals were completed. A record-breaking 64 private companies were acquired in 2011. Forty-six of those, where financial terms

1 Sources: http://www.imf.org;, http://www.destatis.de; http://www.bea.gov; WestLB Research: Yearbook 2012

2 Sources: BioCentury. Jan 2, 2012: Financial Markets Preview 2012; http://www.fda.gov

were disclosed, were purchased for an aggregate of $23 billion. The bulk of that total came from the $13.4 billion acquisition of Nycomed. Twenty-seven public company acquisitions were completed for an aggregate of $56 billion, the second highest amount since 2009, when Genentech Inc. was acquired by Roche for $46.8 billion.

Follow-on deals slowed in the second half of 2011, with only 25 deals completed for $1.2 billion versus 54 deals for $3 billion in the first half of 2011. For the year 2011, follow-ons raised a total of $4.2 billion, more than the $3.5 billion raised in 2010, but still below the $6.2 billion raised in 2009.

About $231 million exited healthcare/biotechnology funds during 2011 compared to about $2.6 billion in 2010. In August 2011, $2.4 billion flowed out of these funds as the U.S. debt debate, along with negative news on sales of Provenge® (sipuleucel-T) from Dendreon Corporation led to a selloff in the sector and overall markets. The European debt crisis dominated the headlines in December, with $1 billion exiting the sector in that month alone.

According to the FDA's Web site, 30 new drugs (NMEs - new molecular entities) were approved in 2011, up from 21 in 2010.

SITUATION OF THE COMPANY

In 2011, Agennix AG made significant progress in further advancing the development of its lead product candidate, the oral Dendritic Cell Mediated Immunotherapy (DCMI) talactoferrin, and in strengthening its business.

In March 2011, patient enrollment completed in the FORTIS-M Phase III registration trial evaluating talactoferrin in non-small cell lung cancer ("NSCLC"). Additionally in 2011, important cancer use patents for talactoferrin were granted in Europe, the U.S. and Japan, and talactoferrin data from Phase II trials were published in peer-reviewed medical journals and presented at major medical meetings. Agennix also hired several highly experienced executives in key areas as it prepares for a possible regulatory filing for talactoferrin and a potential commercial launch. To further strengthen the Company's financial position, the Company completed a rights offering in December 2011, which raised approximately € 27.2 million, including approximately € 11.0 million (net of offering costs) from subscriptions against cash and approximately € 16.2 million from the conversion to equity of an existing loan plus interest.

The Company initiated the Phase II/III OASIS trial with talactoferrin in severe sepsis in June 2011. However, on February 2, 2012, Agennix announced that, upon the recommendation of the study Data Safety Monitoring Board ("DSMB"), the Company had stopped further enrollment and treatment in the trial. The DSMB made this recommendation based on a review of the available data from the trial, which indicated that 28-day mortality in the talactoferrin arm of the study was greater than in the placebo arm. Agennix subsequently unblinded the data from the trial and reported that its review of the available results confirmed the finding of the DSMB. The data review remains ongoing. Once that review is completed and Agennix has held further discussions with the critical care community and consultants, the Company will make a decision on whether further development of talactoferrin in severe sepsis is warranted. Until that time, Agennix does not intend to invest further in the development of talactoferrin in severe sepsis.

The Company has discussed the results of the OASIS trial with the DSMB of the FORTIS trials. The FORTIS DSMB has agreed with Agennix's assessment that, based on the available data from the OASIS trial, no changes to the conduct of the ongoing FORTIS-M trial are necessary and the FORTIS-M trial can continue as planned.

GOING CONCERN

On December 7, 2011, the Company announced that it had raised approximately € 11.0 million in cash (net of offering costs) and approximately € 16.2 million from the conversion of an existing loan plus interest to equity, via participation from existing shareholders, by issuing 9,319,504 new shares. Subscription rights were granted to the Company's shareholders at a subscription price of € 2.95 per share.

The capital increase was a mixed capital increase of cash and contribution in kind. The contribution in kind involved the contribution by the Company's major shareholder, dievini Hopp BioTech holding GmbH & Co. KG ("dievini"), of the € 15.0 million loan made to Agennix in July 2010, plus approximately € 1.2 million in accrued interest. As a result of this transaction, Agennix has no further obligations regarding this loan.

During the year ended December 31, 2011, the Company incurred a net loss of € 41.8 million (net loss before income tax of € 42.6 million) and used cash in its operations of € 44.9 million. At December 31, 2011, the Company had cash, cash equivalents, other current financial assets and restricted cash of € 44.0 million and current liabilities of € 8.1 million. The Company has incurred recurring operating losses and has generated negative cash flows from operations since its inception and it expects such results to continue for the foreseeable future.

Based on the current financial position of the Company, management believes that Agennix will have sufficient cash to fund its operations into the first quarter of 2013. This should enable the Company to obtain top-line data from the FORTIS-M Phase III trial assuming no significant changes to currently projected timelines. The Company will need to

raise additional funds through licensing agreements and/or through strategic and/or public equity or debt investments to fund operations beyond that point and to continue as a going concern.

If Agennix were to experience significant delays in obtaining top-line data from the FORTIS-M trial, the Company's ability to continue as a going concern could be at risk if it were unable to secure interim funding to get to that important event. If the FORTIS-M trial were to have negative results, the Company's ability to continue as a going concern would be at immediate risk as the Company's ability to obtain additional funding would be limited. In this situation, the Company would quickly reduce costs through restructuring activities in order to preserve cash. Furthermore, the Company would evaluate other business opportunities, including mergers and acquisitions and/or partnering and/or advancing other internal development programs.

Agennix cannot accurately predict when or whether it will successfully complete the development of its product candidates or obtain additional funding.

RESULTS OF OPERATIONS

Overview of the business

According to the bylaws of the Company, the business purpose of Agennix AG is the research and development of pharmaceutical and biotechnology products, technologies and procedures and the provision of related services and granting of licenses as well as the acquisition, sale, utilization and administration of all kinds of intellectual property. Furthermore, Agennix AG may carry out all actions and transactions that are appropriate to directly or indirectly pursue the business purpose of the Company. It may also establish, take over, represent or acquire equity participations in other companies in Germany and abroad and conclude business or cooperation agreements with other companies. Agennix AG may fully or partially pursue its business purpose via subsidiaries, affiliates, offices and branches in Germany and abroad.

Agennix AG is the German parent company of a group consisting of two direct wholly owned U.S. subsidiaries: Agennix USA Inc. based in Princeton, New Jersey and Agennix Incorporated, based in Houston, Texas. Agennix also has one indirect subsidiary, Agennix Ltd., based in London, U.K., a wholly owned subsidiary of Agennix Incorporated. Agennix Ltd. does not have any operations.

Financial summary

Since the Company's business cannot be divided in a meaningful manner, no segment reporting is provided. However, the Company provides a geographical breakout of certain key figures (see Note 6 to the consolidated financial statements).

The Company did not recognize any revenues in 2011: a decrease of 100% from the € 0.2 million recognized in 2010.

Research and development expenses

Agennix incurs development expenses related to its clinical and preclinical drug development programs.

Research and development expenses increased 24% to € 36.6 million for the year ended December 31, 2011, compared with € 29.4 million for the same period in 2010. The increase in R&D expenses is primarily due to increased patient enrollment in the Company's Phase III FORTIS-M trial with talactoferrin in NSCLC and the Phase II portion of the OASIS trial with talactoferrin in severe sepsis, which was initiated at the end of the second quarter of 2011 and stopped in the first quarter of 2012.

Administrative expenses

Administrative expenses consist primarily of compensation for employees in executive and operational functions, including finance and accounting, business development, investor relations, intellectual property and legal, information technology and human resources. Other significant expenses in this category include facilities and communications, external intellectual property and legal advice and services, and consulting.

Administrative expenses decreased 12% to € 8.8 million for the year ended December 31, 2011, compared to € 10.0 million for the same period in 2010. The decrease was primarily due to decreases in legal expenses related to the shareholders litigation and variable employee compensation expense, neither of which were incurred in 2011.

For the year ended December 31, 2011 and 2010, the largest expense items of the Company were the following:

in million €	2011	2010[1]
Clinical development	16.9	11.1
Salaries and benefits	8.9	9.5
Raw material & clinical supply	6.5	6.2
External research	4.7	3.9
Legal and advisory	1.1	1.5
Facilities and communications	1.4	2.0
Consulting and pre-commercialization	3.0	2.2
Depreciation	0.6	0.8
Other	2.3	2.2
Total operating expense	**45.4**	**39.4**

(1) Prior year amounts have been reclassified to conform with current year presentation

Other income/other expense, net

Other income and expense, net, was € 3.2 million in 2011 resulting mainly from the sale of New Jersey, USA, State Net Operating Losses ("NOLs") and tax credits. In addition to net realized and unrealized gains due to foreign exchange rate differences. In 2010: other income and expense, net, of € 2.9 million resulting mainly from net realized and unrealized gains due to foreign exchange rate differences and income from grants (see Note 9 to the consolidated financial statements).

Net loss

Net loss in 2011 increased to € 41.8 million from € 27.0 million in the preceding year. Net loss before income tax benefit increased to € 42.6 million in 2011 from € 36.5 million in 2010. Income tax benefit for the year ended December 31, 2011 amounted to € 0.8 million (€ 9.5 million for the same period in 2010) and related to the net operating losses incurred by the Company's subsidiary, Agennix Incorporated, during the period.

As a result of the December 2011 rights offering, Agennix Inc. experienced a change in ownership as defined in Section 382 of the United States Internal Revenue Code ("IRC"). Under Section 382(a), an ownership change occurs when the major shareholders (> 5%) of a loss corporation have increased their ownership of the Company's stock by more than 50 percentage points over a three-year testing period. As a result of this change in control all of the Company's U.S. net operating loss carry forwards ("NOLs"), prior to the change in control are limited. Due to this limitation, the Company impaired approximately € 6.5 million in deferred tax assets resulting in the reversal of € 6.5 million in tax benefits recognized in the first three quarters of 2011 (see Note 13 to the consolidated financial statements).

The Management Board proposes that a dividend should not be paid for fiscal year 2011. Due to the nature of the business the Company does not expect to pay dividends in the foreseeable future.

Property, equipment and intangible assets

In 2011 and 2010, Agennix invested € 0.9 million and € 0.7 million in property, equipment, and intangible assets, respectively. These investments were primarily for leasehold improvements, office equipment and intellectual property.

As part of the acquisition of Agennix Incorporated in 2009 the Company recorded $131.6 million (€ 89.1 million on the acquisition date) of acquired in-licensed R&D related to talactoferrin which represented the fair value of the development projects at the acquisition date. At December 31, 2011 and 2010 the asset was valued at € 102.0 million and € 99.5 million, respectively. The increase in asset value since the acquisition date was primarily due to foreign currency translation adjustments as the asset is denominated in U.S. dollars but reported in euros.

Cash flow

Net cash used in operating activities was € 44.9 million for 2011, primarily reflecting the net loss before income tax benefit for this period of € 42.6 million, adjusted for non-cash depreciation and amortization, non-cash stock-based compensation expense, changes in accounts payable, accruals and other liabilities. The net cash burn was € 45.8 million for 2011 (2010: € 34.5 million). Net cash burn is derived by adding net cash used in operating activities (€ 44.9 million) and purchases of property, equipment and intangibles (€ 0.9 million). Cash burn continues to be one of the most important measures to manage the Company's financial performance.

The net cash flow provided by investing activities amounted to € 8.5 million for 2011, primarily from proceeds from the sale of short-term and held-to-maturity investments, compared to a net cash flow used in investing activities of € 30.9 million in 2010, which was primarily from the purchase of short-term and held-to-maturity investments. Net cash provided by financing activities was € 11.1 million for 2011 as the result of equity transactions, compared to

€ 102.0 million for 2010, primarily due to equity transactions of € 87.2 million and the issuance of short-term debt of € 15.0 million in 2010.

Financial position

As of December 31, 2011, total assets were € 155.9 million (2010: € 186.1 million). Cash, equivalents, other current financial assets and restricted cash accounted for € 44.0 million of total assets (2010: € 79.3 million). These funds were mostly held in short-term accounts and time deposits. During fiscal year 2011, the Company funded its operations and investments in research and development activities primarily from existing cash reserves and proceeds generated from the issuance of share capital (Note 22 to the accompanying consolidated financial statements).

As of December 31, 2011, long-term liabilities (excluding deferred taxes) were € 0.2 million (2010: € 0.2 million) and primarily resulted from liabilities related to convertible bonds.

Shareholders' equity was € 140.7 million at December 31, 2011 (2010: € 152.8 million), representing an equity ratio of 90%, compared to 82% in 2010 (calculated as relation of the total equity to the sum of total assets).

R&D REPORT

Agennix is focused on the development of novel therapies that have the potential to substantially improve the length and quality of life of critically ill patients in areas of major unmet medical need. The Company's most advanced program, and the main focus of its R&D efforts, is the oral Dendritic Cell Mediated Immunotherapy (DCMI), talactoferrin. Talactoferrin is currently being studied for the treatment of cancer. In a randomized, double-blind, placebo-controlled Phase II study in NSCLC, talactoferrin appeared to improve survival without many of the common toxicities seen with other cancer therapies.

Two Phase III trials with oral talactoferrin in NSCLC are currently ongoing. Enrollment in the Phase III FORTIS-M trial was completed in March 2011. FORTIS-M is a randomized, double-blind, placebo-controlled study evaluating talactoferrin plus best supportive care compared to placebo plus best supportive care in patients with NSCLC whose disease has progressed following two or more prior treatment regimens.

Agennix is conducting a second Phase III trial in NSCLC called FORTIS-C. FORTIS-C is a randomized, double-blind, placebo-controlled trial evaluating oral talactoferrin plus a standard chemotherapy regimen, carboplatin and paclitaxel, versus placebo plus carboplatin and paclitaxel in first-line NSCLC patients (patients who have not yet received chemotherapy to treat their cancer). Enrollment is currently ongoing at a limited number of sites in the U.S.

In March 2011, Agennix announced the issuance of a U.S. patent which covers the use of oral talactoferrin for the treatment of NSCLC and renal cell carcinoma. The patent term expires in 2025. In August 2011, the Company announced the issuance of a European patent covering the use of oral talactoferrin, including in combination with other therapies, such as chemotherapy, immunotherapy, radiation therapy and other treatments, to treat cancer. The patent has a term until 2023.

During 2011, data from Phase II trials with talactoferrin in NSCLC and in severe sepsis were presented at major medical meetings in the U.S. and in Europe, including at the American Society of Clinical Oncology (ASCO) Annual Meeting. In addition, data from the Phase II trial in first-line NSCLC were published in the peer-reviewed medical publication, Journal of Thoracic Oncology, and data from the Phase II talactoferrin trial in second-line+ NSCLC were published in the peer-reviewed medical journal, Journal of Clinical Oncology.

The Company initiated the Phase II/III OASIS trial with talactoferrin in severe sepsis in June 2011. However, on February 2, 2012, Agennix announced that, upon the recommendation of the study DSMB the Company had stopped further enrollment and treatment in the trial. The DSMB made this recommendation based on a review of the available data from the trial, which indicated that 28-day mortality in the talactoferrin arm of the study was greater than in the placebo arm. Agennix subsequently unblinded the data from the trial and reported that its review of the available results confirmed the finding of the DSMB. The data review remains ongoing. Once that review is completed and Agennix has held further discussions with the critical care community and consultants, the Company will make a decision on whether further development of talactoferrin in severe sepsis is warranted. Until that time, Agennix does not intend to invest further in the development of talactoferrin in severe sepsis.

The Company has discussed the results of the OASIS trial with the DSMB of the FORTIS trials. The FORTIS DSMB has agreed with Agennix's assessment that, based on the available data from the OASIS trial, no changes to the conduct of the ongoing FORTIS-M trial are necessary and the FORTIS-M trial can continue as planned.

In December 2011, with an effective date of January 1, 2011, Agennix signed a new contract with talactoferrin manufacturer, DSM Capua S.p.A ("DSM"), under which DSM will manufacture talactoferrin for Agennix at commercial levels in anticipation of positive Phase III clinical data and product approval. DSM is currently manufacturing talactoferrin for use in ongoing clinical trials, including the FORTIS-M trial, and will continue to supply talactoferrin for clinical trials as well as to support a potential commercial launch. The contract includes the manufacture of commercial supply of talactoferrin, process development to continue to optimize the manufacturing process, and the

opportunity to significantly expand production capacity as needed. Agennix also signed an agreement with a second manufacturer of talactoferrin, Lonza Sales AG ("Lonza") in December 2011.

In addition to oral talactoferrin, the Company has a topical gel formulation of talactoferrin. A clinical trial with this formulation has been completed in diabetic foot ulcers. The Company plans to partner this program, although it may conduct additional clinical work in this indication in the future to maximize the partnering opportunity and potential for success.

The Company also owns rights to RGB-286638, a multi-targeted kinase inhibitor. A Phase I trial in advanced solid tumors has completed, and preliminary results from the study have been presented. At this time, Agennix does not plan to initiate further clinical testing with this compound as the Company is focusing its resources on oral talactoferrin.

At December 31, 2011, the Company's worldwide research and development headcount was 38, representing 54% of the total number of employees of 70.

INTELLECTUAL PROPERTY

Agennix seeks to actively protect its intellectual property for its developments, product candidates and proprietary information that are important to the commercial development of its business. This is achieved through filing for, prosecuting, maintaining or licensing relevant European, U.S. and/or other foreign patents and/or trademarks. In addition, the Company relies upon trade secrets and contractual arrangements to protect proprietary information that may be important to the development of its business.

During 2011, several patents covering the use of talactoferrin in certain cancers were issued, extending the patent coverage for this program as follows: 1) a U.S. patent covering the use of oral talactoferrin for the treatment of NSCLC and renal cell carcinoma with a patent term that expires in 2025; 2) a European patent covering the use of oral talactoferrin, including in combination with other therapies, such as chemotherapy, immunotherapy, radiation therapy and other treatments, to treat cancer, with a patent term until 2023; and 3) a Japanese patent covering the use of talactoferrin in lung cancer, with a patent term until 2023.

Agennix also has pending use patent applications directed to sepsis and severe sepsis, which, if granted, would potentially provide additional patent coverage until 2023 and 2031, respectively.

In addition, talactoferrin has been granted orphan drug designation for NSCLC in the U.S. and for renal cell carcinoma in the U.S. and Europe. Orphan drug designation can provide seven years of regulatory exclusivity in the U.S. and ten years in Europe for the given indication following marketing approval.

Another form of exclusivity related to the marketing of an approved drug can be provided by so-called "regulatory data exclusivity" that can delay the application for and approval of generic versions of an innovator's product following its approval. Such protection is available for biologics, such as talactoferrin, in Europe for a period of generally ten years and in the U.S. for up to twelve years.

PROCUREMENT

Continued effort has been put into the streamlining of the Company's core service, material and equipment supply sources. The selection of service providers and suppliers is focused on securing high product quality combined with service that meets the Company's needs. The majority of the Company's purchases in 2011 were for services. The Company has a pharmaceutical development group that is responsible for all of the materials that are used in clinical trials and ultimately for the market, such as bulk drug, vials and packaging including labeling. Assurance of product quality is a primary concern for Agennix. The Company's internal quality team audits vendors on a regular basis and has a formal quality agreement with all major providers of clinical research and supplies. Please refer to Intellectual Property Risks, Risks Related to Talactoferrin Development and Further Risks Related to Drug Development below for further information.

EMPLOYEES

The Company's worldwide headcount was 70 as of December 31, 2011, compared to 56 on December 31, 2010. At the end of 2011, 54% of the Company's employees worked in research and development.

The Company offers employees the opportunity to become shareholders through its stock option program. At December 31, 2011, there were 3,298,299 stock options outstanding, of which 2,746,474 were not yet deemed to be vested. During 2011, 66,578 stock options were exercised. There were also, 41,976 convertible bonds still outstanding from former GPC Biotech plans at December 31, 2011, of which 10,000 were not yet deemed to be vested. During 2011 no convertible bonds were exercised. The Management Board is obligated and authorized to issue

the corresponding number of shares upon proper exercise of the relevant stock options and convertible bonds. Refer to Notes 26 and 27 to the accompanying consolidated financial statements for details.

LITIGATION

In December 2009, the Company was served with a lawsuit filed by certain shareholders of the Company in the local court in Munich, Germany, commencing appraisal proceedings in accordance with Section 15 of the German Transformation Act (Umwandlungsgesetz), and seeking judicial review of the fairness of the exchange ratio set forth in the merger agreement pursuant to which shares of GPC Biotech AG were exchanged for shares of Agennix AG. Other shareholders commenced similar proceedings in January and February 2010 and the proceedings were consolidated before the same court in Munich. The plaintiffs sought an additional cash payment to certain shareholders of the Company.

On February 11, 2011, the court issued a decision rejecting the claims of the plaintiffs for an additional cash payment and ordered that the Company pay the court costs and out-of-court costs of the plaintiffs. Two shareholders filed an appeal to the court's decision, but later withdrew those appeals in August 2011. The appellate court ordered that the two shareholders bear their own costs in the appeal and that the Company pay the costs of the joint shareholder representative and court costs. As of December 31, 2011, total expense relating to these rulings was less than € 0.1 million. Refer to Note 28 in the accompanying consolidated financial statements for details.

OVERVIEW OF THE COMPENSATION SYSTEM

Supervisory Board compensation

In accordance with the relevant provisions of the Company's articles of association the Members of the Supervisory Board of Agennix AG receive an annual fixed compensation which is described further in Note 29 to the accompanying consolidated financial statements for details.

Management Board compensation

Friedrich von Bohlen und Halbach's term as interim Chief Executive Officer expired on February 28, 2011. Effective March 1, 2011, as resolved by the Supervisory Board, the Company is being led by a two-person Management Board comprised of Dr. Torsten Hombeck, Chief Financial Officer, and Dr. Rajesh Malik, Chief Medical Officer. Dr. Hombeck also was appointed to serve as spokesperson of the Management Board.

In the case of both Dr. Hombeck and Dr. Malik, if, within nine months of the expiration of his service agreement, the Supervisory Board does not present a resolution to the Management Board member for his reappointment as well as a binding offer regarding the renewal of this service agreement under comparable conditions to his expiring service agreement in all material respects or if, the Supervisory Board informs the Management Board member that he will not be offered a renewal of contract, and the chairmanship of the Supervisory Board has changed and agreement on the reappointment and renewal of the service agreement of the Management Board member cannot be subsequently reached, then the Management Board member shall be entitled to payment of his base salary for a period of twelve months. The twelve month period shall begin on the date (1) the Management Board member receives a resolution for reappointment as well as a binding offer regarding the renewal of his service agreement under comparable conditions in all material respects, or (2) the Management Board member is notified that he will not be offered reappointment and renewal of his service agreement or (3) his service agreement expires in the case that neither (1) or (2) are fulfilled, up to (but no longer than) the end of the year following the expiration of his service agreement.

In addition to any compensation due to a Management Board member in connection with a change of control as provided below, in the event that either Dr. Hombeck or Dr. Malik is removed from office without good cause, he has the right to terminate his service agreement and is entitled to receive a payment in the amount of the compensation not received (base salary plus any annual bonus) due to the early termination of the agreement. In addition, all stock options, convertible bonds or similar rights shall become fully vested and may not be terminated by the Company during the remainder of their respective terms.

The Company believes that the service agreements and the severance arrangements between the Company and the members of the Management Board provide for payments and benefits (including upon termination of employment) that are in line with customary market practices.

A summary of the Management Board's compensation as of December 31, 2011 is set forth in the table below:

		Annual Compensation		All Other Compensation[1]
Year ended December 31, 2011	Months of Service	Salary (€)	Cash Bonus (€)	(€)
Management Board				
Torsten Hombeck, Ph.D.	12	285,017	160,980	18,399
Rajesh Malik, M.D.	12	268,327	110,040	5,279
Friedrich von Bohlen und Halbach Ph.D.[2]	2	40,525	80,000	-

(1) Represents employer contributions to a defined contribution plan and other taxable benefits
(2) Term as interim Chief Executive Officer expired February 28, 2011.

Information about share-based compensation of Management Board and Supervisory Board members is presented in Note 29 to the accompanying consolidated financial statements. Major terms and conditions of the share-based compensation are presented in Notes 26 and 27 to the accompanying consolidated financial statements.

VOTING RIGHTS AND MAJOR SHAREHOLDERS

As of December 31, 2011, the share capital of Agennix AG amounted to € 51,270,258 comprised of 51,270,258 bearer shares. Each share has equal rights, including equal voting rights. The Company is not aware of any limitation or restrictions on voting rights.

The following table sets forth, to the best of the Company's knowledge on the basis of notifications of such shareholders pursuant to the German Securities Trading Act (Wertpapierhandelsgesetz or WpHG) and other available information, estimated share ownership information for the Company's principal shareholders holding more than 3% of the voting rights in the Company as of December 31, 2011. Each share has one vote. The voting rights of the principal shareholders do not differ from the voting rights of any other shareholders.

Shareholder	Number of Shares	% of Share Capital	% of Voting Rights
Dietmar Hopp[1]	35,500,000	69.2	69.2
Cain Shareholders[2]	4,244,266	8.3	8.3

(1) The estimated figures for Mr. Dietmar Hopp include shares owned by other entities whose voting rights are attributed to Mr. Hopp pursuant to Section 22 Para. 1 Sentence 1 No. 1 WpHG, including dievini which, as of December 31, 2011, owned 33,285,973 shares or approximately 64.9% of the voting rights of the Company.

(2) The estimated figures for the Cain Shareholders reflect multiple attribution of voting rights pursuant to the attribution provisions of Section 21 et seq. WpHG. Please note however that under German securities law the individuals included in the Cain Shareholders are treated separately and not as a group for legal reporting purposes. The "Cain Shareholders" are comprised of James D. Weaver, Margaret W. Weaver, Mary H. Cain, Cain Asset Management LLC, Cain Investments Limited L.P. and certain other related entities, all individuals or entities deriving their initial share ownership from Gordon A. Cain, a co-founder of Agennix Incorporated.

NOMINATION AND DISCHARGE OF MANAGEMENT BOARD MEMBERS

The members of the Management Board are appointed by the Supervisory Board for a maximum of five years. A renewal of the appointment, in each case for another five years, is permissible but requires a new resolution of the Supervisory Board, which can be passed at the earliest one year prior to the end of the current term. The Supervisory Board can withdraw the appointment of the Management Board and the nomination of the Chairman of the Management Board for cause, as defined in Section 84 para. 3 of the German Stock Corporation Act (AktG).

Changes to the Management Board

Friedrich von Bohlen und Halbach's term as interim Chief Executive Officer expired on February 28, 2011. Effective March 1, 2011, as resolved by the Supervisory Board, the Company is being led by a two-person Management Board comprised of Dr. Torsten Hombeck, Chief Financial Officer, and Dr. Rajesh Malik, Chief Medical Officer. Dr. Hombeck was appointed to serve as spokesperson of the Management Board.

Changes to the Supervisory Board

On March 4, 2011, Dr. Juergen Drews informed the Company that he was resigning from the Board. As previously provided for at the time of the merger of GPC Biotech into Agennix AG in November 2009, Dr. von Bohlen filled this seat.

The Company also reported that, effective February 14, 2011, Alan Feinsilver filled the Supervisory Board seat opened by the resignation of Dr. Robert van Leen, which was announced in November 2010.

AUTHORIZATIONS FOR THE MANAGEMENT BOARD TO ISSUE SHARES

The Management Board is authorized to issue shares of the Company pursuant to the following authorizations:

Conditional capital (Bedingtes Kapital)
The Company has established eight separate conditional capitals.

Conditional capital I
Based on a conditional capital provided for in Sec. 2.1.5 of the articles of association, subject to the approval of the Supervisory Board, the Management Board is authorized until October 30, 2014, to issue bearer options and/or convertible bonds in an aggregate nominal amount of up to € 20,000,000, with or without fixed maturity, and grant holders of options or convertible bonds conversion rights for new no-par-value bearer shares of the Company with a pro-rata share of up to € 2,613,400 in the share capital. The Management Board is authorized, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights to the options and/or convertible bonds, (i) if they are issued against cash contribution and the issue price is not materially below the imputed fair value calculated in accordance with generally accepted methods of financial mathematics. However, this shall only apply if the shares issued for servicing the option and conversion rights associated with the bonds do not exceed 10% of the share capital at the time when this authorization becomes effective or when it is utilized. The 10% limit shall take into account any shares of the Company issued or sold by the Company in direct or analogous application of Section 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG) during the duration of this authorization until its full utilization; (ii) to exclude fractional amounts resulting from the subscription ratio from shareholders' subscription rights; (iii) to the extent necessary to give holders of option rights or creditors of conversion rights issued by the Company or its affiliated subsidiary companies in the past or present subscription rights to the extent to which they would be entitled to such rights after exercise of their option or conversion rights; and (iv) if they are issued against non-cash contribution for the purpose of acquisition of companies, individual business operations and equity participations in companies.

Conditional capital II
Based on a conditional capital provided for in Sec. 2.1.6 of the articles of association, the Management Board is authorized to issue up to 1,133,600 bearer shares in connection with stock options granted pursuant to the Company's 2009 stock option plan. The conditional capital increase will be carried out only to the extent the option holders exercise the options. The shares participate in the profit from the start of the business year in which they are issued based on the exercise of the stock options.

A total of 1,133,600 stock options under the stock option program 2009 were granted and outstanding as of December 31, 2011.

Conditional capital III
Based on a conditional capital provided for in Sec. 2.1.7 of the articles of association, the Management Board is authorized to issue up to 350,307 bearer shares to service option rights of stock option holders for shares of GPC Biotech AG and to whom – as a result of the Merger – option rights to shares of the Company were granted. The conditional capital increase will be carried out only to the extent the option holders exercise the options. The shares participate in the profit from the start of the business year in which they are issued based on the exercise of stock options.

Conditional capital IV
Based on a conditional capital provided for in Sec. 2.1.8 of the articles of association, the Management Board is authorized to issue up to 479,845 bearer shares to service option rights of stock option holders for shares of Agennix, Incorporated and to whom – after the contribution of Agennix, Incorporated to the Company – option rights to shares of the Company were granted. The conditional capital increase will be carried out only to the extent the option holders exercise the options. The shares participate in the profit from the start of the business year in which they are issued based on the exercise of the stock options.

Conditional capital V
Based on a conditional capital provided for in Sec. 2.1.10 of the articles of association, subject to the approval of the Supervisory Board, the Management Board is authorized until May 24, 2015, to issue bearer options and/or convertible bonds in an aggregate nominal amount of up to € 30,000,000, and grant holders of options or convertible bonds conversion rights for new no-par-value bearer shares of the Company with a pro-rata share of up to € 3,700,000 in the share capital. The Management Board is authorized, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights to the options and/or convertible bonds, (i) if they are issued against cash contribution and the issue price is not materially below the imputed fair value calculated in accordance with generally accepted methods of financial mathematics. However, this shall only apply if the shares issued for servicing the option and conversion rights associated with the bonds do not exceed 10% of the share capital at the time when this authorization becomes effective or when it is utilized. The 10% limit shall take into account any shares of the Company issued or sold by the Company in direct or analogous application of Section 186 Par. 3 Sentence 4 of the German Stock Corporation Act (AktG) during the duration of this authorization until its full utilization; (ii) to exclude fractional

amounts resulting from the subscription ratio from shareholders' subscription rights; (iii) to the extent necessary to give holders of option rights or creditors of conversion rights issued by the Company or its affiliated subsidiary companies in the past or present subscription rights to the extent to which they would be entitled to such rights after exercise of their option or conversion rights; and (iv) if they are issued against non-cash contribution for the purpose of acquisition of companies, individual business operations and equity participations in companies.

Conditional capital VI

Based on a conditional capital provided for in Sec. 2.1.11 of the articles of association, the Management Board is authorized to issue up to 924,000 bearer shares to serve the purpose of the settlement of subscription rights from stock options which are granted to members of the Management Board and employees of the Company and of affiliated companies under a stock option program 2010. The conditional capital increase is to be implemented only to the extent that the holders of subscription rights exercise their rights and that the conditional capital is necessary in accordance with the terms and conditions of the options. The new shares are entitled to profits from the beginning of the business year for which at the date of the exercise of the subscription right no resolution regarding the use of balance sheet profits has yet been adopted by the general meeting.

A total of 917,500 stock options under the stock option program 2010 were granted and outstanding as of December 31, 2011.

Conditional capital VII

Based on a conditional capital provided for in Sec. 2.1.13 of the articles of association, subject to the approval of the Supervisory Board, the Management Board is authorized until May 9, 2016 (inclusive), to issue bearer options and/or convertible bonds in an aggregate nominal amount of up to € 95,000,000, and grant holders of options or convertible bonds conversion rights for new no-par-value bearer shares of the Company with a pro-rata share of up to € 9,500,000 in the share capital. The Management Board is authorized, subject to the consent of the Supervisory Board, to exclude shareholders' subscription rights to the options and/or convertible bonds, (i) if they are issued against cash contribution and the issue price is not materially below the imputed fair value calculated in accordance with generally accepted methods of financial mathematics. However, this shall only apply if the shares issued for servicing the option and conversion rights associated with the bonds do not exceed 10% of the share capital at the time when this authorization becomes effective or when it is utilized. The 10% limit shall take into account any shares of the Company issued or sold by the Company in direct or analogous application of Section 186 Par. 3 Sentence 4 of the German Stock Corporation Act (AktG) during the duration of this authorization until its full utilization or for which conversion and/or subscription rights are being granted during the term of the authorization by convertible or option bonds pursuant to Sections 221 Par. 4, 186 Par 3 Sentence 4 of the German Stock Corporation Act (AktG) ; (ii) to exclude fractional amounts resulting from the subscription ratio from shareholders' subscription rights; (iii) to the extent necessary to give holders of option rights or creditors of conversion rights issued by the Company or its affiliated subsidiary companies in the past or present subscription rights to the extent to which they would be entitled to such rights after exercise of their option or conversion rights; and (iv) if they are issued against non-cash contribution for the purpose of acquisition of companies, individual business operations and equity participations in companies.

Conditional capital VIII

Based on a conditional capital provided for in Sec. 2.1.14 of the articles of association, the Management Board is authorized to issue up to 2,130,000 bearer shares in connection with stock options granted pursuant to the Company's 2011 stock option plan. The conditional capital increase will be carried out only to the extent the option holders exercise the options.

The new shares are entitled to profits from the beginning of the business year for which at the date of the exercise of the subscription right no resolution regarding the use of balance sheet profits has yet been adopted by the general meeting.

A total of 676,302 stock options under the stock option program 2011 were granted and outstanding as of December 31, 2011.

For further details regarding these authorizations we refer you to the Company's articles of association.

Authorized capital ("Genehmigtes Kapital")

The Company has two separate authorized capitals.

Authorized capital 2009

Based on an authorized capital provided for in Sec. 2.1.4 of the articles of association, the Management Board is authorized, with approval of the Supervisory Board, to increase the share capital of the Company until October 22, 2014 once or in partial amounts several times, by up to € 3,797,477 through the issuance of up to 3,797,477 shares without a nominal value against contribution in cash or kind.

The Management Board is further entitled to exclude the subscription right of shareholders with the approval of the Supervisory Board in the following cases:

(i) in the case of capital increase against contribution in cash pursuant to Section 186 Par. 3 Sentence 4 of the German Stock Corporation Act (AktG) if the issue price of the new shares is not significantly lower than the stock market price of the shares already listed and the shares issued against contributions in cash with exclusion of the subscription right do not total more than 10% of the share capital at the time of the utilization. The limit shall take into account any shares of the Company issued or sold by the Company in direct or analogous application of Section 186 Par. 3 Sentence 4 of the German Stock Corporation Act (AktG)Act during the duration of this authorization until its full utilization, or for which a right to exchange or subscription right through conversion or option bonds is granted during the term of this authorization in accordance with Section 186 Par. 3 Sentence 4 Stock Corporation Act. The maximum limit of 10% of the share capital is reduced by the pro rata amount of the share capital accounted for by those own shares of the Company that were sold during the term of the approved capital with exclusion of the subscription right of the shareholders in accordance with Sections 71 Para. 1 No. 8 Sentence 5, 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG);

(ii) to sell fractional amounts under exclusion of the subscription right of the shareholders;

(iii) to grant to holders of options or convertible bonds or holders of options or convertible bonds that are or were issued by the Company or companies affiliated with the Company a subscription right to new shares to the extent to which they would be entitled as a shareholder after exercise of the option or convertible bonds;

(iv) for a capital increase against contributions in kind, in particular to acquire companies, parts of companies or holdings in companies and for in-licensing of products consistent with the purpose of the Company's business.

The new shares can also be assumed by credit institutions chosen by the Management Board with the obligation to offer them to the shareholders for purchase. The Management Board will be authorized, with approval of the Supervisory Board, to determine further terms and conditions of the issuance of the shares including the issue price.

Authorized capital 2011

Based on an authorized capital provided for in Sec. 2.1.12 of the articles of association, The Management Board is authorized, upon approval by the Supervisory Board, to increase the share capital of the Company until May 9, 2016 (inclusive), once or several times in partial amounts, by up to a total amount of € 7,771,996 by the issue of up to 7,771,996 new no-par value bearer shares against contributions in cash and/or in kind.

The Management Board is authorized to exclude the statutory subscription rights of the shareholders with the approval of the Supervisory Board in the following cases:

(i) in the case of a capital increase against cash contributions pursuant to Section 186 Par. 3 Sentence 4 of the German Stock Corporation Act (AktG), provided that the issue price of the new shares is not significantly lower than the stock market price of the shares already listed and the shares issued against cash contributions with the exclusion of subscription rights do not total more than 10% of the share capital at the time of the utilization. Such shares are to be included in this limit that are being issued or sold by direct application or application mutatis mutandis or, as the case may be, by application pursuant to a statutory reference of Section 186 Par. 3 Sentence 4 of the German Stock Corporation Act (AktG)during the term of this authorization until the date of its utilization, or for which during the term of this authorization conversion and/or subscription rights or, respectively, obligations have been granted by convertible bonds or option rights or obligations from convertible bonds or options pursuant to Sections 221 Para. 4, 186 Para. 3 Sentence 4 of the German Stock Corporation Act (AktG).

(ii) to sell fractional amounts with an exclusion of subscription rights of the shareholders;

(iii) to grant to holders of option or convertible bonds or holders of option or conversion rights that are or were issued by the Company or by enterprises affiliated with the Company subscription rights to new shares to the extent to which they would be entitled as shareholders after the exercise of the option or conversion rights;

(iv) for the purpose of an increase of the capital against contributions in kind which is consistent with the corporate purpose of the Company, in particular, for the acquisition of respective companies, parts of companies or shareholdings in companies as well as for in-licensing of products or for the acquisition of rights to products or drug candidates or drug development technologies.

In the event that subscription rights are being granted, the new shares may also be subscribed by specific banks designated by the Management Board with the obligation to offer them to the shareholders for subscription. The Management Board with the approval of the Supervisory Board shall decide on the content of the share rights and the other terms and conditions of the issue of shares, including the issue price.

For further details regarding these authorizations we refer you to the Company's articles of association.

AMENDMENTS TO ARTICLES OF ASSOCIATION

Each amendment to the Company's articles of association requires a shareholder resolution. The shareholder resolution requires an affirmative vote of at least three quarters of the Company's share capital present at the respective general shareholders meeting.

ARRANGEMENTS UPON A CHANGE IN CONTROL

The service agreement of each Management Board member provides that, if one or more persons whose direct or indirect shareholdings in the Company do not exceed 10% of the voting rights as of the date of the 2011 addendum to the respective service agreement (December 22, 2011, in the case of Dr. Malik and December 23, 2011, in the case of Dr. Hombeck) obtain a controlling interest (more than 50% of voting rights) for a consideration of at least € 400,000,000 based on 100% of outstanding shares and the office of the Management Board member ends within twelve months thereof, without the Management Board member giving cause for termination, the Management Board member will be entitled to a one-time payment of his annual base salary.

RISK MANAGEMENT

Structure of the Company's risk management system

The Company's activities, especially in the area of drug development, expose it to many risks that are inherent to the industry and stage of the Company's products and operations. These risks may materially adversely affect the Company's business, operations and financial results.

It is the responsibility of the Management Board and of all employees to identify risks at an early stage, to address them proactively and to manage them responsibly. In accordance with the "Corporate Sector Supervisory and Transparency Act" (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich – KonTraG), the Company has implemented a risk management system that is an integral component of the management tools used to identify risk areas that could potentially harm the continuity and growth of its business.

This risk management system includes:

- The designation of a member of the Management Board and an additional employee, the Risk Manager, to be responsible for risk management.
- A risk recognition system. The Company is divided into different risk areas with assigned risk owners. These risk owners monitor risks in their areas and report any identified critical risks directly to the designated member of the Management Board or to the Risk Manager.
- An annual risk inventory highlighting fundamental and systemic risks that could materially impact Agennix's business activities.
- The assessment and evaluation of risks in an annual aggregated risk report, which includes the estimated probabilities of the occurrence of, the extent of potential damage from and proposals on how to manage highlighted risks.
- Organizational functions and controls integral to risk management, including but not limited to quality assurance, safety reporting and financial controlling.

Risks related to talactoferrin development

The Company has been investing a significant portion of its resources in the development of talactoferrin and plans to continue to do so for the foreseeable future. Until now, none of the Company's product candidates have been approved by any regulatory authority and all are still in development. The Company anticipates that its ability to enter into licensing and/or partnering transactions, attract capital at acceptable rates and ultimately generate revenues will depend to a large degree on the successful development and commercialization of talactoferrin.

The commercial success of talactoferrin will depend on several factors, including but not limited to:

- the successful completion of clinical trials and demonstration of the safety and efficacy of talactoferrin in one or more indications by reaching the relevant endpoints of such trials;
- the receipt of marketing approvals from the European Medicines Agency ("EMA"), the United States Food and Drug Administration ("FDA") and other regulatory authorities;
- the production of drug substance and drug product in sufficient commercial quantities through validated processes acceptable to regulatory authorities;
- the establishment of an effective sales and marketing infrastructure and/or the signing of one or more partnering and/or license agreements on acceptable terms;
- reimbursement by relevant providers such as public or private health care providers;

- the development and maintenance of effective relationships with key opinion leaders and other medical professionals; and
- the successful commercial launch of the product.

If one or more of these goals is not achieved, the Company may not generate substantial revenues or may not become profitable in the foreseeable future. If the Company fails to become profitable, or if it is unable to fund its operations, the Company may not be able to continue its development programs and might have to significantly reduce its product development efforts. This could have a material adverse effect on the Company's net assets, financial position and results of operations. The Company may become insolvent and investors could lose all or part of their investment.

Further risks related to drug development

At each stage of drug development, programs may be delayed or fail. The rate of failure is highest the earlier the stage of a program. However, the cost of failure tends to be significantly higher the later the stage of development, and pre-clinical studies and early clinical results may not accurately predict the results obtained in later-stage clinical testing. Late-stage clinical trials are the most expensive stage of drug development. Clinical programs may be delayed or terminated for a variety of reasons: patients may not be accrued to a trial in a timely manner; the Company or one of its vendors may not comply with regulatory guidelines; unexpected side effects may occur; or a trial could fail to show efficacy. On February 2, 2012, Agennix announced that, upon the recommendation of the study DSMB, the Company had stopped further enrollment and treatment in the OASIS Phase III trial. The DSMB made this recommendation based on a review of the available data from the trial, which indicated that 28-day mortality in the talactoferrin arm of the study was greater than in the placebo arm. Agennix subsequently unblinded the data from the trial and reported that its review of the available results confirmed the finding of the DSMB. The data review remains ongoing. Once that review is completed and Agennix has held further discussions with the critical care community and consultants, the Company will make a decision on whether further development of talactoferrin in severe sepsis is warranted. Until that time, Agennix does not intend to invest further in the development of talactoferrin in severe sepsis.

Research and development activities, and the manufacturing and marketing of biopharmaceutical products are subject to extensive regulation by the U.S. FDA, the European EMA and comparable authorities elsewhere. The approval of the relevant regulatory authorities is required before a product can be sold in a given market. The regulatory submission and review process is time- and resource-consuming, and the timing of receipt of regulatory approval is difficult to predict. Even if a registration trial is considered to be positive, Agennix cannot eliminate the possibility of delay or rejection of a drug candidate for reasons related to a product candidate's safety and efficacy, regulatory concerns or other reasons, such as insufficient documentation concerning the manufacturing process, quality control or methods of analysis.

The Company relies significantly on third-party service providers, including to conduct clinical trials and to produce study drugs. The Company's drug development programs could be seriously adversely affected if any of its vendors were unable to deliver the services or products under contract when needed or did not comply with regulatory requirements. The Company carefully monitors and audits its vendors on a regular basis and develops alternative strategies for procuring services and materials to the extent possible.

The ability of the Company and/or its partners to successfully commercialize the Company's products in the future will depend in part on the extent to which governmental authorities, private health insurers and other organizations establish appropriate reimbursement levels for the products. In Europe, the pricing of drugs is subject to government control, and governments may deny reimbursement or set a reimbursement level too low for the Company to realize an appropriate return on investment. In the U.S., third-party payers are increasingly challenging the prices charged for medical products and services, and cost containment measures continue to be implemented. These measures and future healthcare reforms could adversely affect any future product revenues of the Company.

Intellectual property risks

The economic success of the Company depends, among other things, on the Company's ability to secure patent protection for its products and the successful defense of these patent rights against any potential third-party claims.

The Company seeks appropriate patent protection for its programs and works with experienced biotechnology and pharmaceutical patent attorneys in preparing its patent applications. However, as the patenting of biotechnology and pharmaceutical inventions is a rapidly changing area, the Company cannot exclude the general risk that appropriate patent protection may not be available for one or more of its programs. Furthermore, the Company may need to license certain intellectual property rights owned by third parties in order to fully commercialize one or more of its programs.

Talactoferrin is covered by composition of matter and production patents, the key ones of which expire in 2013 in the U.S., Europe and Japan. Oncology use patents covering talactoferrin in these three major markets have also been granted and expire in 2025 in the U.S. and 2023 in both Europe and Japan. The Company expects that talactoferrin will be eligible for statutory patent term extension of up to five years in the U.S. with similar patent term extensions in Europe and Japan. There is no guarantee that the Company will be able to file for such extensions in a timely manner as this can only be done once a product has been approved. Even if an application for patent extension is made in a timely manner, there can be no assurance that the Company will ultimately be granted this type of patent extension

in any specific country, for the maximum term of such extension or at all. In addition, whether or not patent term extensions are obtained for any issued patents protecting talactoferrin or its uses, talactoferrin could face competition from similar products not covered by a patent held by the Company, which could significantly reduce potential revenues and harm the Company's ability to achieve profitability.

Risks related to legal proceedings

The execution of clinical trials exposes the Company to product liability risks. The Company believes that it has purchased adequate product liability insurance for its clinical programs to mitigate this risk. However, it is possible that the insurance maintained by the Company ultimately may not be sufficient to cover any and all such potential claims, which could negatively impact the financial position of the Company.

Similarly, claims that the Company infringes a third party's intellectual property may give rise to burdensome litigation, result in potential liability for damages or stop or delay the Company's development and commercialization efforts.

While the Company invests significant time and resources into its corporate governance and compliance activities, it is possible that legal claims as described above, as well as other types of legal proceedings, could arise in the future, which could place significant demands on the Company's management and resources.

Agennix may be obligated to return government grants received in whole or in part.

Agennix AG, GPC Biotech AG and Agennix Incorporated in the past have received government grants of significant amounts in Germany and/or the United States for research and development projects. Government grants are typically tied to conditions and requirements over periods of several years, such as the ongoing qualification to receive the grant, the continuation of the respective project as planned and the authorized use of the funds. The Company does not expect that the future funding of the development of its product candidates will materially depend on receiving government grants. If, however, Agennix AG, GPC Biotech AG or Agennix Incorporated did not comply with the conditions imposed in the past or if the Company should not do so in the future, the grants received may need to be repaid in whole or in part. This could have an adverse effect on the net assets, financial position and results of operations of Agennix AG.

Additional funding requirements

As of December 31, 2011, Agennix had cash, cash equivalents, other current financial assets and restricted cash of € 44.0 million. Based on the current financial position of the Company, management believes it will have sufficient cash to fund the Company's operations into the first quarter of 2013. This should enable the Company to obtain top-line data from the FORTIS-M trial, assuming no significant changes to currently projected timelines. Due to uncertainties inherent in clinical development, there can be no guarantee that this clinical milestone will occur when currently expected. In the event of a significant delay, the Company may need to secure additional funds to finance its activities through any such additional time period. There can be no guarantee that the Company would be able to obtain sufficient funding in the timeframe required, in which case the Company would need to delay or reduce its activities.

The Company does not yet have a product that generates revenue from commercial sales nor any other reliable and sustainable source of significant revenues. Therefore, regardless of the outcome of its clinical trials, the Company will need to secure additional funds at some point in the future to continue as a going concern. The timing of this funding requirement depends heavily upon the rate of development progress of talactoferrin and the success of the Company's partnering and commercialization efforts. Agennix plans to continue to invest heavily in development activities for the foreseeable future and can give no assurance that the necessary funds will be available under reasonable terms or at all.

Refer to section "Going Concern" for an analysis of the Company's financial position as of December 31, 2011.

Dependence on key personnel

The Company's future success depends heavily on the efforts and abilities of its key personnel and on the Company's ability to retain and motivate them and to attract other highly skilled personnel. The Company depends in particular on its Management Board and the other members of the Company's senior management and drug development personnel. If the Company is unable to retain, recruit and motivate the personnel necessary to implement and execute its strategy and to conduct its operations, this may have a material adverse effect on the Company's net assets, financial position and results of operations.

Furthermore, the Company operates within a lean structure and depends heavily on the personnel it has retained. Most employees are employed by the Company's U.S. subsidiaries and have no employment contracts. These employees are not obligated to continue their employment with the Company and may leave at any time without an extended notice period, even to join competitive businesses.

The Company faces competition for personnel from other companies, universities, public and private research institutions and other organizations. The process of hiring suitably qualified personnel is often lengthy. Competition for such skilled personnel may result in increased compensation costs in order to attract, retain, motivate and incentivize skilled employees.

General corporate risks

To be successful, Agennix will need to effectively execute its chosen strategy. To do this, the Company will need to secure further funding for its operations, to preserve cash and to use it wisely as it prepares for the potential commercialization of its product candidates. Net cash burn, which is derived by adding net cash used in operating activities and the purchase of property, equipment and intangibles, continues to be an important performance indicator for the Company. To assist in planning and monitoring its cash use, the Company has in place an integrated accounting system, the Enterprise Resource Planning System ("ERPS"), which has operated successfully for several years. The ERPS serves as the basis for an external and internal reporting system that also includes project controlling for all major drug development programs. The system is used to identify, report, monitor and proactively manage budget deviations at an early stage. Proactive management of budget deviations is critical to the Company's effective management of cash use.

Structure and main characteristics of the internal control- and risk management system with regard to the Company's accounting process

As a corporation with publicly listed shares as defined by Sec. 264d HGB, pursuant to Sec. 315 Para. 2 No. 5 HGB, Agennix AG is required to disclose the main features of its internal control and risk management system over financial reporting.

The law does not specifically define an internal control and risk management system over financial reporting. Management refers to the definitions of the Institute of Public Auditors in Germany, Düsseldorf [Institut der Wirtschaftsprüfer in Deutschland e.V.(IDW)] with regard to the internal control over financial reporting (IDW AuS 261 para. 19 f.) and the risk management system (IDW AuS 340, para. 4). According to these definitions, an internal control system is deemed to be the principles, processes and procedures introduced by a company's management and aimed at implementing management decisions relating to:

- safeguarding the efficiency and effectiveness of business activities (this also extends to protection of assets, including prevention and identification of assets' impairments);
- the appropriateness and reliability of the internal and external financial reporting, and
- compliance with laws and regulations applicable to the Company.

The risk management system consists of all organizational policies and procedures relating to detection and management of risks related to the Company's operations.

The following structures and processes have been implemented by the Company with regard to financial reporting:

- The Management Board bears overall responsibility for the internal control and risk management system over financial reporting of the Company.
- All strategic business units are part of a defined management and reporting structure.

The composition, principles, processes and procedures of the internal control and risk management system over financial reporting are set down in written guidelines. These guidelines are updated regularly based on external and internal developments.

Management considers those aspects of the internal control and risk management system over financial reporting that have a material effect on the accounting and overall presentation of the Company's consolidated financial position and results of operations, as well as the Group management report. This includes:

- identifying the major areas of risk and internal control that are relevant to the financial reporting process;
- monitoring controls as the oversight over financial reporting and the results thereof on the level of the Management Board and the level of strategic business units;
- preventive control procedures in the accounting and financial reporting processes as well as in operations and operating processes that generate key information for preparation of the consolidated financial statements and the Group management report, including segregation of duties and predefined authorization processes in the relevant areas; and
- procedures to ensure proper IT-system processing of transactions and financial reporting information.

The Company has also integrated a risk management system into the financial reporting process. This risk management system includes procedures to identify and assess significant risks and then determine risk-mitigating procedures designed to ensure compliance of the consolidated financial statements with the respective accounting regulations.

Overall risk exposure

In conclusion, the Company's general risk exposure is not unusual for a publicly traded biopharmaceutical company with product candidates in late-stage clinical development. The Company cannot however accurately predict when or whether it will successfully complete the development of its product candidates or obtain further financing.

The Company plans to further develop and improve its risk management system to continue to effectively identify, monitor and actively manage risks.

ENVIRONMENTAL PROTECTION AND OCCUPATIONAL SAFETY

The Company does not have its own manufacturing operations or R&D laboratories. The Company continually strives to provide a safe working environment for its employees and to minimize the impact of its operations on the environment. The Company's policy is to strictly comply with the requirements of federal, state and local occupational health and safety, environmental, waste management and other applicable regulations. The Company's sites are subject to government inspections to monitor and confirm compliance with these regulations. The Company maintains all permits and licenses necessary for its operations.

MAJOR EVENTS AFTER THE CLOSE OF FISCAL YEAR 2011

OASIS trial stopped

The Company initiated the Phase II/III OASIS trial with talactoferrin in severe sepsis in June 2011. However, on February 2, 2012, Agennix announced that, upon the recommendation of the study DSMB, the Company had stopped further enrollment and treatment in the trial. The DSMB made this recommendation based on a review of the available data from the trial, which indicated that 28-day mortality in the talactoferrin arm of the study was greater than in the placebo arm. Agennix subsequently unblinded the data from the trial and reported that its review of the available results confirmed the finding of the DSMB. The data review remains ongoing. Once that review is completed and Agennix has held further discussions with the critical care community and consultants, the Company will make a decision on whether further development of talactoferrin in severe sepsis is warranted. Until that time, Agennix does not intend to invest further in the development of talactoferrin in severe sepsis.

The Company has discussed the results of the OASIS trial with the DSMB of the FORTIS trials. The FORTIS DSMB has agreed with Agennix's assessment that, based on the available data from the OASIS trial, no changes to the conduct of the ongoing FORTIS-M trial are necessary and the FORTIS-M trial can continue as planned.

OUTLOOK

This section contains forward-looking statements, which express the current beliefs and expectations of the management of Agennix AG, including statements about the Company's future cash position. Such statements are based on current expectations and are subject to risks and uncertainties, such as those described in the risk management section of this Management Report, many of which are beyond the Company's control, that could cause future results, performance or achievements to differ significantly from the results, performance or achievements expressed or implied by such forward-looking statements. Actual results could differ materially depending on a number of factors, and Agennix cautions investors not to place undue reliance on the forward-looking statements contained herein. There can be no guarantee that the Company will have sufficient cash to fund operations into the first quarter of 2013. The achievement of positive results in early stage clinical studies does not ensure that later stage or large scale clinical studies will be successful. Even if the results from the later stage trials with talactoferrin, including the ongoing FORTIS-M trial in NSCLC, are considered positive, there can be no guarantee that they will be sufficient to gain marketing approval in the United States or any other country, and regulatory authorities may require additional information, data and/or further pre-clinical or clinical studies to support approval. In such event, there can be no guarantee that the Company will have or be able to obtain the financial resources to conduct any such additional studies or that such studies will yield results sufficient for approval. Forward-looking statements speak only as of the date on which they are made and Agennix undertakes no obligation to update these forward-looking statements, even if new information becomes available in the future.

Economy and biotechnology industry[3]

According to the World Economic Outlook Update of the IMF, the global recovery has stalled, and downside risks have intensified, with increased strains in the euro area and elsewhere. Global output is projected to expand by 3.3% in 2012. This represents a downward revision from previous forecasts because the euro area economy is now expected to go into a mild recession in 2012 as a result of the rise in sovereign yields, bank de-leveraging, and additional fiscal consolidation. Growth in emerging and developing economies is also expected to slow because of the worsening external environment and a weakening of internal demand. For 2013, the IMF predicts a slight recovery for the euro zone with a growth rate of 0.8%. Growth in most other advanced economies is also expected to be low, mainly due to adverse spillovers from the euro area via trade and financial channels that are expected to sharpen the effects of existing weaknesses.

3 Sources: http://www.imf.org; WestLB Research: Yearbook 2012; BioCentury. Jan 2, 2012: Financial Markets Preview 2012; Edison Investment Research, Jan 2012: Insight

According to the IMF, for the U.S., the impact of such spillovers in 2012 is expected to be broadly offset by stronger underlying domestic demand dynamics. Nonetheless, activity is expected to slow from the pace reached during the second half of 2011 and is predicted to be at 2011 levels in 2012 with a growth rate of 1.8%, as higher risk aversion tightens financial conditions and fiscal policy turns more contractionary. For 2013, the IMF predicts a slight increase in U.S. economic growth of 2.4%.

The IMF is predicting the German economy will grow 0.3% in 2012 and 1.5% in 2013. According to WestLB, Germany will probably not remain immune to the slowdown in global growth, but it still looks to be one of the euro zone countries with the highest rates of growth. The sovereign debt crisis in particular is casting a cloud over the outlook for growth in the form of negative demand effects caused by the consolidation of public sector budgets, of increased uncertainty and a loss of appetite for risk in the financial markets and also via the increased regulatory pressure on banks, which in the midterm is likely to diminish their ability and willingness to lend.

Edison Investment Research predicts that the challenges of recent years (high R&D attrition, regulatory uncertainty/focus on safety, reimbursement) will continue into 2012 and beyond, although there are clear signs of improved sentiment across the sector, including access to funding. IPOs are expected in 2012 but are likely to be opportunistic, with capital markets' volatility - accentuated by the euro zone debt crisis and U.S. elections - influencing expectations. *BioCentury* predicts there will be more companies acquired than IPOs in 2012. In 2012, many mid-cap biotech companies could become targets for large pharmaceutical or biotechnology companies willing to pay for assets that diversify their business and drive revenue growth through and beyond their patent cliffs. The search for assets remains competitive, and early-stage partnerships such as funded research/discovery deals with an option to license, are becoming more common. Lucrative deals for de-risked assets are still being closed and, given depressed biotech valuations, a deal can quickly change the fortunes of companies active in the next "hot" therapy area, as seen by Gilead's $11 billion Pharmasset purchase in the hepatitis C area.

According to *BioCentury* funding of development-stage biotechnology companies might remain static as long as the sector remains out of favor among generalist investors and debt is a cheap and viable alternative for large and mid-cap companies

Edison also sees the recent highs in new drug approvals with 30 new drugs approved by the FDA in 2011, including possible blockbusters that improve outcomes versus current therapies, as a sign of improvement.

Employees

At December 31, 2011, Agennix had 70 employees, with approximately 24% in Germany and 76% based in the U.S. The Company expects to hire a limited number of additional personnel in drug development and related areas prior to receiving the top-line data from the FORTIS-M trial. Should the FORTIS-M trial be positive, the Company would expect to significantly increase its hiring, particularly in drug development, medical and commercial, in addition to a limited number of new hires in areas needed to support a growing organization.

Financial

The Company's financial outlook for 2012 and 2013 is highly dependent on the outcome of the FORTIS-M Phase III trial in NSCLC.

Revenues

Management expects no substantial cash generating revenues for 2012 and 2013. This guidance does not consider any potential cash revenue from future partnering of talactoferrin due to the uncertainty of the timing of such events. If the FORTIS-M trial is positive, Agennix plans to submit a Biologics License Application ("BLA") to the U.S. FDA, as well as to the European EMA, requesting marketing approval of talactoferrin.

R&D expenses

The Company expects R&D expenses for the first half of 2012 to be in line with the first half of 2011. For the second half of 2012 and for 2013, R&D expenses are dependent on the outcome of the FORTIS-M trial. Should the FORTIS-M trial be positive, the Company would expect to incur additional costs related to regulatory filings and increased manufacturing costs in preparation for a potential market launch. In addition, in such a positive scenario, Agennix is likely to expand its clinical development activities.

Administrative expenses

Administrative expenses in 2012 and 2013 are expected to increase compared to 2011 as the Company expects to ramp up certain critical pre-commercialization activities for a potential market launch of talactoferrin. Should the FORTIS-M trial be positive, these activities and related expenses would increase significantly, potentially including costs related to beginning to build a commercial infrastructure in the U.S.

Cash position

Management believes that Agennix will have sufficient cash to fund its operations into the first quarter of 2013. This should enable the Company to obtain top-line data from the FORTIS-M trial, expected in July/August of 2012, assuming no significant changes to currently projected timelines, and to significantly advance potential partnering discussions. The Company will need to raise additional funds through licensing agreements and/or through strategic and/or public equity or debt investments to fund the Company's operations beyond this point.

Key activities

The Company will continue to focus on advancing its lead product candidate, oral talactoferrin. Top-line data from the FORTIS-M trial are expected in July/August of 2012. This timing is later than previously forecasted as the analysis of the FORTIS-M data is event driven and the rate at which events have occurred to date is slower than originally projected. Should the data so warrant, Agennix will then prepare to submit a BLA to the FDA requesting marketing approval of talactoferrin. The Company also will continue critical production and pre-commercialization activities in anticipation of potential regulatory submissions and a future commercial launch of talactoferrin. Should the data from the FORTIS-M trial be positive, Agennix anticipates entering into one or more partnerships with large biotechnology or pharmaceutical firms for the further development and commercialization of talactoferrin. The Company may retain some or all of the North American rights to this program.

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEAR ENDED DECEMBER 31, 2011

in thousand €, except per share data	Note	2011	2010
Revenue	8	-	153
Research and development expenses		(36,644)	(29,360)
Administrative expenses		(8,805)	(9,982)
Amortization of intangible assets	16	(7)	(52)
Other income	9	3,230	2,969
Other expense	9	-	(23)
Finance income	11	410	202
Finance costs	12	(810)	(400)
Net loss before tax		**(42,626)**	**(36,493)**
Income tax benefit	13	800	9,491
Net loss for the year	14	**(41,826)**	**(27,002)**
Basic and diluted loss per share, in €	14	(0.98)	(1.07)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (LOSS) FOR THE YEAR ENDED DECEMBER 31, 2011

€ 000	Note	2011	2010
Net loss		**(41,826)**	**(27,002)**
Other comprehensive income:			
Exchange differences on translating foreign operations	22	2,060	5,339
Total comprehensive loss		**(39,766)**	**(21,663)**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AT DECEMBER 31, 2011

€ 000	Note	2011	2010
ASSETS			
Non-current assets			
Property and equipment	15	3,678	3,462
Intangible assets	16	101,962	99,466
Other non-current assets	18	545	2,153
Total non-current assets		**106,185**	105,081
Current assets			
Trade receivables		-	4
Prepayments		430	316
Other current assets	19	5,376	1,443
Other current financial assets	20	20,024	30,197
Cash and cash equivalents	21	23,912	49,016
Total current assets		**49,742**	80,976
TOTAL ASSETS		**155,927**	186,057
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Issued capital	22	51,270	41,884
Share premium	22	169,199	150,931
Other reserves	22	4,860	2,800
Retained loss		(84,649)	(42,823)
Total equity		**140,680**	152,792
Non-current liabilities			
Convertible bonds	27	178	210
Other non-current liabilities		-	18
Deferred tax liability	13	6,950	7,631
Total non-current liabilities		**7,128**	7,859
Current liabilities			
Trade payables		3,013	5,020
Accruals and other liabilities	23	5,106	4,994
Note payable	24	-	15,392
Total current liabilities		**8,119**	25,406
Total liabilities		**15,247**	33,265
TOTAL EQUITY AND LIABILITIES		**155,927**	186,057

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2011

€ 000	Note	2011	2010
Cash flows from operating activities			
Net loss before tax for the year		(42,626)	(36,493)
Adjustments for:			
Depreciation	15	616	774
Amortization	16	7	52
Compensation costs for share-based payments	26, 27	404	693
Unrealized foreign exchange loss (gain) on monetary assets and liabilities		109	(1,290)
Finance income	11	(410)	(202)
Finance costs	12	810	400
(Gain) loss on sale of property and equipment, net	9	(3)	23
		(41,093)	**(36,043)**
Increase in other assets, non-current and current		(2,178)	(852)
Decrease in trade receivables		4	31
(Decrease) increase in trade payables		(1,963)	3,356
Decrease in deferred revenue		-	(43)
Decrease in accruals and other liabilities		(49)	(406)
Cash used in operations		(45,279)	(33,957)
Interest received		397	179
Interest paid		(8)	(8)
Net cash used in operating activities		**(44,890)**	**(33,786)**
Cash flows from investing activities			
Purchase of property and equipment	15	(744)	(576)
Purchase of intangible assets	16	(158)	(151)
Proceeds from sale of property and equipment		-	4
Proceeds from (purchase of) financial assets held for trading, net	20	4,367	(25,153)
Purchase of held-to-maturity investments	20	-	(5,000)
Proceeds from the repayment of held-to-maturity investments (upon their maturity)	20	5,000	-
Net cash provided by (used in) investing activities		**8,465**	**(30,876)**
Cash flows from financing activities			
Proceeds from issue of share capital, net of payments for transaction costs of € 0.4 million in 2011 (2010: € 2.2M)	22	10,955	86,057
Proceeds from exercise of share options		101	1,123
Proceeds from issuance of short-term note payable	24	-	15,000
Repayment of convertible bonds		-	(211)
Net cash provided by financing activities		**11,056**	**101,969**
Effect of exchange rate changes on cash and cash equivalents		266	294
Changes in restricted cash		(1)	2
Net (decrease) increase in cash and cash equivalents		**(25,104)**	**37,603**
Cash and cash equivalents at beginning of period	21	**49,016**	**11,413**
Cash and cash equivalents at end of period	21	**23,912**	**49,016**

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2011

in € 000, excluding number of shares	Shares	Issued Capital	Share Premium	Retained Loss	Conv. Bonds	Foreign Transl. Reserve	Total Equity
Balance at January 1, 2010, as previously reported	**18,705,232**	**18,705**	**86,237**	**(16,497)**	**720**	**(2,583)**	**86,582**
Adjustment to reclassify convertible bond reserve to retained loss (Note 3)	-	-	-	676	(676)	-	-
Balance at January 1, 2010, as adjusted	**18,705,232**	**18,705**	**86,237**	**(15,821)**	**44**	**(2,583)**	**86,582**
Loss for the period	-	-	-	(27,002)	-	-	(27,002)
Other comprehensive income	-	-	-		-	5,339	5,339
Total comprehensive income (loss)	**-**	**-**	**-**	**(27,002)**	**-**	**5,339**	**(21,663)**
Issue of share capital – March 2010 private placement (Note 22)	1,870,523	1,870	7,894	-	-	-	9,764
Issue of share capital – October 2010 public offering (Note 22)	20,588,705	20,589	57,854	-	-	-	78,443
Transaction costs – October 2010 public offering (Note 22)	-	-	(2,150)	-	-	-	(2,150)
Exercise of share options	719,716	720	403	-	-	-	1,123
Compensation costs for share-based payments	-	-	693	-	-	-	693
Balance at December 31, 2010, as previously reported	**41,884,176**	**41,884**	**150,931**	**(43,499)**	**720**	**2,756**	**152,792**
Balance at December 31, 2010, as adjusted	**41,884,176**	**41,884**	**150,931**	**(42,823)**	**44**	**2,756**	**152,792**
Loss for the period	-	-	-	(41,826)	-	-	(41,826)
Other comprehensive income (loss)	-	-	-		-	2,060	2,060
Total comprehensive income (loss)	**-**	**-**	**-**	**(41,826)**	**-**	**2,060**	**(39,766)**
Issue of share capital for cash – December 2011 subscription offering (Note 22)	3,833,968	3,834	7,475	-	-	-	11,309
Issue of share capital in-kind – December 2011 subscription offering (Note 22)	5,485,536	5,486	10,709	-	-	-	16,195
Transaction costs – December 2011 subscription offering (Note 22)	-	-	(355)	-	-	-	(355)
Exercise of share options	66,578	66	35	-	-	-	101
Compensation costs for share-based payments	-	-	404	-	-	-	404
Balance at December 31, 2011	**51,270,258**	**51,270**	**169,199**	**(84,649)**	**44**	**4,816**	**140,680**

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS as of December 31, 2011 and the year then ended

1. GENERAL INFORMATION

Nature of business and organization

Agennix AG ("Agennix" or "the Company") is developing novel therapies that have the potential to substantially improve the length and quality of life of critically ill patients in areas of major unmet medical need. The Company is a publicly traded company organized under the laws of the Federal Republic of Germany.

The registered seat of Agennix is Heidelberg, Germany. The Company has three sites of operations: Planegg/Munich, Germany; Princeton, New Jersey, USA and Houston, Texas, USA.

In 2011, Agennix AG made significant progress in further advancing the development of its lead product candidate, the oral Dendritic Cell Mediated Immunotherapy ("DCMI") talactoferrin, and in strengthening its business.

In March 2011, patient enrollment completed in the FORTIS-M Phase III registration trial evaluating talactoferrin in non-small cell lung cancer ("NSCLC"). Additionally in 2011, important cancer use patents for talactoferrin were granted in Europe, the U.S. and Japan, and talactoferrin data from Phase II trials were published in peer-reviewed medical journals and presented at major medical meetings. Agennix also hired several highly experienced executives in key areas as it prepares for a possible regulatory filing for talactoferrin and a potential commercial launch. To further strengthen the Company's financial position, the Company completed a rights offering in December 2011, which raised approximately € 27.2 million, including approximately € 11.0 million (net of offering costs) from subscriptions against cash and approximately € 16.2 million from the conversion to equity of an existing loan plus interest.

The Company initiated the Phase II/III OASIS trial with talactoferrin in severe sepsis in June 2011. However, on February 2, 2012, Agennix announced that, upon the recommendation of the study Data Safety Monitoring Board ("DSMB"), the Company had stopped further enrolment and treatment in the trial. The DSMB made this recommendation based on a review of the available data from the trial, which indicated that 28-day mortality in the talactoferrin arm of the study was greater than in the placebo arm. Agennix subsequently unblinded the data from the trial and reported that its review of the available results confirmed the finding of the DSMB. The data review remains ongoing. Once that review is completed and Agennix has held further discussions with the critical care community and consultants, the Company will make a decision on whether further development of talactoferrin in severe sepsis is warranted. Until that time, Agennix does not intend to invest further in the development of talactoferrin in severe sepsis.

The Company has discussed the results of the OASIS trial with the DSMB of the FORTIS trials. The FORTIS DSMB has agreed with Agennix's assessment that, based on the available data from the OASIS trial, no changes to the conduct of the ongoing FORTIS-M trial are necessary and the trial can continue as planned.

As a drug development company, Agennix is subject to risks common to companies in the biopharmaceutical industry, including, but not limited to, product development risks, the need to obtain additional funding, new technological innovations by others, protection of proprietary technology, compliance with government regulations, dependence on key personnel, uncertainty of market acceptance of products and product liability.

Other disclosures

The common shares of Agennix AG are listed on the Frankfurt Stock Exchange.

These consolidated financial statements were approved for issuance by the Supervisory Board on March 14, 2012.

2. GOING CONCERN RISK

On December 7, 2011, the Company announced that it had raised approximately € 11.0 million in cash (net of offering costs) and approximately € 16.2 million from the conversion of an existing loan plus interest to equity, via participation from existing shareholders by issuing 9,319,504 new shares. Subscription rights were granted to the Company's shareholders at a subscription price of € 2.95 per share.

The capital increase was a mixed capital increase of cash and contribution in kind. The contribution in kind involved the contribution by the Company's major shareholder, dievini Hopp BioTech holding GmbH & Co. KG ("dievini"), of the € 15.0 million loan made to Agennix in July 2010, plus approximately € 1.2 million in accrued interest. As a result of this transaction, Agennix has no further obligations regarding this loan.

During the year ended December 31, 2011, the Company incurred a net loss of € 41.8 million (net loss before income tax of € 42.6 million) and used cash in its operations of € 44.9 million. At December 31, 2011 the Company had cash, cash equivalents, other current financial assets and restricted cash of € 44.0 million and current liabilities of € 8.1 million. The Company has incurred recurring operating losses and has generated negative cash flows from operations since its inception, and it expects such results to continue for the foreseeable future.

Based on the current financial position of the Company, management believes that Agennix will have sufficient cash to fund its operations into the first quarter of 2013. This should enable the Company to obtain top-line data from the FORTIS-M Phase III trial assuming no significant changes to currently projected timelines. The Company will need to raise additional funds through licensing agreements and/or through strategic and/or public equity or debt investments to fund operations beyond that point and to continue as a going concern.

If Agennix were to experience significant delays in obtaining top-line data from the FORTIS-M trial, the Company's ability to continue as a going concern could be at risk if it were unable to secure interim funding to get to that important event. If the FORTIS-M trial were to have negative results, the Company's ability to continue as a going concern would be at immediate risk (as the Company's ability to obtain additional funding would be limited). In this situation, the Company would quickly reduce costs through restructuring activities in order to preserve cash. Furthermore, the Company would evaluate other business opportunities, including mergers and acquisitions and/or partnering and/or advancing other internal development programs.

Agennix cannot accurately predict when or whether it will successfully complete the development of its product candidates or obtain additional funding.

3. BASIS OF FINANCIAL STATEMENT PRESENTATION

Statement of compliance

The consolidated financial statements of Agennix AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU").

The Company has adopted in its accounting policies all of the new and revised IFRSs that became effective by December 31, 2011, and that are relevant to its operations. Additionally, the Company considers all Interpretations of the Financial Reporting Interpretations Committee and the Standing Interpretations Committee ("IFRIC/SIC").

IFRS/IAS which are issued and endorsed by the EU, but not yet effective, are not adopted in these financial statements.

New accounting standards not yet effective

The Company has not adopted the following new accounting pronouncements:

IAS 1 Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income ("OCI"). Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified. The amendment affects presentation only and has no impact on the Company's financial position or performance. The amendment becomes effective for annual periods beginning on or after July 1, 2012.

IAS 19 Employee Benefits (Amendment)

The IASB has issued numerous amendments to IAS 19. These range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The Company expects no impact from the adoption of the amendment on its financial position or performance. The amendment becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 7 Financial Instruments: Disclosures – Enhanced Derecognition Disclosure Requirements

The amendment requires additional disclosure about financial assets that have been transferred but not de-recognized to enable the user of the Company's financial statements to understand the relationship with those assets that have not been de-recognized and their associated liabilities. In addition, the amendment requires disclosures about continuing involvement in de-recognized assets to enable the user to evaluate the nature of, and risks associated with, the entity's continuing involvement in those de-recognized assets. The amendment becomes effective for annual periods beginning on or after July 1, 2011. The amendment affects disclosure only and has no impact on the Company's financial position or performance.

Amendment to IFRS 7, Financial Instruments: Disclosures – Transfers of Financial Assets

The amendment specifies the disclosure requirements on transfers of financial assets and is effective for annual periods beginning on or after July 1, 2011; comparative information is not required for any period beginning before that date. The Company expects no impact from the adoption of the amendment on its financial position or performance.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9 as issued reflects the first phase of the IASBs work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. In subsequent phases, the IASB has addressed hedge accounting and impairment of financial instruments and redeliberations are on-going. On December 16, 2011 the IASB issued Mandatory Effective Date of IFRS 9 and Transition Disclosures, which amends IFRS 9 to require application for annual periods beginning on or after January 1, 2015, rather than January 1, 2013. The deferral will make it possible for all phases of the financial instruments project to have the same mandatory effective date. Early application of IFRS 9 is still permitted. IFRS 9 is also amended so that it does not require the restatement of comparative-period financial statements for the initial application of the classification and measurement requirements of IFRS 9, but instead requires modified disclosures on transition to IFRS 9.

The adoption of the first phase of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture.

On December 16, 2011, the IASB also issued amendments to its current guidance in IAS 32 on offsetting financial assets and financial liabilities and introduced new disclosure requirements in IFRS 7. The new disclosures are designed to address the single largest quantitative presentation difference between balance sheets prepared under IFRS and US GAAP, particularly in the financial services sector. The amendments also address certain inconsistencies in the application of the existing offsetting criteria. The amendments to IFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013 and interim periods within those annual periods. The amendments to IAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 amendments. The Company expects no impact from the adoption of the amendments on its financial position or performance.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation — Special Purpose Entities. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in IAS 27. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 removes the option to account for jointly controlled entities ("JCEs") using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The Company has not entered into any joint arrangements so far and, therefore, no impact from the adoption of this standard on financial position or performance is expected. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 12 Disclosure of Involvement with Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. This standard becomes effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Company is currently assessing the impact that this standard will have on financial position and performance. This standard becomes effective for annual periods beginning on or after January 1, 2013.

The Company plans to adopt the above pronouncements at their effective date, provided that they are adopted by the EU.

Adoption of new accounting standards

The accounting policies adopted are consistent with those of the previous financial year except as follows. The Company has adopted the new or revised accounting standards below in these consolidated financial statements.

IAS 24 Related Party Disclosures, (Revised)
The revised standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. The Company adopted this revision effective January 1, 2011. The adoption of this revised standard did not have any impact on the Company's financial position or results of operations.

Improvements to IFRSs (issued in May 2010)
In May 2010, the IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRSs, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments, effective January 1, 2011, resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company:

- IFRS 3, Business Combinations
- IFRS 7, Financial Instruments: Disclosures
- IAS 1, Presentation of Financial Statements
- IAS 27, Consolidated and Separate Financial Statements
- IAS 34, Interim Financial Reporting

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In the case that fair value cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss. The Company has adopted this standard, effective January 1, 2011. The adoption of this standard did not have any impact on the financial position or performance of the Company.

Financial statement presentation
The consolidated financial statements have been prepared on a historical cost basis. The consolidated financial statements are presented in euros and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRSs requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The areas involving a higher degree of judgment, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 4.

In the past, the Company, in accordance with IAS 32, recorded a reserve for the equity component of convertible bonds issued to employees. During 2009, a majority of these bonds were cancelled, at which time the reserve could have been released against retained loss. To present the reclassification of its equity reserve for convertible bonds between the convertible bond reserve and retained loss, the Company has adjusted its 2010 Consolidated Statement of Changes in Equity. This reclassification had no impact on the Company's total equity.

Basis of consolidation
The consolidated financial statements include all companies over which the Company exercises control. Intercompany transactions and balances between group companies have been eliminated in consolidation.

The consolidated financial statements comprise the financial statements of Agennix AG and its subsidiaries, Agennix Inc. and Agennix USA Inc., each having a December 31 year-end. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. Consequently, local accounting policies of the subsidiaries may have been changed, where necessary, to ensure consistency with the policies adopted by the Company as a group.

4. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

Accounting judgments
In the process of applying the accounting policies of Agennix, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognized in the financial statements:

Capitalization of internally developed intangible assets

Research and development costs from internal drug development projects are expensed as incurred. Management considers that due to regulatory and other uncertainties inherent in the development of pharmaceutical products, the development expenses incurred for its product candidates do not meet all of the criteria for capitalization as required in IAS 38 (revised 2004), Intangible Assets.

The Company's product candidates must undergo extensive preclinical and clinical testing to demonstrate the product's safety and efficacy. The results of such trials are unpredictable and uncertain and may be substantially delayed or may prevent the Company from bringing these products to market.

New drugs are subject to significant regulatory approval requirements, which could prevent or limit the Company's ability to market its product candidates. A delay or denial of regulatory approval could significantly delay the Company's ability to generate product revenues and to achieve profitability. Additionally, changes in regulatory approval policies during the development period of any of its product candidates, or changes in regulatory review practices for a submitted product application, may cause a delay in obtaining approval or may result in the rejection of an application for regulatory approval.

Deferred tax assets

At December 31, 2011, the Company recognized € 27.6 million in deferred tax assets and € 34.6 million in deferred tax liabilities, which are offset for presentation in the statement of financial position. Deferred tax liabilities were recognized for taxable temporary differences associated with the valuation of intangible assets acquired in a business combination in 2009. Deferred tax assets were recognized for the carry-forward of unused tax losses, to the extent that it was probable that taxable profit would be available, against which the deductible temporary differences and the carry-forward of unused tax losses could be utilized. In assessing the probability that the taxable profit will be available, the Company considered whether there will be sufficient taxable temporary differences relating to the same taxation authority and the same taxable entity, which will result in taxable amounts against which the unused tax losses can be utilized before they expire. Please see Note 13 for further details.

Accounting estimates and assumptions

Preparing the financial statements under IFRSs requires that the Company's management make certain accounting estimates and assumptions, which have an effect on the application of the accounting policies and the reported amounts of assets, liabilities and notes to the consolidated financial statements. These estimates and associated assumptions are based on historical experiences and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making management judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognized for the period in which the estimate is revised, if the revision affects only that period, or in the period and future periods if the revision affects both current and future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of acquired intangible assets relating to ongoing development projects

The Company has capitalized intangible assets in connection with its drug development programs. The capitalized costs represent intangible assets which were acquired in 2009 through a business combination or separately through license agreements with third parties and which are not yet available for use. These intangible assets are tested for impairment at each reporting date and at the end of each annual period. This impairment test is conducted by comparing the carrying amounts of the intangible assets with their recoverable amounts, which is the greater of the fair value less costs to sell or the value in use. See Note 17 for impairment testing performed and key assumptions used.

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including forfeitures, volatility and dividend yield, and making assumptions about them. The assumptions and the model used are disclosed in Notes 26 and 27.

5. SIGNIFICANT ACCOUNTING POLICIES

Foreign currency translation

Items included in the financial statements of the Company's entities are measured using the currency of the primary economic environment in which the entities operate ("the functional currency"). The functional currency of the Com-

pany's foreign operations, Agennix Inc. and Agennix USA, Inc., is the U.S. dollar. The consolidated financial statements are presented in euros, which is the functional currency as well as the presentation currency of Agennix AG.

Foreign currency transactions are recorded using the exchange rate prevailing at the dates of the transactions. At the end of each reporting period, monetary assets and liabilities denominated in foreign currencies are translated using the closing rate. Gains or losses arising from foreign currency transactions, or on translating monetary items at rates different than those at which they were initially recorded, are included in the consolidated statement of operations on a net basis as other income or other expense, as appropriate.

In consolidation, assets and liabilities of Agennix Inc. and Agennix USA Inc. are translated into euros at the closing rate on the date of the statement of financial position. Income and expense items of the foreign operations are translated at exchange rates of the dates of the transactions. Exchange differences on translating foreign operations in consolidation are accumulated in other comprehensive income (loss).

Segment reporting

For management purposes, the Company is organized as a single business unit and has one reportable operating segment, which primarily focuses on development with the aim to obtain regulatory approval for future commercialization of novel therapies in areas of major unmet medical need to improve the length and quality of life of seriously ill patients. The Company's historical revenues were derived primarily from co-development and research collaborations with life science companies. Additional income was derived from governmental grants for specific research and development programs. Single segment performance is evaluated based on profit or loss and total assets and liabilities, which are measured in the same manner as for the purpose of consolidated financial statements. Results of operations are reported to the Company's chief operating decision-makers on an aggregate basis. Refer to Note 6 for further information.

Property and equipment

Property and equipment are measured at historical cost less accumulated depreciation and any accumulated impairment losses. The cost of property and equipment acquired in a business combination is the fair value at the date of acquisition.

Depreciation is calculated on a straight-line basis over the following useful lives of the assets:

	Estimated Useful Life
Computer equipment	3 years
Office equipment	5-10 years
Laboratory equipment	5 years
Furniture and fixtures	5 years
Leasehold improvements	Lesser of useful life or life of lease

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of operations in the year the asset is de-recognized.

The residual values and useful lives of the Company's assets, as well as its accounting methods, are reviewed and adjusted, if appropriate, at each reporting date.

Intangible assets

Patents, in-licensed research and development and technology rights

Expenditures on acquired patents and licenses, in-licensed R&D and technology rights are capitalized as intangible assets when all three of the following criteria are met:

- the intangible asset is identifiable (i.e., it is separable or arises from contractual or other legal rights)
- it is probable that the expected future economic benefits will flow to the Company and
- the cost can be measured reliably.

IAS 38 (revised 2004) defines that the price that a company pays to acquire an intangible asset as part of an in-licensing agreement reflects expectations about the probability that the expected future economic benefits from the asset will flow to the company. The effect of probability is deemed reflected in the cost of the asset. The probability recognition criterion is therefore always considered to be met for separately acquired intangible assets.

On initial recognition, separately acquired intangible assets are measured at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. The Company currently does not have any intangible assets with indefinite useful lives.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense of intangible assets with finite lives is recognized in the consolidated statement of operations.

Technology rights and patents are amortized on a straight-line basis over the shorter of their estimated economic or legal lives, beginning with the date of their intended use. The useful lives assigned to acquired technology rights are based on the estimated economic benefit that such technology rights are able to provide.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Amortization of the Company's intangible assets is calculated on a straight-line basis over the following useful lives of the intangible assets:

	Estimated Useful Life
Software	3 years
Patents, licenses	10 years
Acquired partnered technology and other intangible assets	5 years

Research and development costs

R&D expenses include salaries, benefits, and other headcount-related costs; employee stock-based compensation costs; clinical trial and related clinical manufacturing costs; contract and other outside service fees; and facilities and overhead costs. R&D expenses consist of external R&D costs and costs associated with collaborative R&D and in-licensing arrangements. In addition, the Company acquires R&D services from other companies and fund research institutions under agreements which the Company can generally terminate at will.

In accordance with IAS 38, research costs, which are defined as costs of original and planned research performed to gain new scientific or technical knowledge and understanding, are expensed as incurred. Development costs are defined as costs incurred to achieve technical and commercial feasibility. Since regulatory and other uncertainties inherent in the development of the Company's new products are so high that the requirements set out in IAS 38 are not met, these internal development costs are not capitalized, but rather expensed as incurred.

License and milestone payments to other parties in connection with separately acquired licensed products are capitalized in accordance with IAS 38 once all criteria for capitalization are satisfied, because the probability that an expected future economic benefit will flow to the entity is considered to be met.

Impairment of property and equipment and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the greater of an asset's or cash-generating unit's fair value less costs to sell or its value in use. The recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or cash generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded peers or other available fair value indicators.

Impairment losses (if any) are presented separately in the statement of operations.

For previously impaired assets, an assessment is made at each reporting date whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal (if any) is presented separately in the statement of operations.

The following assets have specific characteristics for impairment testing:

Intangible assets not yet available for use are not subject to amortization and therefore tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Refer to Note 17 for disclosure of the key assumptions used in impairment testing of intangible assets not yet available for use.

Financial assets

Financial assets in the scope of IAS 39, Financial Instruments: Recognition and Measurement, are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets or loans and receivables, as appropriate. The Company's purchase and sale of all financial assets is a regular way purchase or sale that is accounted for at settlement date, i.e. the date that an asset is delivered to or by the Company. When financial assets are recognized initially, they are measured at fair value plus directly attributable transaction costs, except in the case of financial assets at fair value through profit or loss. The Company determines the classification of its financial assets at initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

The Company's financial assets include cash and short-term deposits, trade and other receivables and quoted and unquoted financial instruments. The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss ("FVTPL") include financial assets held for trading and financial assets designated upon initial recognition at FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near-term. This category includes the Company's investments in money market funds (Note 20). Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. The Company does not have any derivatives designated as hedging instruments. Financial assets at FVTPL are carried in the statement of financial position at fair value determined by reference to quoted prices (level 1 inputs), with changes in fair value recognized in finance income or finance costs in the statement of operations. The Company has not designated any financial assets upon initial recognition as at FVTPL. The Company evaluates its financial assets held for trading, other than derivatives, to determine whether the intention to sell them in the near-term is still appropriate. When the Company is unable to trade these financial assets due to inactive markets and management's intention to sell them in the foreseeable future significantly changes, the Company may elect to reclassify these financial assets in rare circumstances. The reclassification to loans and receivables, available-for-sale or held to maturity depends on the nature of the asset.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when the Company has the positive intention and ability to hold it to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest rate ("EIR") method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance income in the statement of operations. The losses arising from impairment are recognized in the statement of operations in finance costs. The Company's held-to-maturity investments as of December 31, 2011 and 2010 were € 0 and € 5.0 million, respectively. See Note 20 for additional information.

Available-for-sale investments

Available-for-sale financial investments include equity and debt securities. Equity investments classified as available-for-sale are those which are neither classified as held for trading nor designated at FVTPL. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions. Available-for-sale investments are reported as short-term and long-term financial assets, depending on their remaining maturities, and carried at fair value. Unrealized gains and losses arising from changes in the fair value of available-for-sale investments are recognized in other comprehensive income (loss). When the available-for-sale investments are sold, impaired or otherwise disposed of, the cumulative gains and losses previously recognized in equity are included in the consolidated statement of operations for the period. The fair values of investments that are traded in active markets are determined by reference to

stock exchange quoted bid prices (level 1 inputs) at the close of business on the reporting date. As of December 31, 2011 and 2010, the Company did not hold any available-for-sale investments.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of operations when the loans and receivables are de-recognized or impaired, as well as through the amortization process.

Impairment of financial assets

Agennix assesses, at least at each reporting date, whether a financial asset or group of financial assets is impaired.

If an available-for-sale investment is impaired, an amount comprising the difference between its acquisition cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in profit or loss, is reclassified from equity to the consolidated statement of operations. Reversals with respect to equity instruments classified as available-for-sale are not recognized in the consolidated statement of operations. Reversals of impairment losses on debt instruments are reversed through profit or loss if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

Agennix considers its investment in debt securities to be other-than-temporarily impaired if its estimated fair value is less than its amortized cost and the Company has determined that it is probable that it will be unable to collect all of the contractual principal and interest payments or it will not hold such securities until recovery of their carrying values. For equity investments that do not have contractual maturities, Agennix primarily considers whether their fair value has declined below their cost basis. For all impairment assessments, the Company considers many factors, including the severity and duration of the impairment, recent events specific to the issuer and/or the industry to which the issuer belongs, external credit ratings and recent downgrades, as well as the Company's ability and intent to hold such securities until recovery.

For financial assets carried at amortized cost, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of operations. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery.

Financial liabilities

Financial liabilities in the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Company determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs. The Company's financial liabilities include trade and other payables. As of December 31, 2011 and 2010, the Company did not hold any financial liabilities at fair value through profit or loss or derivatives designated as hedging instruments.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in the statement of operations when the liabilities are de-recognized, as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included in finance costs in the statement of operations.

Fair value of financial instruments

The carrying value of financial instruments such as cash and cash equivalents, trade receivables and trade payables, and other current financial assets and financial liabilities approximate their fair value based on the short-term maturities of these instruments.

Financial assets at fair value through profit or loss are carried at fair value based on quoted market prices (level 1 prices) and described further in Note 20.

Trade receivables

Trade receivables, which generally have 30-days terms, are recognized and carried at original invoice amount less provisions for uncollectible amounts. Provisions for impairment are made when there is objective evidence that the

Company will not be able to collect the receivables and are estimated based on a review of all outstanding invoice amounts. Bad debts are written off when identified.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, short-term deposits and investments held for the purpose of meeting short-term commitments with an original maturity of three months or less. Bank overdrafts, if any, are shown within other liabilities in the statement of financial position.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Share capital

Common shares have €1.00 non-par, notional value per share and are classified as equity.

Costs directly attributable to the issuance of new shares are shown in equity as a deduction from the proceeds.

Provisions

Provisions are recognized by the Company when a present legal or constructive obligation exists as a result of past events; when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and when a reliable estimate of the amount of the obligation can be made. In the event that the obligation is over- or understated, the related expenses for a reporting period could be overstated or understated. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as finance cost.

A provision for restructuring is recognized when management has approved a detailed and formal restructuring plan, specifying, among others, the business or its part concerned, locations affected, the number of employees affected and related expenditures, and the restructuring has either commenced or been announced publicly in a sufficiently specific manner to raise a valid expectation that the entity will carry out the restructuring.

A provision for severance payments and related termination costs is recorded in full when employees are given details of the termination benefits which will apply to individual employees, should their contracts be terminated as a direct result of the restructuring plan. During 2011, the Company did not incur any expense related to severance payments or termination costs. As of December 31, 2011, the Company's restructuring liability was € 0 (€ 4,000 as of December 31, 2010).

In connection with the Company's external research and development agreements, the Company may incur milestone payments to other parties. If the contingent milestone payment relates to an intangible asset, no provision or accrued liability is recorded until the obligating event is met.

Share-based payment transactions

Stock options

The Company operates equity-settled, share-based compensation plans ("stock option plans"). The fair value of the employee services received in exchange for the grant of the stock options, measured at fair value of the equity instrument granted, is recognized as an expense over the period in which the service and performance (including market) conditions are fulfilled, ending on the date on which employees become fully entitled to the award ("the vesting date"). This period ("the expected vesting period") is estimated at grant date based on the most likely outcome of the performance condition, including market condition, and is determined as the longer of a contractual vesting period or an estimated period when the market condition is first satisfied, which is derived from a Monte Carlo simulation. The total amount to be expensed equals the fair value per stock option granted times the number of stock options that become exercisable, excluding the impact of any non-market vesting conditions. Market conditions are considered when determining the fair value using a Monte Carlo simulation. At the end of each quarter, the Company reviews the number of stock options that are entitled to become exercisable. Forfeitures as a result of voluntary and involuntary employee terminations are treated similarly. The Company recognizes the impact of the revision, if any, in the consolidated statement of operations and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the stock options are exercised.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vested irrespective of whether or not the market condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, the minimum expense recognized is the expense as if the terms had not been modified. An additional expense is recognized for the incremental value granted in the modification, which increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the

employee. The incremental value granted is the difference between the fair value of the modified equity instrument and that of the original equity instrument, both estimated at the date of modification. This expense is recognized over the vesting period of the modified equity instrument.

Convertible bonds

Convertible bonds were issued as compensation to members of the Management Board, certain employees, and in the past, also to members of the Supervisory Board.

Convertible bonds are recognized initially at fair value, net of transaction costs incurred. Convertible bonds are recorded as non-current liabilities on the amortized cost basis using a market interest rate for an equivalent non-convertible bond until extinguished on conversion or maturity of the bonds. Following the concept of compound financial instruments in IAS 32, Financial Instruments: Disclosure and Presentation, the remainder of the proceeds is allocated to the conversion option in shareholders' equity. The value of the conversion option is not changed in subsequent periods, but reclassified within equity upon extinguishment of the bond on conversion or maturity.

The fair value of the employee services received in exchange for the grant of convertible bonds, measured at fair value of the conversion option, is recognized as an expense over the period in which the service and performance (including market) conditions are fulfilled, ending on the vesting date. The Company's accounting policy for convertible bonds is consistent with the accounting policy used for stock options, per the discussion above. See Note 27 for further details.

Employee benefits

The Company's U.S. subsidiaries have a defined contribution plan. A defined contribution plan is a pension plan under which the Company pays contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay the benefits to all employees relating to their services in the current and prior periods. Costs of the plan, including the matching contribution, charged to research and development and administrative expenses amounted to € 164,000 and € 152,000 in 2011 and 2010, respectively.

The Company also pays contributions to publicly administered pension insurance plans on a mandatory or contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when services have been rendered by the employees. Such contributions amounted to € 395,000 and € 471,000 in 2011 and 2010, respectively.

Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Leases under which the lessor effectively retains a significant portion of the risks and rewards of ownership are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated statement of operations on a straight-line basis over the lease term.

Sublease rental income is recognized using the straight line method and recorded as an offset to the related rental expense.

Business combinations

Business combinations from January 1, 2009, are accounted for using the acquisition method in accordance with IFRS 3(R). The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed when incurred.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as of the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value as of the acquisition date through profit and loss.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will

be recognized in accordance with IAS 39 either in profit or loss or as change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be re-measured until it is finally settled within equity.

Goodwill is initially measured at cost which is the excess of the consideration transferred over the Company's net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Revenue recognition

Historically, the Company's revenues generally consisted of fees earned from co-development and license agreements. Revenues from co-development and license agreements may consist of license fees and/or technology access fees, reimbursement fees, payments from a partner for shared development costs, fees for research and development support, as well as milestone and royalty payments.

The Company accounts for revenues in accordance with IAS 18. Revenue is recognized to the extent that the amount of revenue can be measured reliably, that it is probable that the economic benefits will flow to the Company, that the stage of completion at the statement of financial position date can be measured reliably and that the costs incurred, or to be incurred, with respect to the transaction can be measured reliably.

License fees, technology access fees and reimbursement fees

The Company may receive non-refundable license, technology access and/or reimbursement fees of past drug development costs upon signing of an agreement. All fees received or to be received under these arrangements are recognized ratably over the period the Company is substantially and continually involved which often coincides with the term of the agreements and/or the license term. An assignment of rights under a non-cancellable contract which permits the licensee to exploit the rights freely without any remaining obligation by the Company to perform is in substance a sale whereby any consideration is recognized immediately as revenue.

Shared development fees

The Company may receive shared development fees whereby certain drug candidate development costs are shared based on a fixed percentage agreed with a co-development partner. Revenue from these reimbursements is recognized on a gross basis in the consolidated statement of operations as the related costs are incurred. Any amounts received prior to incurrence of qualified costs are deferred until such costs are incurred.

Research and development support fees

Fees for research and development support performed by the Company's employees are received from co-development partners for activities directly related to the development of a licensed product or other activities contemplated under the co-development and license agreement. The Company recognizes fees for research and development support as the work and the services are performed. Amounts received in advance of services performed are recorded as deferred revenue until earned.

Milestone revenues

Milestone revenues are derived from the achievement of predetermined goals, which are defined in the co-development and license agreements. These milestones are subject to significant contingencies at the onset of the arrangement and, therefore, the related contingent revenue is not recognized until the performance obligation has been met.

Royalty revenues

Royalty revenues are derived from a contractual agreement for the sale of the Company's licensed product. Royalties are generally calculated as a percent of net sales of the licensed product by a partner or another third party. Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

Other income

Income from grants

Grants from governmental agencies for the support of specific research and development projects are recorded as other income to the extent the related expenses have been incurred and billed in accordance with the terms of the grant. Grant agreements include a budget that specifies the amount and nature of expenses allowed during the entire grant term.

Interest income
Interest income is recognized as earned unless collectability is in doubt.

Deferred income tax
Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. The recognized deferred tax assets or liabilities are included in the consolidated statement of financial position as either a long-term asset or liability, with changes in the year recorded in the consolidated statement of operations (see Note 13).

Deferred tax relating to items recognized outside profit or loss is generally recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity. Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

6. SEGMENT INFORMATION

The total net book value of non-current assets located outside of the Company's home location of Germany was € 105.7 million and € 104.5 million at December 31, 2011 and 2010, respectively. A majority of these assets were located in the United States of America and Italy.

Revenues from external customers attributed to the Company's home location of Germany were € 0 and € 0.2 million in the years ended December 31, 2011 and 2010, respectively. Revenues from external customers attributed to locations outside of Germany were € 0 in each of the years ended December 31, 2011 and 2010. Revenues are attributed to countries based on the location of the Company's legal entity that is party to the underlying contract.

7. SIGNIFICANT PRODUCT CANDIDATE LICENSING, COLLABORATIVE AND MANUFACTURING AGREEMENTS

DSM Capua S.p.A.
In December 2011, the Company entered into a manufacturing and supply agreement, retroactively effective as of January 1, 2011, with DSM Capua S.p.A. ("DSM") under which DSM will manufacture for Agennix talactoferrin at commercial levels in anticipation of positive Phase III clinical data and product approval. DSM is manufacturing talactoferrin for use in ongoing clinical trials, and will continue to supply talactoferrin for clinical trials as well as to support a potential commercial launch. Under this agreement, the Company has an annual minimum purchase commitment on the current production line between € 3.0 million and € 4.0 million, dependent upon production ramp up.

The contract includes the manufacture of commercial supply of talactoferrin, process development to optimize the manufacturing process, and the opportunity to expand production capacity if needed. If a second production line is commissioned and actually starts production, the minimum annual purchase commitment will be between € 10.0 million and € 12.0 million, dependent upon production ramp up on this production line.

The initial term of the agreement with DSM remains in effect until the later of December 31, 2018, or five years after the commissioning of the last production line at the DSM facility. Subsequent to the initial terms of the contract, the contract automatically renews for additional one-year terms. The contract may be terminated by either party at any time, with an 18-month written notice prior to the end of the then current term. In addition to other standard grounds for termination, this contract can also be terminated inter alia immediately by the Company upon written notice in the event of clinical or regulatory failure as further described in the agreement. DSM also has the right, at any time prior

to receipt of the Company's commitment to build a second production line at the facility, to terminate the contract upon 18 months' written notice if DSM decides to cease all of its operations in Capua, Italy for strategic reasons. As of the date of these consolidated financial statements, neither party has provided a notice of termination.

Lonza Sales AG

In December 2011, the Company entered into a manufacturing services agreement with Lonza Sales AG ("Lonza") under which Lonza will manufacture for Agennix talactoferrin at commercial levels in anticipation of positive Phase III clinical data and product approval.

Under this agreement, the Company has an annual minimum purchase commitment of CHF 4.4 million (Swiss Francs) (approximately € 3.6 million). In addition, the Company is obligated to pay Lonza conditional milestone payments of CHF 1.1 million (approximately € 0.9 million) upon the first approval and CHF 0.8 million (approximately € 0.6 million) and CHF 0.3 million (approximately € 0.2 million) on the first and second anniversary of such approval, respectively, by the United States Food and Drug Administration ("FDA") or European Medicines Agency ("EMA") of the product manufactured at the Lonza facility for commercial supply. These payments represent compensation to Lonza for reduced pricing for the initial engineering and validation batches of the product manufactured under the agreement.

The initial term of the agreement with Lonza remains in effect for five years after the first approval by the FDA or EMA of the product manufactured at the Lonza facility for commercial supply. Subsequent to the initial terms of the contract, the term may be extended by mutual consent for additional two year terms upon a 24 month notice prior to the expiration of the then current term. In addition to other standard grounds for termination, this contract can also be immediately terminated by the Company under certain circumstances, including in the event of clinical or regulatory failure prior to the approval by the FDA or EMA of the product manufactured at the Lonza facility for commercial supply. As of the date of these consolidated financial statements, neither party has provided a notice of termination.

The Company did not enter into any significant agreements in 2010.

As part of the 2009 business combination, the Company acquired Agennix Inc.'s development projects with regard to talactoferrin which is licensed from Baylor College of Medicine ("Baylor"). The exclusive license agreement with Baylor was entered into in June 1993. It permits the Company to use technology under said license, to grant sublicenses, and to make, import, use and sell licensed products incorporating or utilizing the technology as defined in the agreement. The license agreement, as amended in 2006, requires the Company to pay less than 1% royalty to Baylor for licensed products based upon net revenues from such products. Minimum annual royalty payments of $0.2 million are due during the term of the agreement. Since inception of the agreement, the Company has paid Baylor $3.3 million relating to this agreement which is included in intangible assets.

8. REVENUE

Total revenue recognized under co-development and license agreements amounted to € 0 and € 0.2 million for the years ended December 31, 2011 and 2010, respectively.

9. OTHER INCOME AND OTHER EXPENSE

€ 000	2011	2010
Other income:		
Income from grants	-	799
Sale of Agennix USA Inc. net operating losses ("NOLs")(Note 13)	2,550	-
Foreign exchange gain, net	366	2,170
Reversal of provision (Note 28)	260	-
Gain on sale of property and equipment	3	-
Other	51	-
Total other income	**3,230**	2,969
Other expense:		
Loss on sale of property and equipment	-	(23)
Total other expense	-	(23)
Total other income, net	**3,230**	2,946

During the years ended December 31, 2011 and 2010, the euro weakened against the U.S. dollar resulting in the Company recognizing net foreign exchange gains of € 0.4 million and € 2.2 million, respectively.

The functional currency of Agennix AG is the Euro. Foreign exchange gains or losses arise mainly on U.S. dollar-denominated intercompany receivables and Agennix AG's purchases of foreign currency for intercompany transfers, as well as on Agennix AG's investments in U.S. dollar-denominated money market funds. Although intercompany balances and transactions are eliminated when the financial position and results of operations of the U.S. subsidiaries of Agennix AG are consolidated, foreign exchange gains or losses on such intercompany receivables continue to be recognized in the consolidated financial statements of Agennix AG pursuant to IAS 21, The Effects of Changes in Foreign Exchange Rates. As a result, intercompany receivables in foreign currency represent a commitment to convert one currency into another and expose Agennix AG to a gain or loss through currency fluctuations.

In December 2011, the Company's wholly owned subsidiary Agennix USA Inc. sold $35.7 million (€ 27.6 million) in New Jersey Net Operating Losses ("NOLs") for the years 2004 through 2006, and $0.9 million (€ 0.7 million) in New Jersey Research and Development tax credits for the years 2004 through 2007 (see Note 13). These sales resulted in $3.6 million (€ 2.6 million) of non-dilutive funding from the program. Proceeds from these sales were recorded as other income in 2011 and were received in January 2012. At December 31, 2011, the Company recorded a receivable under this program in other current assets (see Note 19).

10. PERSONNEL COST

€ 000	2011	2010
Salaries	7,335	7,618
Payroll taxes and other benefits	1,140	1,171
Stock based compensation cost	404	693
Total personnel cost	**8,879**	**9,482**

11. FINANCE INCOME

€ 000	2011	2010
Interest income from third parties	410	202
Total finance income	**410**	**202**

12. FINANCE COSTS

€ 000	2011	2010
Interest expense on convertible bonds	7	7
Interest expense on note payable (Note 24)	801	392
Other	2	1
Total finance costs	**810**	**400**

13. INCOME TAXES

Deferred tax assets and liabilities are comprised of the following at December 31:

€ 000	2011	2010 (*)
Deferred tax assets:		
Net operating loss carry-forwards	27,295	26,587
Other assets	277	61
R&D tax credits	54	53
Accrued expenses	22	16
Deferred tax liabilities:		
Intangible assets	(34,597)	(33,804)
Liabilities	(1)	(273)
Other assets	-	(271)
Net deferred tax liability	**(6,950)**	**(7,631)**

(*) The Company reclassified deferred tax assets on other assets as of December 31, 2010 for consistency with current year presentation.

For the taxable temporary difference in the investments in subsidiaries of € 4.1 million as of December 31, 2011 (2010: € 2.5 million), no deferred tax liability was recognized. Agennix AG is able to control the timing of the reversal of the temporary difference and it is probable that the difference will not reverse in the foreseeable future.

The reconciliation of income tax computed at the statutory rate applicable to the Company's income tax expense for the years ended December 31 is as follows:

€ 000	2011	2010
Accounting loss before income tax	(42,626)	(36,493)
Tax benefit at Agennix's combined statutory income tax rate of 26.33% in 2011 and 2010	(11,223)	(9,609)
Non-deductible expenses and other permanent differences, net	226	850
Tax free income from sale of Agennix USA Inc's NOLs (Note 9)	(671)	-
Effects from share based payments	106	182
Different tax rate in other countries	(3,340)	(2,970)
Change in deferred tax assets not recognized	14,225	2,979
Effect from foreign currency translation	(31)	(295)
Transaction cost of public offering	(93)	(566)
Other	1	(62)
Income tax benefit	**(800)**	**(9,491)**

As of December 31, 2011 and 2010, the Company's combined applicable tax rate was 26.33% (consisting of corporate income tax of 15%, thereon 5.50% solidarity surcharge and 10.50% trade tax). The effective tax rate amounts to 2% for the year ended December 31, 2011 (2010: 26%). The decrease in effective tax rate is mainly due to increase in deferred tax assets not recognized.

Deductible temporary differences

The Company has deductible temporary differences, unused tax losses and unused tax credits as described below. The realization of those amounts is dependent upon future taxable income, if any, the timing and amount of which are uncertain. Accordingly, for the following deductible temporary differences no deferred tax assets could be recognized as of December 31, 2011 and 2010, as it was not probable that they would be utilized in the near future:

€ 000	2011	2010
Accrued expenses and losses	79	195
Other current liabilities	3	-
Property and equipment	90	294
	172	489

Unused net operating loss ("NOL") carry-forwards

Germany

Due to the issuance of shares in connection with the Company's capital increases during 2009 and 2010, Agennix AG experienced changes in ownership as defined in Section 8c of the German Corporation Tax Act, which caused a partial NOL forfeiture for corporate income tax and trade tax purposes. During 2011, in connection with the December subscription offering (Note 22), Agennix AG experienced another change in ownership for tax purposes. This most recent ownership change leads to a full forfeiture of the remaining NOLs of Agennix AG, unless the Company can prove that there were sufficient built-in gains existing on the date of the change in ownership in accordance with Section 8c of the German Corporation Tax Act.

As of December 31, 2011, the Company has accumulated NOL carry forwards of € 11.5 million for corporate income tax and € 11.2 million for trade tax purposes (2010: € 7.4 million for corporate income tax and € 7.3 million for trade tax purposes). A significant or possibly the entire amount of the accumulated NOLs could be forfeited unutilized as a result of the ownership changes. The exact amount of such NOLs will be determined when filing the tax returns.

As of December 31, 2011, deferred tax assets were not recognized for the NOL carry-forwards of Agennix AG for German corporate income and trade tax purposes since it was not probable that taxable profit would be available in the near future against which they can be utilized.

The NOLs are subject to minimum taxation according to German tax legislation for German corporation tax and trade tax, i.e. the Company's maximum NOL carry-forward that may be utilized in any one year is restricted to 60% of the annual taxable income above € 1 million.

U.S. federal

Generally, NOLs may be carried back two years or forward twenty years; however, for losses incurred in tax years beginning on or before August 6, 1997, taxpayers may carry net operating losses back three years and forward fifteen years.

At December 31, 2011, Agennix USA Inc. had total federal net operating loss carry-forwards of € 149.4 million, of which € 147.0 million were subject to a twenty year carry-forward and € 2.4 million were subject to a fifteen year carry-forward. In 2000, 2006 and 2011, Agennix USA Inc. experienced a change in ownership as defined in Section 382 of the United States Internal Revenue Code ("IRC"). Under Section 382(a), an ownership change occurs when the major shareholders (> 5%) of a loss corporation have increased their ownership of the Company's stock by more than 50 percentage points over a three-year testing period. As a result of these ownership changes, the carry-forward of Agennix USA Inc.'s NOLs accumulated for tax years 1997 through 2011 is subject to certain annual limitations. A significant or possibly the entire amount of the accumulated NOLs could expire unutilized as a result of these limitations. The exact amount of such NOLs will be determined prior to utilizing such losses (if any).

The acquisition of Agennix Inc. by GPC Biotech AG in 2009 resulted in a change in ownership, as defined in Section 382 of the IRC, for Agennix Inc., as a result of which Agennix Inc.'s NOLs accumulated prior to the acquisition date were subject to an annual limitation. In addition to that, in connection with the December 2011 subscription offering, Agennix Inc. experienced another ownership change. As a result, Agennix Inc.'s previously accumulated NOLs will be subject to a limitation under IRC Section 382 of approximately € 4.0 million per year. After considering the above limitation, at December 31, 2011, Agennix Inc. had € 79.1 million of federal NOLs subject to a twenty year carry-forward. These carry-forwards will expire at various times between 2012 and 2031.

U.S. state

At December 31, 2011, Agennix USA Inc. has state net operating losses of € 132.8 million that will expire at various times between 2012 and 2018. Of this amount, the Company has Massachusetts ("MA") NOL carry-forwards of € 58.6 million, which have a carry-forward period of five years, and New Jersey ("NJ") NOL carry-forwards of € 74.2 million, which have a carry-forward period of seven years. Some or all of these state NOL carry-forwards of Agennix USA Inc. may also expire unutilized as a result of the above changes in ownership. The exact amount will be determined when the Company decides to utilize such losses (if any).

In 2011, Agennix USA Inc. participated in the State of New Jersey's Technology Business Tax Certificate Transfer Program (the "Program") administered by the New Jersey Economic Development Authority. The Program allows qualified technology and biotechnology businesses located in New Jersey (USA) to sell unused amounts of NOL carry-forwards and defined research and development tax credits for cash to unrelated companies. In December 2011 Agennix USA Inc. sold $35.7 million (€ 27.6 million) in New Jersey Net Operating Losses for the years 2004 through 2006, and $0.9 million (€ 0.7 million) in New Jersey Research and Development tax credits for the years 2004 through 2007. These sales resulted in $3.6 million (€ 2.6 million) of non-dilutive funding from the program. Proceeds from these sales were recorded as other income in 2011 (Note 9).

Agennix Inc. did not have any net operating losses for state purposes as it is only subject to a franchise tax in Texas.

Unused tax credits

At December 31, 2011, Agennix USA Inc. had federal research and development credits of € 1.4 million which will be subject to a twenty year carry-forward. These carry-forwards will expire at various times between 2012 and 2028.

At December 31, 2011, Agennix Inc. had federal research and development credits of € 0.

At December 31, 2011, Agennix USA Inc. also had state research and development credits of € 3.2 million. Of this amount, the Company has MA R&D credits of € 2.8 million, which have a carry-forward period of 15 years, and NJ R&D credits of € 0.4 million, which have a carry-forward period of 7 years. The MA credits will begin to expire in 2016 and the NJ credits will begin to expire in 2014. At December 31, 2011, the Company also had accumulated state alternative minimum tax credits for MA and NJ of € 0.4 million and € 0.1 million respectively. Alternative minimum tax credits do not expire.

For Agennix USA Inc., a deferred tax asset was not recognized for the above NOL carry-forwards, research and development and alternative minimum tax credits since it was not probable that future taxable profit will be available against which these unused tax losses and unused tax credits can be utilized.

In the 2009 business combination, the Company recognized, among others, deferred tax liabilities of € 30.3 million on the acquired intangible assets, and deferred tax assets of € 13.8 million on the net operating loss carry-forwards of Agennix Inc., which were previously unrecognized (amounts at exchange rate at the date of acquisition). During 2010 and the first nine months of 2011, respectively, the Company recognized a deferred tax benefit of € 9.5 million and € 7.2 million in connection with the net operating losses incurred by Agennix Inc. during these periods. As of September 30, 2011, the recognized deferred tax asset on net operating losses has fully offset the deferred tax liability related to the intangible assets and the Company has determined that no further deferred tax asset on additional net operating losses should be recognized as it was not probable that sufficient taxable profit will be available to allow all or part of any additional tax losses to be utilized. In December 2011, after analysis of the potential implications of changes in ownership (see above), the Company recorded an adjustment of € 6.5 million to reduce amount of previously recognized deferred tax assets to reflect limitation of net operating losses accordingly.

14. LOSS PER SHARE

Basic

Basic loss per share is calculated by dividing net loss for the year attributable to ordinary equity holders of Agennix AG by the weighted average number of ordinary shares outstanding during the year.

Diluted

For the years ended December 31, 2011 and 2010, diluted net loss per ordinary share was the same as basic net loss per ordinary share as the inclusion of weighted-average ordinary shares issuable upon exercise of stock options and convertible bonds would be anti-dilutive. The number of potentially dilutive shares excluded from the loss per share calculation due to their anti-dilutive effect was 221,565 and 287,461 for the years ended December 31, 2011 and 2010, respectively.

The following table sets forth the computation of basic and diluted loss per share:

€ 000 (except share and per share data)	2011	2010
Numerator:		
Net loss	(41,826)	(27,002)
Denominator:		
Weighted-average number of shares	42,554,750	25,246,336
Basic and diluted loss per share	**(0.98)**	(1.07)

15. PROPERTY AND EQUIPMENT

€ 000	Office Equipment	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Construction-in-Progress	Total 2011
Cost						
As of January 1, 2011	417	467	634	4,238	-	5,756
Additions	1	-	105	495	143	744
Disposals	(13)	-	(1)	-	-	(14)
Currency adjustments	8	8	19	134	11	180
As of December 31, 2011	413	475	757	4,867	154	6,666
Accumulated depreciation and impairment						
As of January 1, 2011	347	382	574	991	-	2,294
Depreciation	46	53	46	471	-	616
Disposals	(10)	-	(1)	-	-	(11)
Currency adjustments	10	10	13	56	-	89
As of December 31, 2011	393	445	632	1,518	-	2,988
Net book value as of December 31, 2011	20	30	125	3,349	154	3,678

€ 000	Office Equipment	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Construction-in-Progress	Total 2010
Cost						
As of January 1, 2010	431	468	717	3,103	375	5,094
Additions	15	8	59	495	-	577
Disposals	(54)	(37)	(180)	(17)	-	(288)
Transfers	-	-	-	406	(406)	-
Currency adjustments	25	28	38	251	31	373
As of December 31, 2010	417	467	634	4,238	-	5,756
Accumulated depreciation and impairment						
As of January 1, 2010	315	329	665	369	-	1,678
Depreciation	61	61	55	597	-	774
Disposals	(46)	(28)	(180)	(7)	-	(261)
Currency adjustments	17	20	34	32	-	103
As of December 31, 2010	347	382	574	991	-	2,294
Net book value as of December 31, 2010	70	85	60	3,247	-	3,462

In the 2009 business combination, the Company acquired a production facility held under a finance lease with a remaining useful life of approximately six years as of the date of these consolidated financial statements. Its carrying amount as of December 31, 2011 was € 3,347,000 (2010: € 3,244,000).

In 2010, the Company entered into an agreement with DSM Capua S.p.A. on further expansion of the existing production facility. This expansion was completed during 2011 at a total cost of € 0.5 million and is included in Leasehold Improvements in the 2011 table above.

In 2011, as part of the new manufacturing and supply agreement (see Note 7), the Company entered into an agreement with DSM Capua S.p.A. for the engineering of an additional production line. The total estimated cost of the engineering is approximately € 0.8 million, of which € 0.2 million is included in Construction-in-Progress in the 2011 table above. At December 31, 2011, the Company has approximately € 0.6 million remaining for engineering costs relating to this additional production line, which is included in the Company's commitments in Note 28. Total cost of the production line should not exceed € 35 million and will be committed to by the Company only after Agennix is notified in writing by the FDA of its acceptance of a FORTIS-M Biologics License Application ("BLA") for review.

16. INTANGIBLE ASSETS

€ 000	Technology rights	In-licensed R&D	Patents and licenses	Software	Total 2011
Cost					
As of January 1, 2011	1,215	99,460	506	642	101,823
Additions	-	144	-	14	158
Disposals	-	-	-	-	-
Currency adjustments	28	2,345	11	4	2,388
As of December 31, 2011	1,243	101,949	517	660	104,369
Accumulated amortization and impairment					
As of January 1, 2011	1,215	-	506	636	2,357
Amortization	-	-	-	7	7
Disposals	-	-	-	-	-
Currency adjustments	28	-	11	4	43
As of December 31, 2011	1,243	-	517	647	2,407
Net book value as of December 31, 2011	-	101,949	-	13	101,962

€ 000	Technology rights	In-licensed R&D	Patents and licenses	Software	Total 2010
Cost					
As of January 1, 2010	1,123	102,066	467	724	104,380
Additions	-	151	-	-	151
Disposals	-	(10,240)	-	(96)	(10,336)
Currency adjustments	92	7,483	39	14	7,628
As of December 31, 2010	1,215	99,460	506	642	101,823
Accumulated amortization and impairment					
As of January 1, 2010	1,123	10,240	448	688	12,499
Amortization	-	-	20	32	52
Disposals	-	(10,240)	-	(96)	(10,336)
Currency adjustments	92	-	38	12	142
As of December 31, 2010	1,215	-	506	636	2,357
Net book value as of December 31, 2010	-	99,460	-	6	99,466

In the 2009 business combination, the Company recorded $131.6 million (€ 89.1 million on the acquisition date) of acquired in-licensed R&D related to talactoferrin, which represented the fair value of the development projects at the acquisition date. At December 31, 2011 and 2010, the asset was valued at € 101.9 million and € 99.5 million, respectively. The increase in asset value since the acquisition date is primarily due to foreign currency translation adjustments, as well as due to the capitalized minimum annual royalty payments (Note 7). These intangible assets are not yet available for use and are, therefore, not subject to amortization. They are tested for impairment at least annually and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In 2010, the Company de-recognized certain in-licensed R&D intangible assets with a gross amount of € 10.2 million relating to terminated or suspended development projects, unrelated to talactoferrin. Such intangible assets had been fully impaired in past years, therefore, no gain or loss was recognized on the disposal. The Company still holds the licenses relating to these intangible assets.

17. IMPAIRMENT TESTING OF INTANGIBLE ASSETS

The Company determines whether its intangible assets not yet available for use are impaired at each reporting date and before the end of each annual period. The Company tests all its intangible assets for impairment by comparing their carrying amounts with their recoverable amounts, which is determined as the higher of the fair value less costs to sell or the value in use.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of in-licensed R&D.

Talactoferrin

The net amount of in-licensed research and development capitalized in connection with talactoferrin was € 101.9 million as of December 31, 2011 (€ 99.5 million at December 31, 2010), and was capitalized as part of the business combination in 2009.

The Company utilized the Multi-Period Excess Earnings Method to estimate the fair value of the intangible asset capitalized in connection with talactoferrin in that business combination. The calculations were most sensitive to the following assumptions:

Future cash flows assume that the Company reaches a registration strategy that is accepted by the key regulatory agencies, the FDA and the EMA. Further, industry-specific risks were applied to the success of clinical trials in Phase II and III, and to gaining regulatory approval in the primary markets, namely the U.S., Europe and Japan. Patent exclusivity and estimated market share were also assessed by the Company. Cash flows were discounted using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the indication for which the future cash flow estimates have not been adjusted. The discount rates were in the range of 16%-25%.

The Company's market capitalization as of the date of these Consolidated Financial Statements was below the carrying value of the equity attributable to the Company's equity holders. In the opinion of management, market capitalization below equity is not an indicator of potential impairment of the Company's long-lived assets, since the market may have taken account of factors other than the return on the Company's assets, such as the stage of drug development, lack of history in obtaining regulatory approval, as well as cash constraints in prior years.

Subsequent to December 31, 2011 (see Note 31), the Company stopped further enrollment and treatment in the Phase II/III OASIS trial with talactoferrin in severe sepsis. This event is an indicator of potential impairment of the Company's talactoferrin-related intangible assets. However, the Company believes that this subsequent event should have no impact on the conduct of ongoing trials with talactoferrin in non-small cell lung cancer.

Management updated its analysis of the talactoferrin intangible asset's fair value less costs to sell as of December 31, 2011 and ensured that it exceeded the asset's carrying amount as of that date. Assumptions used in estimating fair value less costs to sell were consistent with those used in estimating fair value as of the business combination date, with the exception of the sepsis indication, potential cash flows from which have been entirely excluded from consideration. In addition, certain assumptions (such as launch date, estimated patient population, probability of clinical success and approval, estimated selling price, estimated cost of goods sold and future sales and marketing and development costs, as well as discount rate) were updated for the most recent management estimates. The following are the main assumptions used in the management estimate:

- The period covered by the management estimate is 2012-2030.
- Provided that the respective regulatory approval is granted in late 2013, the launch date in this model is estimated in the first quarter of 2014 in the U.S. and the first quarter of 2015 in Europe for the treatment of NSCLC as third line therapy, and in the second quarter of 2018 in the U.S. and the first quarter of 2019 in Europe for the treatment of NSCLC as first line therapy.
- First sales proceeds would start in 2014 and increase at double digit growth rates until 2019. From 2020 onwards the annual growth rate will start to slow down, as peak market shares are attained.
- Sales forecast is based on the population of patients treated and estimated frequency, volume and price of treatment. The patients' population is estimated using the most recent market information. The price estimates take into consideration existing competition prices.
- The Company also estimated additional development costs necessary to finalize its drug development, and costs to build own sales and marketing force, including launch costs, based on the most recent management projections.
- Pre-tax discount rate is 18.5%.

Based on the analysis performed, management concluded that, as of December 31, 2011, no impairment of talactoferrin-related intangible assets was required.

Sensitivity to changes in key assumptions

In the most recent management estimate, if sales projections are reduced by 50%, or if the discount rate is increased to 30%, the resulting recoverable amount would still exceed the carrying value of the in-licensed R&D capitalized in connection with talactoferrin as of December 31, 2011. If, however, approval of talactoferrin in the major markets is not reached, an impairment of the intangible asset may be required. The maximum exposure is the carrying amount of this intangible asset. Please also refer to Note 2.

18. OTHER NON-CURRENT ASSETS

A summary of the components of other non-current assets as of December 31, 2011 and 2010 is provided below. Historically, advance payments primarily consisted of payments to contract research organizations ("CROs") that manage the execution of the Company's clinical trials and were expected to be utilized within the following 18 to 36 months. Security deposits consist of non-interest bearing deposits on the Princeton and Houston facility leases; whereas, restricted cash is held in an interest-bearing pledged bank account as a security deposit related to the Munich facility lease. Other prepaid expenses primarily relate to insurance.

€ 000	2011	2010
Advance payments	-	1,457
Security deposits	57	55
Restricted cash	88	88
Other prepaid expenses	400	553
Total other non-current assets	**545**	**2,153**

19. OTHER CURRENT ASSETS

€ 000	2011	2010
Corporation tax receivable	222	157
Other tax receivables	163	173
Advance payments	2,243	1,107
Receivable from NOL sale (Note 9,13)	2,550	-
Other receivables	198	6
Total other current assets	**5,376**	**1,443**

The Company's corporation tax receivable relates to tax withheld from interest income earned in Germany on the Company's cash and cash equivalents. Due to the Company incurring net losses in both 2011 and 2010, it is entitled to claim a refund of the tax withheld during those years.

20. OTHER CURRENT FINANCIAL ASSETS

€ 000	2011	2010
Financial assets at fair value through profit or loss ("FVTPL")	20,024	25,182
Held to maturity ("HTM") investments	-	5,015
Total other current financial assets	**20,024**	**30,197**

Throughout 2011 and 2010, the Company invested available cash resources into a number of money market funds as part of the Company's cash management system. As of December 31, 2011 and 2010, the Company held € 20.0 million and € 10.6 million, respectively, in a European money market fund, as well as € 0 and € 14.6 million, respectively, in a U.S. money market fund, both of which are classified as financial assets at FVTPL. The funds hold securities in European and American commercial paper/deposits, floating rate notes, bonds/notes and fiduciary investment/custody accounts, all with maturities of less than one month to less than nine months. The fair value is determined by reference to published price quotes in an active market. During 2011, the Company recognized net gain of € 195,000 on its investments in money market funds, which is included in finance income in the accompanying consolidated statement of operations (2010: € 55,000).

In 2010, the Company purchased a € 5.0 million short-term fixed rate note with a maturity of six months. The note pays simple interest at approximately 1.76% p.a., net of fees. Principal and accrued interest matured and were repaid on April 28, 2011. The investment was carried at amortized cost using the effective interest rate method. During 2011, the Company recognized interest income of € 31,000 on its held-to-maturity investment, which is included in finance income in the accompanying consolidated statement of operations (2010: € 15,000).

21. CASH AND CASH EQUIVALENTS

€ 000	2011	2010
Cash at banks and on hand	14,699	2,968
Short-term deposits	9,213	46,048
Total cash and cash equivalents	**23,912**	49,016

22. EQUITY ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS

Capital increases

2011

On December 7, 2011, the Company announced that it had raised approximately € 11.0 million in cash (net of offering costs) and approximately € 16.2 million from the conversion of an existing loan, plus interest, to equity in a subscription offering with existing shareholders by issuing 9,319,504 new shares. Subscription rights were granted to the Company's shareholders at a subscription price of € 2.95 per share.

The capital increase was a mixed capital increase of cash and contribution in kind. The contribution in kind involved the contribution by the Company's major shareholder, dievini Hopp BioTech holding GmbH & Co. KG, of the € 15.0 million loan made to Agennix in July 2010, plus approximately € 1.2 million in accrued interest. As a result of this transaction, Agennix has no further obligations regarding this loan. With the in-kind contribution, dievini acquired 5,485,536 shares and exercised all of its subscription rights in the rights offering with respect to the shares previously held. In addition, dievini purchased 3,115,520 shares for cash in the oversubscription offering. Following the completion of the offering, dievini held approximately 65% of shares outstanding in Agennix.

The proceeds from the offering, net of the underwriting commission, were received on December 14, 2011. The entry of the capital increase in the commercial register of the local court in Mannheim was made on December 9, 2011. The new shares became listed on the Frankfurt Stock Exchange and began trading on December 13, 2011.

2010

On October 1, 2010, the Company announced that it had raised approximately € 76 million in net proceeds in a capital increase via participation from both new and existing shareholders. The execution of the capital increase was based on the resolution passed at the Company's annual general meeting on May 25, 2010, to issue 20,588,705 new shares. Subscription rights were granted to the Company's shareholders at a subscription price of € 3.81 per share. The proceeds from the offering, net of the underwriting commission, were received on October 5, 2010. The entry of the capital increase in the commercial register of the local court in Mannheim was made on October 4, 2010. The new shares were listed on the Frankfurt Stock Exchange and began trading on October 5, 2010.

In the capital increase, approximately 29% of the 20,588,705 new shares were subscribed in the rights offering and approximately 71% of the shares were purchased by new institutional investors in a private placement or by dievini Hopp BioTech holding GmbH & Co. KG under a firm commitment agreement.

Offering-related costs including the underwriting commission, legal fees and other costs directly attributable to the issuing of new shares of € 2.2 million were accounted for as a deduction from equity in 2010.

Following the completion of this offering, dievini held approximately 59% of shares outstanding in Agennix AG. On November 3, 2010 the Company was informed that the German Federal Financial Supervisory Authority ("Bundesanstalt für Finanzdienstleistungsaufsicht") ("BaFin") had granted dievini, and certain other persons and legal entities to whom dievini's share ownership is attributed, an exemption from the obligations pursuant to Section 35 of the German Takeover Act to publish the acquisition of control, to provide BaFin an offer document, and to publish a mandatory tender offer to the other shareholders of Agennix AG in connection with the capital increase of the Company completed in October 2010.

On March 21, 2010, the Company announced that it had issued 1,870,523 new ordinary shares at € 5.22 per share in a private placement with certain existing shareholders. The total proceeds amounted to € 9.8 million and were recorded in shareholders' equity. The pre-emptive rights of the existing shareholders were excluded. The newly issued shares represented 9.1% of Agennix AG's total shares outstanding after the private placement.

Ordinary shares

The holders of the Company's ordinary shares are entitled to one vote for each share held at all meetings of shareholders. A distribution of assets of the Company in the event of liquidation is subject to the rights of any then-outstanding ordinary shares. The Company has never declared or paid dividends on any of its ordinary shares and does not expect to do so in the foreseeable future.

Authorized shares

To assist management in undertaking strategic activities and capital increases, and to service stock options and convertible bonds, the shareholders of the Company have authorized the future issuance of ordinary shares in specific circumstances with the permission of the Supervisory Board. At December 31, 2011, the total number of ordinary shares authorized for issuance by shareholders was 32,400,625 (2010: 19,859,400). The number of ordinary shares authorized to service the exercise of stock options and conversion of convertible bonds granted by the Company's predecessor, GPC Biotech AG, was 350,307 as of December 31, 2011 (2010: 653,000). The number of ordinary shares authorized to service the exercise of stock options granted by Agennix Inc. was 479,845 as of December 31, 2011 (2010: 546,423). Additionally, as of December 31, 2011, 4,187,600 ordinary shares were authorized to service the exercise of stock options granted by the Company (2010: 2,057,600). The number of ordinary shares authorized for the purpose of potential merger and acquisition activities, in-licensing activities and future capital increases was 11,569,473 as of December 31, 2011 (2010: 10,288,977). The number of ordinary shares authorized for the purposes of potential convertible debt issuances was 15,813,400 as of December 31, 2011 (2010: 6,313,400).

Other reserves

As of December 31, 2011 and 2010, other reserves amounted to € 4.9 million and € 2.8 million, respectively. The increase in other reserves in 2011 is due to foreign exchange gains on translating foreign operations of € 2.1 million (2010: € 5.3 million) relating mostly to the translation of the financial position and results of operations of Agennix Inc. The functional currency of the Company's subsidiaries, Agennix Inc. and Agennix USA Inc., is the U.S. dollar. For consolidation purposes, assets and liabilities of the foreign subsidiaries are translated into the reporting currency of the Company at the closing rate on the date of the statement of financial position, while income and expenses are translated at exchange rates at the dates of the transactions. The translation adjustments resulting from exchange rate movements are accumulated in other comprehensive income (loss). The increase of foreign exchange gain on translating foreign operations in both 2011 and 2010 was due to higher U.S. dollar appreciation against the euro.

23. ACCRUALS AND OTHER LIABILITIES

The following is a summary of the balances of accrued expenses and other current liabilities at December 31, 2011 and 2010 (in thousand €):

€ 000	2011	2010
Accrued external R&D	3,356	3,056
Accrued legal, advisory and investor relations	890	1,190
Accrued personnel expenses and payroll liabilities	339	379
Outstanding administrative invoices	190	142
Tax liabilities	45	122
Current portion of convertible bonds	32	-
Other accruals and current liabilities	254	105
Total accruals and other liabilities	**5,106**	**4,994**

24. NOTE PAYABLE

On July 23, 2010, the Company entered into an agreement with dievini Hopp BioTech holding GmbH & Co. KG pursuant to which dievini provided a € 15.0 million loan to Agennix AG at an interest rate of 6% per annum. The loan was unsecured and was payable on demand with thirty days advance notice. In the December 2011 rights offering (see Note 22), dievini exercised all of its subscription rights with respect to the shares previously held and acquired 5,485,536 shares in exchange for an in-kind contribution of the loan principal and interest accrued thereon. As a result, the note payable was extinguished with the Company's equity instruments and as of December 31, 2011, Agennix had no further obligations in this regard.

After considering the facts and circumstances, this extinguishment was treated as a transaction with the owner in its capacity as the owner, which substance was a contribution to the entity. As such, the Company recorded the note extinguishment based on the carrying amount of the financial liability extinguished, so that no profit or loss was recognized.

Dievini is a related party to the Company. The outstanding balance of the loan, including accrued interest, amounted to € 0 and € 15.4 million as of December 31, 2011 and 2010, respectively. Interest accrued for the years ended December 31, 2011 (up to the extinguishment date) and 2010 totaled € 0.8 million and € 0.4 million, respectively, and is included in finance costs in the accompanying consolidated statement of operations. The Company did not make any payments of principal or interest under this agreement in 2011 or in 2010.

25. OPERATING LEASES

The Company has entered into lease agreements for office space at the Princeton, Houston and Munich facilities, as well as for office equipment. These agreements expire at different times through 2015. However, some of these leases can be terminated earlier at the option of the Company.

In total, the Company incurred lease expenses of € 547,000 and € 623,000 in 2011 and 2010, respectively. Lease expenses are included in research and development and administrative expenses.

In certain leases, the Company provided a customary indemnification to the lessor for certain claims that could arise under the lease. These indemnification obligations are not capped at a specific amount. Accordingly, the maximum amount of potential future payments that might arise under these indemnification obligations cannot be reasonably estimated. However, the Company has not experienced any claims under similar lease indemnification provisions in the past and management has determined that the associated estimated fair value of the liability is not material. Thus, the Company has not recorded any liability for these indemnities in the consolidated financial statements. The Company does, however, accrue for losses for any known contingent liability, including those that may arise from indemnification provisions, when a future payment is both reasonably estimable and probable. As of December 31, 2011 and 2010, no accruals for such losses were required. The Company carries specific and general liability insurance policies which the Company believes would provide, in most cases, some if not total, recourse in the event of any claims arising under these lease indemnification provisions.

26. SHARE-BASED PAYMENT TRANSACTIONS

Stock options

Agennix AG awards

The Company grants stock options to employees and members of the Management Board under the Stock Option Plan 2009, 2010 and 2011 as adopted by the resolution of the general meeting of shareholders on November 5, 2009, May 25, 2010 and May 10, 2011, respectively. The stock option plans have similar terms as detailed below.

The respective strike prices for these stock options equal the five-day average of the closing price of the Company's ordinary shares prior to the respective dates of grants. The contractual vesting period is three years, with graded vesting of the options over that period. In the event the Company undergoes a change of control as defined in the stock option plan, the contractual vesting period for all granted stock options is accelerated with other vesting conditions remaining unchanged. According to German law (§ 193 II, No. 4 AktG (new version)), the rights can be exercised, at the earliest, four years after the grant. The maximum contractual term of stock options is ten years from the date of grant.

In addition to the aforementioned four-year waiting period, eligibility to exercise option rights is also subject to various stock performance hurdles (mostly, the performance of Agennix AG's stock relative to various indices as specified in each option plan) as required by German law. Accordingly, throughout these notes, "exercisable" refers to options that have satisfied both the explicit service period and the waiting requirement but still have to meet certain market conditions whenever the options are exercised, within a specified period prior to the date of exercise.

Following the completion of the offering in October 2010 (Note 25), the change of control event, as defined in the Stock Option Plan 2009 occurred, and the contractual vesting period of certain stock options issued under this plan was accelerated. However, the market conditions were not removed, and, therefore, the expected vesting period used for accounting purposes was not affected.

Former GPC Biotech awards

The Company's predecessor, GPC Biotech AG, granted stock options to employees, members of the Management Board and members of the Supervisory Board.

The respective strike prices for these stock options equal the five-day average of the closing price of the Company's ordinary shares prior to the respective date of grants. The contractual vesting period is four years, with graded vesting of the options over that period. According to German Stock Corporation Law (§ 193 II, No. 3 AktG (old version)), the rights can be exercised, at the earliest, two years after the grant. The maximum contractual term of stock options is ten years.

In addition to the aforementioned two-year waiting period, eligibility to exercise option rights is also subject to various stock performance hurdles (mostly, the performance of the Company's stock relative to various indices as specified in each option plan) as required by German law.

As part of the 2009 business combination, all of the former GPC Biotech AG's stock options outstanding on that date were modified as follows:

- GPC Biotech AG stock options were converted into Agennix AG stock options by dividing the number of GPC Biotech AG stock options by five, with the result rounded down to the nearest whole number, and multiplying the respective exercise prices by five.
- The performance targets determined by GPC Biotech AG's stock option programs (mostly, the performance of GPC Biotech AG's stock relative to various indices) were also modified so that their achievement shall depend on the development of Agennix AG's stock.
- The contractual vesting period of stock options issued to the Management Board members and some employees (seven in total) was accelerated. However, the market conditions were not removed, and, therefore, this modification did not affect the expected vesting period used for accounting purposes.

Former Agennix Inc. awards

Agennix Inc.'s stock options do not have market conditions and the exercise price is fixed at the date of grant. On the date of the 2009 business combination, substantially all the awards had vested. The remaining contractual lives of the options are between one and six years as of the date of these consolidated financial statements.

In this business combination, the Company assumed all of Agennix Inc.'s stock options outstanding on that date and modified them as follows: such stock options, multiplied by 4.8103, with the result rounded down to the nearest whole number, were converted to represent the right to purchase Agennix AG ordinary shares at the respective exercise price divided by 4.8103. All other terms and conditions remain identical to those in effect prior to the business combination.

The following is a summary of the aggregated stock options activity for the years ended December 31, 2011 and 2010:

	2011		2010	
	Stock Options	Weighted Average Exercise Price	Stock Options	Weighted Average Exercise Price
Outstanding at January 1	1,732,923	€ 9.26	1,764,446	€ 15.27
Granted	1,798,250	€ 3.11	950,852	€ 4.31
Exercised	(66,578)	€ 1.52	(719,716)	€ 1.56
Forfeited	(102,512)	€ 6.12	(86,358)	€ 23.24
Expired	(63,784)	€ 38.98	(176,301)	€ 69.77
Outstanding at December 31	**3,298,299**	€ 5.63	1,732,923	€ 9.26
Exercisable at December 31	**551,825**	€ 13.69	681,385	€ 14.71

The weighted-average grant date fair value of stock options granted during 2011 and 2010 was € 2.17 and € 3.08, respectively. The weighted-average share price for stock options exercised during the year ended December 31, 2011 and 2010 was € 2.60 and € 3.79, respectively.

As provided by IFRS 2, for Agennix AG and former GPC Biotech awards, the Company recognizes compensation cost on a straight-line basis over the expected vesting period determined for each tranche of the award as if the award was, in substance, multiple awards. The expected vesting period approximates 5-8 years, as determined on the grant date, and represents an estimate of the period when both the service and market conditions are expected to be satisfied. The fair value of each option grant is estimated at grant date. Agennix AG used a Monte Carlo simulation to estimate fair values for all stock options granted since January 1, 2006. No compensation cost is recognized for former Agennix Inc. awards subsequent to the date of the 2009 business combination.

The following weighted-average assumptions were used to value stock option grants or modifications in 2011 and 2010:

Year ended December 31	2011	2010
Expected dividend yield	-	-
Risk-free interest rate %	2.03-3.44	2.45-3.32
Expected volatility %	78.87-82.67	85.28-88.37
Weighted average share price in €	3.18	4.30
Weighted average exercise price in €	3.11	4.31

For the purposes of estimating fair value for 2011 and 2010 grants, the Company assumes early exercise behavior and estimates exercises after 100% performance increase of the stock.

The Company estimated expected volatility based on the historical realized volatility of the Company's stock and the historical correlation between the Company's stock and the stock index over the longest available data history calculated individually at the date of grant or modification. The Company uses historical data to estimate post vesting

employment termination behavior within the valuation model. The risk-free rate for periods within the contractual life of the option is based on the German government bond yield curve in effect at the time of grant or modification.

For stock options issued during 2011 and 2010, total estimated fair value was € 3.9 million and € 3.0 million, respectively, which is being recognized over the expected vesting period of those stock options net of the estimated forfeitures.

In 2011 and 2010, the Company modified some of the terms of previously granted stock options upon termination of certain employees and extended the exercise period for certain vested and unvested awards beyond the original contractual period. Other conditions remained unchanged. For such modification, unvested awards are treated as forfeited, and the entire fair value of the modified award measured at the date of modification is expensed. For vested awards, additional incremental value, calculated as the excess of the fair value of the modified award over the original award measured at the date of modification, is expensed. An additional expense of € 0.1 million and € 0.1 million was recognized in connection with these modifications in 2011 and 2010, respectively. In 2011, 98,000 stock option awards were modified and, therefore, remained outstanding as of December 31, 2011 (2010: 294,000).

Total compensation cost related to stock options included in the statements of operations during 2011 and 2010 was € 0.5 million and € 0.3 million, respectively.

As of December 31, 2011, there was € 4.2 million (2010: € 2.0 million) of unrecognized compensation cost, net of estimated forfeitures, related to unvested share-based compensation arrangements granted under the plans. The weighted average period over which these compensation costs, net of estimated forfeitures, will be recognized is approximately 108 months (2010: 46 months).

The following table represents weighted-average exercise price and contractual life information regarding outstanding stock options at December 31, 2011:

Stock options outstanding

Range of Exercise Prices in €	Number	Weighted-Average Exercise Price in €	Weighted-Average Remaining Contractual Life (years)
1.61 - 3.87	2,234,061	2.84	8.5
4.20 - 5.30	804,540	4.34	8.4
8.65 - 16.05	112,100	13.19	6.0
23.20 - 111.00	147,598	49.01	2.6
	3,298,299	**5.63**	**8.1**

The following table represents weighted-average exercise price and contractual life information regarding outstanding stock options at December 31, 2010:

Stock options outstanding

Range of Exercise Prices in €	Number	Weighted-Average Exercise Price in €	Weighted-Average Remaining Contractual Life (years)
1.57 - 5.30	1,399,841	3.39	7.5
8.65 - 13.95	99,500	12.87	7.0
14.55 - 45.50	62,322	21.20	2.9
46.65 - 77.60	167,800	49.78	3.0
96.50 - 118.60	3,460	101.87	6.1
	1,732,923	**9.26**	**6.9**

Upon the exercise of stock options, the Company issues new shares by way of a capital increase.

27. CONVERTIBLE BONDS

In the past, convertible bonds were issued as compensation to members of the Management Board and senior management and also, in the past, were issued to members of the Supervisory Board. Convertible bonds granted under the Company's convertible bonds plan have a four-year contractual vesting period, with a graded vesting schedule beginning on the grant date, and mature ten years after the date of grant. Eligibility to convert bonds is subject to an initial two-year holding period and to various stock performance hurdles (the performance of Agennix AG's stock relative to various indices as specified in each convertible bond plan), each in accordance with German law. Holders were required to purchase the convertible bonds at a price of € 1.00 per bond. After the 2009 business combination, the nominal price per bond was multiplied by five.

Each convertible bond entitles its holder to convert such bond into one ordinary share of the Company at a fixed conversion price per share. The bonds pay interest of 3.5% per annum. The convertible bonds do not specifically state a liquidation preference and, therefore, on their face are pari-passu with the Company's general debt obligations, if any.

The following is a summary of convertible bond activity for the years ended December 31, 2011 and 2010:

	2011		2010	
	Convertible bonds	Weighted-Average Exercise Price	Convertible bonds	Weighted Average Exercise Price
Outstanding at January 1	41,976	€ 49.66	43,976	€ 51.79
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	-	-	(2,000)	€ 96.50
Expired	-		-	
Outstanding at December 31	**41,976**	€ 49.66	41,976	€ 49.66
Exercisable at December 31	**31,976**	€ 41.84	31,976	€ 35.01

The fair value of each convertible bond is estimated at grant date. The Company used a Monte Carlo simulation to estimate fair values for all awards granted since January 1, 2006.

The fair value of the Company's convertible bonds is calculated using the same assumptions as those used for the stock options. The Company recognizes compensation cost on a straight-line basis over the expected vesting period for each tranche of the award as if the award was, in substance, multiple awards. The expected vesting period approximates 5-7 years, as determined on the grant date, and represents an estimate of the period when both the service and market conditions are expected to be satisfied.

In 2011, the Company modified some of the terms of previously granted convertible bonds upon termination of an employee and extended the exercise period for certain vested and unvested awards beyond the original contractual period (in total 12,000 convertible bond awards were modified as included in the outstanding balance as of December 31, 2011 in the table above). Accounting for this modification was the same as for the modification of stock options (Note 26). A net credit to compensation expense of approximately € 0.2 million was recognized in 2011 in connection with this modification. There were no modifications of convertible bonds in 2010.

Total compensation cost related to convertible bonds included in the statements of operations was a credit of less than € 0.1 million in 2011, due to the modification of certain convertible bonds, and € 0.4 million in 2010.

As of December 31, 2011, there was less than € 0.1 million (2010: € 0.2 million) of unrecognized compensation cost, net of estimated forfeitures, related to non-vested convertible bonds. The weighted average period over which these compensation costs, net of estimated forfeitures, will be recognized is approximately fourteen months (2010: 26 months).

The following table represents weighted-average exercise price and contractual life information regarding outstanding convertible bonds at December 31, 2011:

Convertible Bonds Outstanding

Range of Exercise Prices in €	Number	Weighted-Average Exercise Price in €	Weighted-Average Remaining Contractual Life (years)
21.80 – 24.80	19,976	23.75	1.2
53.35 – 96.50	22,000	73.17	4.2
	41,976	**49.66**	**2.8**

The following table represents weighted-average exercise price and contractual life information regarding outstanding convertible bonds at December 31, 2010:

Convertible Bonds Outstanding

Range of Exercise Prices in €	Number	Weighted-Average Exercise Price in €	Weighted-Average Remaining Contractual Life (years)
21.80 – 24.80	19,976	23.75	2.1
53.35 – 96.50	22,000	73.17	5.2
	41,976	49.66	3.8

Upon the conversion of convertible bonds, the Company issues new shares by way of a capital increase.

Additionally, the fair values of the liability component and the equity conversion component were determined at issuance of the convertible bond in accordance with IAS 32, Financial Instruments: Disclosure and Presentation. The fair value of the liability component was calculated considering a market interest rate of 8% and using the effective interest rate method. The residual amount, representing the value of the equity conversion component, is included in shareholders' equity in other reserves. The discount on the outstanding convertible bonds was fully amortized in prior years.

The total fair value of the liability component of convertible bonds at December 31, 2011 and 2010 was € 0.2 million for both years.

28. COMMITMENTS AND CONTINGENCIES

Operating lease commitments

Future minimum lease commitments for all non-cancellable operating leases as of December 31, 2011 and 2010 are as follows (in thousand €):

Non-cancellable operating leases	2011
2012	536
2013	159
2014	3
Thereafter	-
Total as of December 31, 2011	698

Non-cancellable operating leases	2010
2011	561
2012	367
2013	151
Thereafter	-
Total as of December 31, 2010	1,079

Purchase commitments

DSM

Under the manufacturing and supply agreement with DSM (see Note 7), the Company has an annual minimum purchase commitment on the current production line between € 3.0 million and € 4.0 million, dependent on production ramp up.

At December 31, 2011, the Company also has commitments to DSM totaling approximately € 1.1 million relating to conceptual engineering of the second production line (as discussed in Note 15) of € 0.6 million, as well as R&D activity commitments for talactoferrin totaling € 0.5 million.

Lonza

At December 31, 2011, the Company has commitments to Lonza (see Note 7) totaling approximately CHF 0.3 million (Swiss francs) (approximately € 0.2 million) relating to R&D activities for talactoferrin.

Other commitments

The Company has entered into various purchase commitments for services and materials as part of its ordinary business. These commitments are not in excess of current market prices and reflect normal business operations.

Contingencies

From time to time, the Company may be party to certain legal proceedings and claims which arise during the ordinary course of business. Legal proceedings are subject to various uncertainties and the outcomes are difficult to predict. However, in the opinion of management, the ultimate outcome of these matters would not have material adverse effects on the Company's financial position, results of operations or cash flows.

In the past the Company has received government grants in Germany and/or the United States for certain research and development projects. Government grants are typically tied to conditions and requirements for several years, such as the ongoing qualification to receive the grant, the continuation of the respective project as planned and the authorized use of the funds. If the Company did not comply with the conditions imposed in the past or should not do so in the future, the grants received may need to be repaid in whole or in part. However, in the opinion of management this will not have a material adverse effect on the net assets, financial position and results of operations or cash flows.

In accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets, the Company recognizes a provision for a liability as a result of a past event when it is both probable that an outflow of resources embodying economic benefits will be required to settle an obligation and a reliable estimate can be made.

Litigation related to merger

In December 2009, the Company was served with a lawsuit filed by certain shareholders of the Company in the local court in Munich, Germany, commencing appraisal proceedings in accordance with Section 15 of the German Transformation Act (Umwandlungsgesetz), and seeking judicial review of the fairness of the exchange ratio set forth in the merger agreement pursuant to which shares of GPC Biotech AG were exchanged for shares of Agennix AG. Other shareholders commenced similar proceedings in January and February 2010 and the proceedings were consolidated before the same court in Munich. The plaintiffs sought an additional cash payment to certain shareholders of the Company.

On February 11, 2011, the court issued a decision rejecting the claims of the plaintiffs for an additional cash payment and ordered that the Company pay the court costs and out–of-court costs of the plaintiffs. The Company estimated the expense relating to this ruling to be approximately € 0.3 million which was accrued at December 31, 2010 and included in administrative expense for the year then ended. Two shareholders filed an appeal to the court's decision, but later withdrew those appeals in August 2011. The appellate court ordered that the two shareholders bear their own costs in the appeal and that the Company pay the costs of the joint shareholder representative and court costs. The Company estimated that no additional provision was required in connection with this ruling.

During 2011, the Company paid the court costs and out-of-court costs of the plaintiffs under the February court's decision of less than € 0.1 million. The remaining unused provision of € 260,000 was reversed and included in other income in the accompanying consolidated statement of operations for 2011 (see Note 9).

29. RELATED PARTY DISCLOSURES

During 2011 and 2010, the Company paid € 0.2 million and € 0.3 million, respectively, to Rittershaus. The Company also had accrued expenses of approximately € 113,000 and € 30,000 at December 31, 2011 and 2010, respectively. Rittershaus is a related party to the Company because the Chairman of the Company's Supervisory Board, Dr. Christof Hettich, is a partner at this firm, which currently advises the Company in matters of law.

During 2011 and 2010, the Company paid approximately € 57,000 and € 69,000, respectively, to Dr. Frank Young. The Company also had accrued expenses of approximately € 0 and € 1,000 at December 31, 2011 and 2010, respectively. Dr. Young is a related party to the Company due to the fact that he is the Vice Chairman of the Company's Supervisory Board and also advises the Company with respect to regulatory matters and drug development, pursuant to a signed consulting agreement between the two parties.

During 2011 and 2010, the Company paid € 0.2 million and € 0.1 million, respectively, to Molecular Health AG (formerly LIFE Biosystems AG). The Company had no accrued expenses at December 31, 2011 and 2010. Molecular Health AG is a related party to the Company because Dr. Friedrich von Bohlen und Halbach is a member of Agennix's Supervisory Board, as well as the Chairman of the Supervisory Board of Molecular Health AG, which currently performs external R&D for the Company.

Compensation of the Management Board and Supervisory Board

Year ended December 31, 2011	Months of Service	Annual Compensation Salary (€)	Annual Compensation Cash Bonus (€)	All Other Compensation[4] (€)
Management Board				
Torsten Hombeck, Ph.D.	12	285,017	160,980	18,399
Rajesh Malik, M.D.	12	268,327	110,040	5,279
Friedrich von Bohlen und Halbach, Ph.D.[1][2][3]	2	40,525	80,000	-
Supervisory Board				
Christof Hettich, LL.D (Chairman)	12	25,000	-	-
Frank Young, M.D., Ph.D. (Vice Chairman)	12	17,500	-	-
Friedrich von Bohlen und Halbach, Ph.D.[1][2][3]	10	10,445	-	-
Bernd Seizinger, M.D., Ph.D	12	15,000	-	-
James Weaver III	12	20,000	-	-
Alan Feinsilver	11	9,123	-	-
Jürgen Drews, M.D., Ph.D.[2]	3	3,048	-	-

(1) Term as interim Chief Executive Officer expired February 28, 2011.
(2) Professor Dr. Drews announced his resignation as Supervisory Board member on March 4, 2011. Dr. von Bohlen und Halbach filled this seat.
(3) Salary of € 40,525 and bonus of € 80,000 were earned prior to both expiration of term as interim Chief Executive Officer and to filling of Supervisory Board seat.
(4) Represents employer contributions to a defined contribution plan and other taxable benefits.

Year ended December 31, 2010	Months of Service	Annual Compensation Salary (€)	Annual Compensation Cash Bonus (€)	All Other Compensation[4] (€)
Management Board				
Friedrich von Bohlen und Halbach, Ph.D.[2]	12	240,000	-	-
Torsten Hombeck, Ph.D.	12	274,651	39,885	12,846
Rajesh Malik, M.D.	12	259,843	-	32,059
Supervisory Board				
Christof Hettich, LL.D (Chairman)	12	25,000	-	-
Frank Young, M.D., Ph.D. (Vice Chairman)	12	17,500	-	-
Jürgen Drews, M.D., Ph.D.[3]	12	12,500	-	-
Bernd Seizinger, M.D., Ph.D	12	15,000	-	-
James Weaver III	12	20,000	-	-
Robert van Leen, Ph.D.[1]	11	9,167	-	-

(1) Announced resignation as Supervisory Board member on November 3, 2010.
(2) Term as interim Chief Executive Officer expired February 28, 2011.
(3) Professor Dr. Drews announced his resignation as Supervisory Board member on March 4, 2011. Dr. von Bohlen und Halbach filled this seat.
(4) Represents employer contributions to a defined contribution plan and other taxable benefits.

Shareholdings of Management Board and Supervisory Board

Year ended December 31, 2011	Number of Shares	Number of Options	Number of Convertible Bonds
Management Board			
Torsten Hombeck, Ph.D.	25,000	304,146	-
Rajesh Malik, M.D.[1]	-	339,490	-
Supervisory Board			
Christof Hettich, L.L.D (Chairman)	-	-	-
Frank Young, M.D., Ph.D. (Vice Chairman)[2]	-	30,664	-
Friedrich von Bohlen und Halbach, Ph.D.	-	-	-
Bernd Seizinger, M.D., Ph.D	178,000	60,000	17,701
James Weaver III	119,016	-	-
Alan Feinsilver	50,308	-	-

(1) On January 23, 2012, Dr. Malik purchased 2,575 shares of Agennix.
(2) On January 30, 2012, Dr. Young purchased 500 shares of Agennix.

Year ended December 31, 2010	Number of Shares	Number of Options	Number of Convertible Bonds
Management Board			
Friedrich von Bohlen und Halbach, Ph.D.	-	-	-
Torsten Hombeck, Ph.D.	-	165,186	-
Rajesh Malik, M.D.	-	199,490	-
Supervisory Board			
Christof Hettich, L.L.D (Chairman)	-	-	-
Frank Young, M.D., Ph.D.			
(Vice Chairman)	-	30,664	-
Jürgen Drews, M.D., Ph.D.	5,380	-	-
Bernd Seizinger, M.D., Ph.D	160,000	78,000	17,701
James Weaver III	99,016	-	-

On September 30, 2011 and May 31, 2010, respectively, the Company granted 278,960 and 264,292 share options to members of the Management Board. Fair value of the options at the date of grant was estimated at € 2.16 and € 3.04 per option, respectively. Refer to Note 26 for further details on the stock option plans.

In the case of both Dr. Hombeck and Dr. Malik, if, within nine months of the expiration of his service agreement, the Supervisory Board does not present a resolution to the Management Board member for his reappointment as well as a binding offer regarding the renewal of his service agreement under comparable conditions to his expiring service agreement in all material respects, or if the Supervisory Board informs the Management Board member that he will not be offered a renewal of contract, and the chairmanship of the Supervisory Board has changed and agreement on the reappointment and renewal of the service agreement of the Management Board member cannot be subsequently reached, then the Management Board member shall be entitled to payment of his base salary for a period of twelve months. The twelve-month period shall begin on the date (1) the Management Board member receives a resolution for reappointment as well as a binding offer regarding the renewal of his service agreement under comparable conditions in all material respects, or (2) the Management Board member is notified that he will not be offered reappointment and renewal of his service agreement or (3) his service agreement expires in the case that neither (1) or (2) are fulfilled, up to (but no longer than) the end of the year following the expiration of his service agreement.

In addition to any compensation due to a Management Board member in connection with a change of control as provided below, in the event that either Dr. Hombeck or Dr. Malik is removed from office without good cause, he has the right to terminate his service agreement and is entitled to receive a payment in the amount of the compensation not received (based salary plus any annual bonus) due to the early termination of the agreement. In addition, all stock options, convertible bonds or similar rights shall become fully vested and may not be terminated by the Company during the remainder of their respective terms.

Also, the service agreement of each Management Board member provides that, if one or more persons whose direct or indirect shareholdings in the Company do not exceed 10% of the voting rights as of the date of the 2011 addendum to the respective service agreement (December 22, 2011 in the case of Dr. Malik and December 23, 2011 in the case of Dr. Hombeck) obtain a controlling interest (more than 50% of voting rights) for a consideration of at least € 400,000,000 based on 100% of outstanding shares, and the office of the Management Board member ends within twelve months thereof without the Management Board member giving cause for termination, the Management Board member will be entitled to a one-time payment of his annual base salary.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities are comprised of mostly fixed rate loans, trade payables and convertible bonds. The Company has various financial assets such as trade and other receivables, cash and cash equivalents and other current financial assets. Both financial assets and liabilities arise from and are used in the Company's operations. The Company is exposed to a variety of financial risks, such as market risk, including currency risk, credit risk and liquidity risk. The Company's overall risk management focuses, among other areas, on the unpredictability of financial markets and seeks to minimize potential adverse effects on its financial performance.

The Company has in place a risk management system in accordance with section 91 of the German Stock Corporation Law (§ 91 AktG) which also monitors financial risk factors.

Market risks

Currency risk

The Company operates internationally and is therefore exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollar. Foreign exchange risk arises from recognized assets, liabilities and net investments in foreign operations as well as future commercial transactions.

Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency.

The Company has certain investments and net assets that are exposed to foreign currency translation risk. Currency exposure arising from foreign operations has historically been managed partially through cash inflows from revenue contracts denominated in U.S. dollars and from cash held in U.S. dollars.

The results of operations and financial condition are also subject to foreign exchange rate risks as fluctuations between the euro and the U.S. dollar can affect the financial results of the Company. The U.S. dollar denominated portion of the operating costs and revenues will vary from year to year. In 2011 and 2010, a significant amount of the Company's expenses were denominated in U.S. dollars, but reported in euros. Additionally, Agennix holds a significant amount of cash and cash equivalents in U.S. dollars to fund its U.S. operations. Accordingly, any appreciation of the euro against the dollar would have the effect of reducing the reported revenues and reducing the reported expenses. Agennix does not, however, hold any derivative financial instruments to leverage the exchange rate risk associated with the U.S. dollar and the euro.

The following table demonstrates the sensitivity to a possible change in the U.S. dollar exchange rate, with all other variables held constant, of the Company's loss before tax (due to changes in the fair value of monetary assets and liabilities). There is no other impact on the Company's equity.

Effect on loss before tax in € 000	2011	2010
Increase in US dollar rate +10%	1,112	7,096
Decrease in US dollar rate – 10%	(1,112)	(7,096)

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of a change in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's short-term investments with variable-interest.

As of December 31, 2011 and 2010, no such investments were maintained, therefore, the Company was not exposed to interest rate risk.

Credit risk

The credit risk represents the Company's exposure to potential losses that could occur if a commercial or financial counterpart fails to meet its obligation. These credits risks arise from financial instruments that the Company holds, as well as revenues generated from pharmaceutical partners.

Financial instruments that potentially expose the Company to credit risk consist primarily of cash and cash equivalents, other receivables and other current financial assets. The maximum exposure of the Company to credit risk is equal to the carrying amount of these instruments. The risk is minimized by the Company's investment policy, which limits investments to those that have relatively short maturities and that are placed with highly rated issuers.

Credit risks also arise from the possibility that pharmaceutical partners may not be able to settle their obligations as agreed. To manage this risk, the Company periodically assesses the financial reliability of its partners. In 2010 Forma Therapeutics accounted for 100% of total revenue; no other partners or customers accounted for more than 10% of total revenues in 2010; and there was no other significant concentration of credit risk. The Company did not record any revenue in 2011.

Liquidity risk

Liquidity risk represents the risk that the Company may not have access to sufficient financial resources to meet its financial and commercial obligations in accordance with agreed terms and maturities. Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents and other current financial assets, to cover the Company's cash burn. The majority of the Company's financial liabilities mature in the next twelve-month period based on the carrying amounts reflected in the financial statements. The Company has incurred recurring operating losses and has generated negative cash flows from operations since its inception and, due to the nature of its business, expects such results to continue for the foreseeable future (see Note 2).

Capital management

The Company regards its total equity as capital. The primary objective of the Company's capital management is to support its operations and cover the cash burn and maximize shareholder value while minimizing financial risk. Historically, the Company has financed its operations primarily through the issuance of equity securities to third parties. To assist management in undertaking strategic activities and capital increases, and to service the stock option plans and convertible bond plans, the shareholders of the Company have authorized the future issuance of ordinary shares in specific circumstances with the permission of the Supervisory Board. The Company has never declared or paid dividends on any of its ordinary shares and, due to the nature of its business, does not expect to do so in the foreseeable future.

The capital resources for the Company are also derived from cash payments from government grants and interest earned from investments.

No changes were made in the objective, policies or processes for managing capital during the years ended December 31, 2011 and 2010.

31. EVENTS AFTER THE REPORTING PERIOD

OASIS trial stopped

The Company initiated the Phase II/III OASIS trial with talactoferrin in severe sepsis in June 2011. However, on February 2, 2012, Agennix announced that, upon the recommendation of the study DSMB, the Company had stopped further enrollment and treatment in the trial. The DSMB made this recommendation based on a review of the available data from the trial, which indicated that 28-day mortality in the talactoferrin arm of the study was greater than in the placebo arm. Agennix subsequently unblinded the data from the trial and reported that its review of the available results confirmed the finding of the DSMB. The data review remains ongoing. Once that review is completed and Agennix has held further discussions with the critical care community and consultants, the Company will make a decision on whether further development of talactoferrin in severe sepsis is warranted. Until that time, Agennix does not intend to invest further in the development of talactoferrin in severe sepsis.

The Company has discussed the results of the OASIS trial with the DSMB of the FORTIS trials. The FORTIS DSMB has agreed with Agennix's assessment that, based on the available data from the OASIS trial, no changes to the conduct of the ongoing FORTIS-M trial are necessary and the FORTIS-M trial can continue as planned.

32. OWNERSHIP OF SUBSIDIARIES

Consolidated subsidiaries as of December 31, 2011

Name and location of the entity	Currency	Foreign Currency Rate 100 Unit of Reporting Currency	Share of capital %	Equity USD 000	Net (loss) USD 000
Agennix USA, Inc., Princeton, New Jersey, USA	USD	77.2260	100	62,026	(2,045)
Agennix Inc., Houston, Texas, USA	USD	77.2260	100	69,390	(50,278)

33. NUMBER OF EMPLOYEES

The average number of active employees during the year was as follows:

	2011	2010
Research and development	35	26
Administrative	30	30
Total	**65**	**56**

34. DISCLOSURE OF AUDIT FEES ACCORDING TO § 314 ABS.1 NR. 9 OF THE GERMAN COMMERCIAL CODE

Total fees of the Company's independent external auditor relating to fiscal year 2011 were € 440,000 and comprise fees for year-end audit services of € 297,000; fees for audit-related services including quarterly reviews of € 47,000; tax consulting services of € 69,000 and other services, including translation of € 27,000.

35. DECLARATION ACCORDING TO § 161 AKTG OF COMPLIANCE WITH THE GERMAN CORPORATE GOVERNANCE CODE

Agennix AG has – as the sole publicly listed entity of the group – made the required declaration according to § 161 AktG German Stock Corporation Law and has made the declaration readily available for shareholders on the Company's website.

STATEMENT OF THE MANAGEMENT BOARD

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Agennix AG and its subsidiaries. The Group management report includes a fair review of the development and performance of the business and the position of Agennix AG and its subsidiaries, together with a description of the principal opportunities and risks associated with the expected development of Agennix AG and its subsidiaries.

March 14, 2012

The Management Board ("Vorstand")

Dr. Torsten Hombeck

Dr. Rajesh Malik