ennix

In sight

Annual Report 2010

Key Figures

€ in thousands (except %s and share data)	2010	2009
IFRS		
Financial performance		
Revenues	153	7,746
R&D expenses	29,360	6,719
R&D of total operating expenses (%)	75	29
Administrative expenses	9,982	13,141
Net loss before tax	(36,493)	(13,079)
Income tax benefit	9,491	1,141
Net loss	(27,002)	(11,938)
Cash flow		
Net cash used in operating activities	(33,786)	(21,355)
Cash used in purchase of property, equipment and intangibles	(727)	(13)
Net cash burn[1]	(34,513)	(21,368)
Net cash used in investing activities	(30,876)	(12,722)
Net cash provided by financing activities	101,969	13,248
Balance sheet data		
Cash, cash equivalents, other current financial assets and restricted cash	79,300	11,502
Intangible assets[2]	99,466	91,881
Total assets	186,057	109,640
Shareholders' equity	152,792	86,582
Equity ratio[3] (%)	82	79
Share data		
Loss per share (basic and diluted)[4] (€)	(1.07)	(1.31)
Dividends	-	-
Number of shares issued and outstanding as of December 31	41,884,000	18,705,000
Weighted average number of shares outstanding	25,246,000	9,138,000
Additional information		
Employees as of December 31	56	60

(1) Cash flow from operating activities plus cash used in purchase of property, equipment and intangibles.

(2) Mainly related to talactoferrin

(3) Total equity/total assets

(4) Based on the weighted average number of shares outstanding.

"$" amounts throughout the Annual Report refer to U.S. dollars.

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In sight ▸ We are focused on 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.

Achievements 2010

Advancing talactoferrin

- JAN: Phase III FORTIS-M registration trial expanded globally
- FEB: Phase II trial results in severe sepsis show talactoferrin also reduces all-cause mortality compared to placebo over longer term at 3 months and at 6 months.
- MAR: Talactoferrin Phase II trial data in severe sepsis presented at American Thoracic Society International Conference
- APR: Key data from talactoferrin Phase II trial in severe sepsis presented at Sepsis 2010 International Symposium
- MAY: Company announces plans to initiate Phase II/III trial with talactoferrin in severe sepsis

- JUN: Raises € 9.8 million in private placement
- JUL: Secures € 15 million loan
- SEP: Raises ~ € 76 million in net proceeds via capital increase
- NOV: Awarded ~ $ 490,000 under U.S. Qualifying Therapeutic Discovery Project

Strengthening our financial position

Corporate Strategy

Maximize value of oral talactoferrin using existing financial resources:

- Complete Phase III FORTIS-M trial in 3rd-line+ non-small cell lung cancer
- Initiate and complete Phase II portion of Phase II/III trial in severe sepsis
- Partner to add value
  - License payments, royalties, partner infrastructure, geographic reach
- Prepare for successful market launch

Risk diversification:

- Out: partner drug programs to access non-dilutive funding and capabilities less suited to a small company
- In: in-license/M&A to broaden product portfolio, grow company

Letter to Shareholders

Dear Shareholders,

During 2010, we made steady progress in advancing our development plans, and we successfully refinanced the Company, securing what we believe is sufficient funding to achieve our key near- and mid-term development goals with our lead program, oral talactoferrin. With the good progress made during 2010, we are within sight of key inflection points for our Company, including, importantly, topline data from our first Phase III trial with talactoferrin.

Advancing the development of talactoferrin in two areas of major unmet medical need

We are developing oral talactoferrin, a novel biologic therapy, in two areas – cancer and severe sepsis – where there is an urgent need for better tolerated and more effective treatments.

Lung cancer, the most advanced indication for talactoferrin, is one of the most commonly diagnosed cancers worldwide and the leading cause of cancer-related deaths around the world. While there have been important treatment advances in lung cancer in recent years, there continues to be a need for new therapies that are well tolerated by patients and that can help patients to live longer and better quality lives.

During 2010, we significantly ramped up the talactoferrin FORTIS-M trial, expanding the study globally. The FORTIS-M trial is evaluating talactoferrin in non-small cell lung cancer patients whose disease has already progressed on at least two other therapy regimens. There are currently very limited treatment options for patients at this advanced stage of their disease. We are very pleased with the pace of the FORTIS-M trial enrollment, which was completed in March 2011.

Severe sepsis represents a second major unmet medical need for which we are developing talactoferrin. Sepsis is a serious medical condition involving infection and generalized inflammation. In severe sepsis, the body's normal response to fighting an infection becomes overactive and can result in damage to vital body organs, leading to organ failure and, in many cases, to death. Severe sepsis is a top ten leading cause of death in the U.S. While major efforts have been undertaken in recent years to treat this very complex disease early and aggressively, there has been no new medicine approved to treat severe sepsis in nearly ten years.

In late 2009, we announced promising results from a Phase II trial with talactoferrin in severe sepsis. Those results were presented at several major medical meetings during 2010 and early 2011. Throughout the year we met with critical care medicine thought leaders to gain their insight on the current state of care of severe sepsis patients and to seek their input and advice on the further development of talactoferrin in this indication. We have been gratified by the interest and enthusiasm these specialists have shown in our plans to move talactoferrin forward.

» We are developing oral talactoferrin, a novel biologic therapy, in two areas – cancer and severe sepsis – where there is an urgent need for better tolerated and more effective treatments.«

Rajesh Malik, M.D.
Chief Medical Officer

» During 2010, we successfully re-financed the Company via several tranches, culminating in a major offering in the fall in which we raised approximately € 76 million in net proceeds.«

Torsten Hombeck, Ph.D.
Chief Financial Officer

We also met with regulatory authorities in the U.S. and Europe during 2010 to discuss further development plans for talactoferrin in this important indication. With the insight and ideas we gained from regulators and key medical opinion leaders, we put together a concrete plan for the further development of talactoferrin in severe sepsis. The plan includes a Phase II/III trial in this indication, and we are preparing to initiate the Phase II part.

Securing financial resources to reach important inflection points

To achieve our most significant development goals, a top priority during 2010 was to re-finance the Company. We did this successfully via several tranches, culminating in a major offering in October, despite a difficult environment in the financial markets. In that rights offering, we raised approximately € 76 million in net proceeds.

Through the offering process, we gained an increased awareness that the financial markets could continue to be a challenging place to raise capital, especially for a development-stage biotechnology company of our size and risk profile. While we were able to secure the amount of funds we had planned to raise and did get new investors in the stock, the vast majority of the money was secured through the strong commitment of our largest existing shareholder.

So, we took a hard look at our plans and priorities to see if changes should be made to make the best possible use of our current financial resources. In so doing, we made the decision to defer further investment in certain projects and programs at this time, including our earlier stage compound, RGB-286638, in order to maximize the chances for success with oral talactoferrin without the need to raise further funds. Using our existing financial resources, we now expect to be able to get not only to the next major milestone with talactoferrin, namely Phase III data in lung cancer, but also to a data readout of the Phase II portion of the Phase II/III trial with talactoferrin in severe sepsis.

Looking forward

The year 2011 promises to be a busy one for Agennix as we plan to initiate the next clinical trial with talactoferrin in severe sepsis and as we get closer to Phase III data in non-small cell lung cancer.

We will continue to work to raise awareness about talactoferrin in the medical community and expect that data from our Phase II trials and other work with talactoferrin will be presented at medical conferences and published in medical journals during the year. We continue to actively pursue partnerships for talactoferrin, and this remains an important corporate priority. However, as we approach major data readouts with talactoferrin, we may decide to partner after that point as we believe that, if we are able to repeat the study results we have seen in our Phase II trials, the economics of a potential partnership are likely to be much more beneficial to our Company than if that partnership is formed based only on the existing, albeit promising, Phase II data.

In closing, we would like to warmly thank Friedrich von Bohlen for serving as the Company's interim Chief Executive Officer during our first 16 months as a company. We are very grateful for the insight and experience he provided during that critical time for Agennix.

We would like to thank you, our shareholders, for your continued support, our employees for their efforts and dedication, and the doctors, patients and their families who participate in our clinical trials for their contributions to finding new safe and effective treatments for life-threatening diseases.

Sincerely,

Torsten Hombeck, Ph.D.
Chief Financial Officer

Rajesh Malik, M.D.
Chief Medical Officer

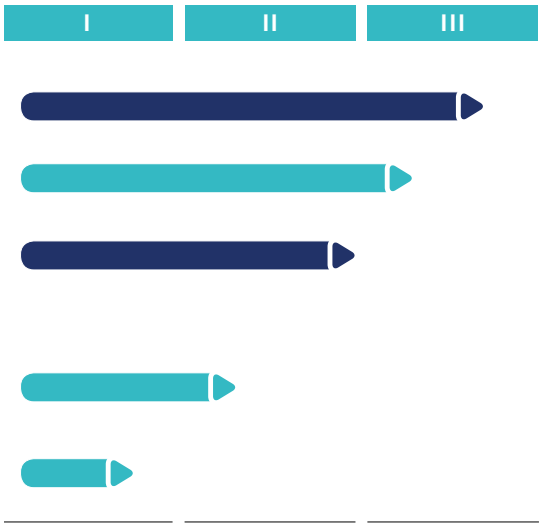
Drug Development

Focused on 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.

Agennix is developing potential treatments for diseases where there is an urgent need for safer and more effective therapies. The Company is currently focused on therapies to treat cancer and severe sepsis, a condition with significant mortality marked by severe inflammation in response to a serious infection.

Clinical Development Pipeline

Drug and Indication	Status
Oral Talactoferrin	
3rd-line+ non-small cell lung cancer	**Phase III trial enrollment completed**
1st-line non-small cell lung cancer	**Phase III trial ongoing at limited U.S. sites**
Severe sepsis	**Phase II trial completed** **Phase II/III trial being planned**
Other Programs	
Topical talactoferrin Diabetic foot ulcers	**Phase IIa trial completed** **Future focus on partnering**
RRGB-286638 *multi-targeted kinase inhibitor* Cancer	**Phase I solid tumors trial ongoing**



Oral Talactoferrin

Lung cancer – leading cause of cancer deaths worldwide

Lung cancer is one of the most commonly diagnosed cancers worldwide and is the leading cause of cancer-related deaths around the globe. In the U.S., more people die of lung cancer than of colon, breast and prostate cancers combined. It is estimated that there were over 222,000 new cases of lung cancer in the U.S. in 2010 and over 157,000 deaths due to this disease. Recent statistics estimate that over 287,000 people in the European Union (EU) were diagnosed with lung cancer in 2008, and approximately 252,000 people in the EU died from this disease. According to the American Cancer Society, non-small cell lung cancer (NSCLC) accounts for approximately 85% of all newly diagnosed lung cancer in the U.S. The symptoms of lung cancer usually do not appear until the disease is already in an advanced stage. Thus, over 50% of NSCLC cases are already metastatic and not curable at the time of diagnosis.

Fortunately for patients and doctors, there is extensive development work ongoing to bring more effective and less toxic therapies to the market, and several new treatments have been approved in recent years. A number of treatments have been approved to treat patients in the first-line setting (i.e., patients who have not yet been treated with chemotherapy or other cancer drugs for their disease). However, some of these therapies only treat a subset of patients, while others have serious side effects and may not be tolerated by a number of patients. Additionally, there are still very few treatment options for patients whose disease has progressed following two or more prior therapies, the first indication for which oral talactoferrin is being developed.

Despite advances in treatment, NSCLC continues to be a major area of unmet medical need around the world. The five-year survival rate in the U.S. for lung cancer is only about 16%. While that rate has improved over time from 13% in the 1975-1977 and 1984-1986 periods to 16% for the 1999-2005 period), lung cancer remains one of the cancer types with the worst prognosis.

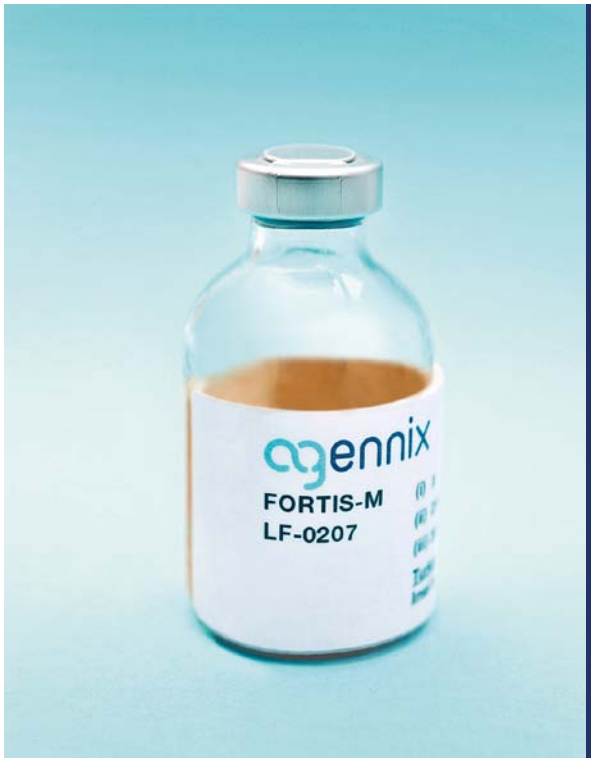
The global market for NSCLC is forecast to grow to between $7 billion and $13 billion by 2015, driven both by increased incidence of disease as well as improved treatments. Indeed, several newer so-called targeted therapies approved to treat NSCLC, such as Avastin® (bevacizumab), Alimta® (pemetrexed) and Tarceva® (erlotinib), have achieved blockbuster status (annual sales of greater than $1 billion), even though they are approved to treat only subgroups of the NSCLC patient population.

Avastin® is a registered trademark of Genentech BioOncology, Inc.
Alimta® is a registered trademark of Eli Lilly and Company.
Tarceva® is a registered trademark of OSI Pharmaceuticals, Inc.

Enrollment completed in talactoferrin Phase III FORTIS-M trial

During 2010, enrollment was expanded globally in the Company's Phase III FORTIS-M trial evaluating talactoferrin for the treatment of NSCLC. Enrollment in this trial was completed in March 2011.

The FORTIS-M trial 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. The trial is a global study involving over 160 sites in North America, Europe and Asia/Pacific.



What is Talactoferrin?

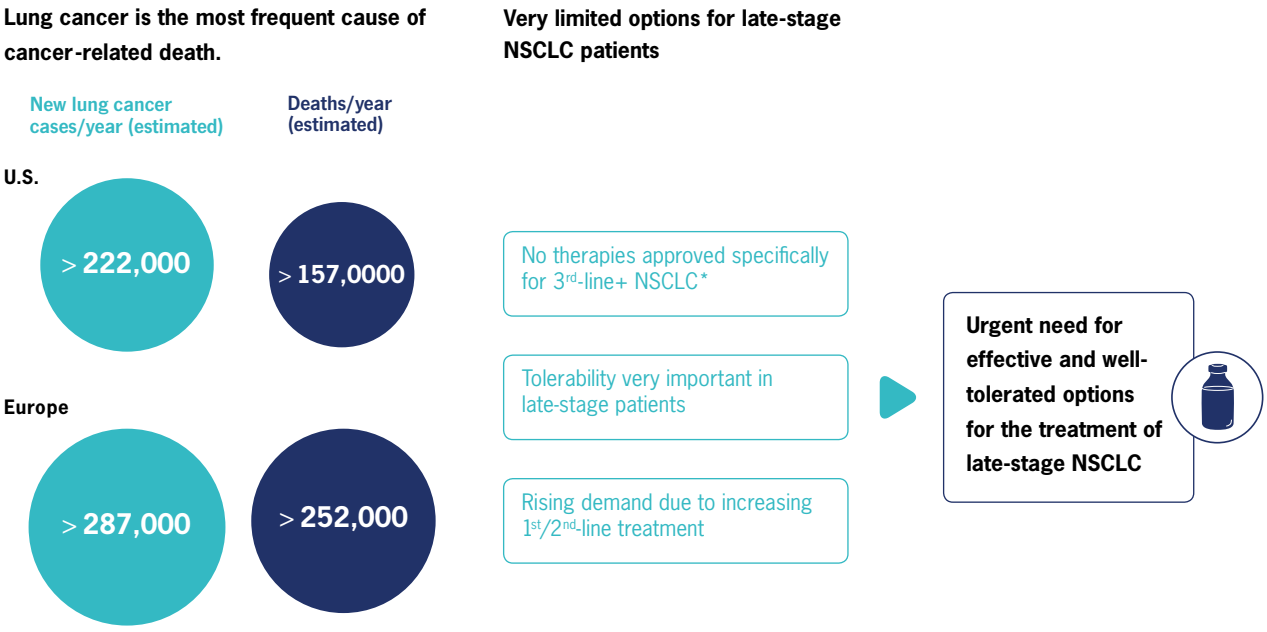
The Company's lead product candidate, oral talactoferrin, is a biologic therapy that patients can drink. It has been shown to impact the immune system and also has bacteria-fighting properties. Talactoferrin is a man-made (recombinant) form of a naturally-occurring human protein, lactoferrin. In humans, lactoferrin is found in small quantities, with the highest concentrations occurring in mother's milk and colostrum. Lactoferrin plays an important role in the establishment and functioning of the body's immune system.

Talactoferrin has shown activity and a very favorable safety profile in patients with non-small cell lung cancer and severe sepsis, and Agennix is currently developing talactoferrin for both of these important indications.

The FORTIS-M trial design is based on the results of a Phase II randomized, double-blind, placebo-controlled trial in which talactoferrin demonstrated activity and was shown to be very well tolerated. The Phase III design also incorporates input from the U.S. Food and Drug Administration (FDA), the European Medicines Agency (EMA) and key medical opinion leaders in the cancer field. The primary endpoint of the trial is overall survival. Agennix has been granted "Fast Track" designation by the FDA for this indication. The FDA's Fast Track program is intended to facilitate the development and expedite the review of drugs that are intended for the treatment of a serious or life-threatening condition for which there is no effective treatment and that demonstrate the potential to address unmet medical needs for the condition. Agennix also received scientific advice from the EMA for this trial.

Agennix is conducting a second Phase III trial in NSCLC (FORTIS-C). The FORTIS-C trial is a randomized, double-blind, placebo-controlled study evaluating talactoferrin plus the standard chemotherapy regimen, carboplatin plus paclitaxel, versus placebo plus the same chemotherapy treatment in 1,100 first-line NSCLC patients (patients who have not yet received chemotherapy to treat their cancer). The FORTIS-C trial design is based on the results of a Phase II randomized, double-blind, placebo-controlled trial in which talactoferrin showed activity and was also shown to be very well tolerated by patients. Currently, FORTIS-C is enrolling patients at a limited number of sites in the U.S.

Market Opportunity: 3rd-Line+ Non-Small Cell Lung Cancer



*Tarceva approved for treatment after failure of at least one prior chemotherapy

Severe sepsis – a top 10 leading cause of death overall in the U.S.

Sepsis is a serious medical condition involving infection and generalized inflammation. The body's normal response to an infection is to set off a limited chain reaction to fight the infection. In severe sepsis, this systemic immune response becomes overactive and can result in damage to vital body organs, leading to bleeding, organ failure and, in many cases, to death.

Each year, approximately 750,000 people in the United States develop severe sepsis, and a similar number of people are affected in Europe. It is estimated that more than 30% of people with severe sepsis die annually from this condition in the U.S. alone, and the U.S. Centers for Disease Control and Prevention indicates that sepsis is one of the top ten leading causes of death in the United States.

Patients suffering from severe sepsis must be hospitalized, often in an intensive care unit, and the medical costs to treat sepsis were estimated in 2001 to be over $16 billion in the U.S. alone, a number that is believed to have increased significantly over time.

Major efforts have been undertaken in recent years to treat severe sepsis early and aggressively. Despite these efforts, the death rate remains high. Today, severe sepsis may be treated in a variety of ways, including: intravenous fluids and medications to maintain normal

blood pressure, antibiotics and other efforts to control the infection, oxygen, mechanical ventilation, nutritional support and corticosteroid therapy to treat the inflammatory process.

There is currently only one drug on the market, Xigris® (drotrecogin alfa activated) that is indicated for the treatment of severe sepsis. This medication is given through a 96-hour infusion and is approved only for adult patients with severe sepsis who are at high risk of death. Bleeding is the most common serious adverse reaction for patients receiving this drug.

Given the large number of people affected by sepsis, the high mortality rate and the lack of available treatments, there is an urgent need for safe and effective therapies for this life-threatening condition.

Talactoferrin Phase II severe sepsis results presented at international medical conferences

Data from a randomized, double-blind, placebo-controlled Phase II trial evaluating talactoferrin in severe sepsis were presented at international medical conferences, including the American Thoracic Society International Conference, the Sepsis International Symposium and the 40th Critical Care Congress of the Society of Critical Care Medicine, during 2010 and early 2011. The data showed that talactoferrin significantly improved 28-day all-cause mortality, and this effect was sustained over longer time periods of three and six months. In the study, talactoferrin appeared to show an effect across a range of patient characteristics, including APACHE II score (assessment of the severity of a patient's condition), as well as cardiovascular dysfunction (septic shock) and several types and numbers of organ dysfunctions, all important ways a doctor can determine the severity of a patient's sepsis. Talactoferrin was also well tolerated in this patient population.

Xigris® is a registered trademark of Eli Lilly and Company

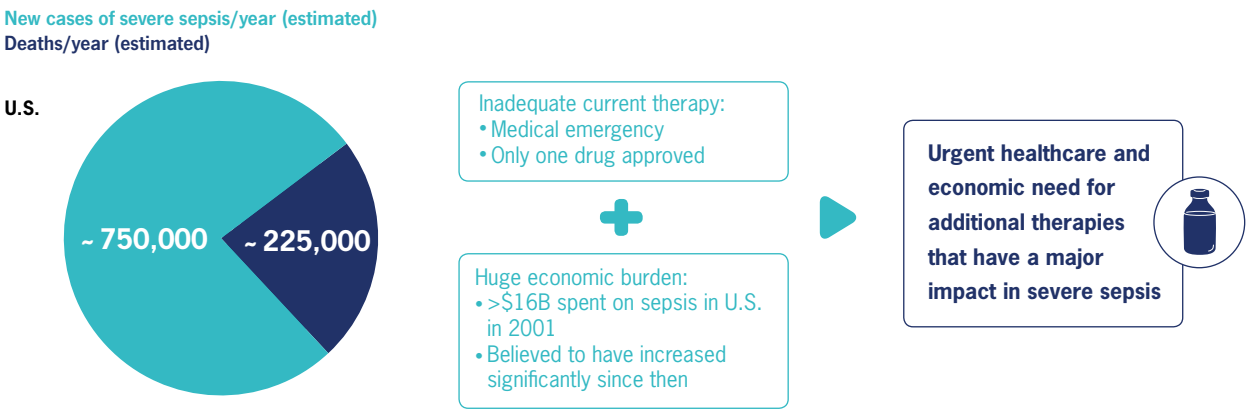
Plan to develop talactoferrin further in severe sepsis following promising Phase II results

In 2010, Agennix announced its plans to further develop talactoferrin in severe sepsis, including initiating a Phase II/III trial in this important indication. This Phase II/III trial will have two distinct components. A randomized, double-blind, placebo-controlled Phase II portion in approximately 350 adult patients with severe sepsis will be conducted prior to initiating the Phase III portion. The Phase II component, which builds on the promising results seen in the first Phase II trial conducted by the Company, is expected to generate additional meaningful clinical data with talactoferrin in severe sepsis using the Company's existing financial resources.

The Phase II/III trial involves one protocol, which is expected to enable the Phase III component to quickly be initiated after completion of the Phase II portion, assuming results from the Phase II are positive and consistent with the earlier Phase II study. Important findings from the Phase II portion can also be incorporated into the Phase III portion of the protocol as appropriate to maximize the potential for success in Phase III. During 2010, Agennix met with regulatory authorities in the U.S. and Europe. At its meeting, the U.S. FDA strongly recommended that Agennix conduct two adequate and well-controlled Phase III studies to support a potential Biologic License Application (BLA) submission for talactoferrin in this indication. The planned Phase II/III trial incorporates the initial Phase III trial the Company plans to conduct. The Company expects to review with regulatory authorities the results of the Phase II study after they are available.

Market Opportunity: Severe Sepsis

Severe sepsis is one of the top 10 leading causes of death in the U.S.



Earlier Stage Programs Contribute to Pipeline

In addition to oral talactoferrin, Agennix has several earlier-stage programs in its pipeline. While these are not the focus of the Company's development efforts at this time, they may offer potential for further development when additional resources are available or provide partnering opportunities.

Topical talactoferrin – potential in healing chronic wounds

Agennix has a topical gel formulation of talactoferrin that may have potential in treating chronic wounds, such as diabetic foot ulcers. It is estimated that over 350,000 people in the U.S. suffer from diabetic foot ulcers each year and that over 600,000 patients suffered from the condition in Europe in 2009. Diabetic foot ulcers are particularly prone to bacterial infection, which can lead to more serious complications such as gangrene and ultimately amputation. Fifteen to twenty percent of patients with diabetic foot ulcers are likely to have an amputation within five years of getting a foot ulcer. The longer that a diabetic foot ulcer remains open, the greater the chance is that it will be infected. Fighting the infection and enhancing wound closure is therefore critical to reducing the probability of these secondary complications.

A clinical trial in diabetic foot ulcers was conducted with topical talactoferrin, the results of which showed that talactoferrin appears to have potential in helping to close wounds. The Company plans to partner this program, although it may conduct additional clinical work in this indication to maximize the partnering opportunity and potential for value and success.

RGB-286638 in Phase I testing for cancer

RGB-286638 is a multi-targeted kinase inhibitor in Phase I testing for cancer. In a range of preclinical models of solid and hematological (blood) tumors, RGB-286638 treatment has been shown to result in tumor regression and increased survival. A Phase I trial in advanced solid tumors is currently underway and preliminary results from the study were presented in November 2010 at the EORTC-NCI-AACR conference in Berlin, Germany. The trial objectives are to determine the maximum tolerated dose and dose limiting toxicities and to evaluate the pharmacokinetic and pharmacodynamic profile of RGB-286638. RGB-286638 was well tolerated at doses up to 80 mg; the maximum tolerated dose was exceeded at a dose level of 160 mg and the 120 mg dose level is currently enrolling patients. Prolonged disease stabilization was seen across dose levels.

The Company is seeking one or more international partners for oral talactoferrin, the top priority for partnering efforts. Agennix is focused on pharmaceutical and large biotechnology companies with a strong presence in the area of critical care and/or cancer development and commercialization. Agennix also plans to seek to broaden and grow its development pipeline over time through in-licensing drug candidates and merger and acquisition opportunities.

Agennix AG Stock

Key Data for Agennix AG Stock 2010

Xetra	
Closing price	
Year end (December 30)	€ 3.50
High (March 3)	€ 5.55
Low (November 16)	€ 3.15
Volatility (360 days)	45%
Average daily trading volume	11,068
Number of shares outstanding (December 31)	41,884,176
Market capitalization (December 31)	€ 147 million

Basic Stock Data

Share class	Ordinary bearer shares (no par value)
Market segment	Regulated Market (Prime Standard)
Ticker	
ISIN	DE000A1A6XX4
WKN	A1A 6XX
Frankfurt Stock Exchange	AGX
Bloomberg	AGX:GR
Reuters	AGXG.DE
Designated Sponsors	Close Brothers Seydler
	WestLB
Analysts	Edison Investment Research Limited
	Close Brothers Seydler Research AG
	WestLB AG

International Stock Markets

In 2010 the markets in Europe and the U.S. performed positively overall, with increases in a number of key indices. The German blue-chip index DAX increased 16% in 2010 compared to 2009. The technology index TecDAX increased 4%, and the mid-cap index MDAX was up 35% compared to 2009. In the U.S., the Dow Jones increased 11% for the year, and the NASDAQ Composite increased 17%. The biotechnology sector globally performed with mixed results in 2010: The sector index Prime IG Biotechnology of the Deutsche Boerse decreased 4%, while the NASDAQ Biotech index was up 15% compared to 2009.

Agennix AG Stock

The shares of Agennix AG closed the year 2010 at € 3.50, down 33% compared to 2009. The year's high was € 5.55 and the low was € 3.15. During 2010, Agennix's share price was highly volatile (360 days, Xetra: 45%), which is not atypical for development-stage biotech companies. The average daily trading volume was 11,068.

Investor Relations Activities

During 2010, Agennix AG provided timely, transparent, informative and accurate information to its stakeholders. Investor relations activities continued to focus on increasing awareness of the Company and its lead development program, oral talactoferrin, in the investment community as well as in the press. During 2010, the Company participated in four investor conferences and conducted many one-on-one meetings with investors and analysts both in Europe and the U.S. In early 2010 Agennix engaged two additional research analysts, Edison Investment Research and Close Brothers Seydler Research. These two firms, in addition to WestLB, publish research reports on the Company's development on a regular basis.

Financing Activities

Agennix took several measures in 2010 to secure continued funding for the Company.

In March 2010, Agennix raised approximately € 9.8 million in a private placement with existing shareholders. Agennix sold 1,870,523 shares at € 5.22 per share.

In July 2010, Agennix entered into an agreement with one of its major shareholders, dievini Hopp BioTech holding GmbH & Co. KG (dievini), pursuant to which dievini provided a € 15 million loan to Agennix at an interest rate of 6% per annum. The loan agreement is unsecured and is repayable on thirty days' advance notice.

Most significantly, in October 2010, the Company 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 a resolution passed at the Company's annual general meeting on May 25, 2010 to issue up to 20,588,705 new shares, which resulted in a total of 41,413,846 shares issued and outstanding after the capital increase. Subscription rights were granted to the shareholders. The subscription price was € 3.81 per share.

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 under a firm commitment agreement. The new shares were listed and began trading on the Frankfurt Stock Exchange on October 5, 2010.

Major Shareholders

as of December 31, 2010[1,2]	
Dietmar Hopp[3]	>60%
Cain Family[4]	>10%

(1) Based on notifications received by the Company pursuant to Sections §15a and Section 21 et seq. of German Securities Trading Act

(2) Agreed to six months lock-up period following capital increase in October 2010

(3) Directly and through various entities, including dievini

(4) James D. Weaver, Margaret M. Weaver and Mary H. Cain together, directly and through various trusts and companies owned and/or controlled by them

As a result of their participation in the capital increase, dievini and certain other persons and legal entities to whom dievini's share ownership is attributed, acquired control of the Company in the meaning of Section 29 (2) of the German Takeover Act. However, the German Federal Financial Supervisory Authority (Bundesanstalt fuer Finanzdienstleistungsaufsicht) (BaFin) granted 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.

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Declaration Regarding Company Management / Corporate Governance Report

Strong Commitment to Corporate Governance

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 2010

Agennix complies with the recommendations of the German Corporate Governance Code with few exceptions. 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 its Web site. 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 of December 20, 2010 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 exceptions:

The Supervisory Board is comprised of members from various countries in which 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 services agreements concluded with two Management Board members provide for payments in the event of early termination without cause that could exceed the amount of two times the annual salary and, in one case, could compensate for more than the remaining term of the agreement (Code Section 4.2.3, Para. 4). Because of the short appointment term of only two years, agreement to such payments was viewed as necessary and appropriate.

No success-based compensation has been granted to the Supervisory Board. (Code Section 5.4.6, Para. 2). Insofar as appropriate criteria for such compensation can be found, it will be considered to propose a success-based compensation to the annual general meeting for approval.

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 exceptions) since the last declaration of compliance dated December 2009.

20 December 2010
The Management Board The Supervisory Board

Management and Control Structures

Overview

In accordance with the German Stock Corporation Act, Agennix AG has a dual board system. This is characterized by a strict separation in 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 AG 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 AG's operations and business strategies and prepares special reports upon request. The Management Board and the Supervisory Board must cooperate closely for the benefit of the Company. Pursuant to the Articles of Association, the Management Board may consist of one or more members and the Supervisory Board determines the exact number. In 2010 there were three members of the Management Board: Dr. Friedrich von Bohlen und Halbach, Dr. Torsten Hombeck and Dr. Rajesh Malik. The appointment of Dr. Friedrich von Bohlen as interim CEO ended on February 28, 2011. Since March 1, 2011, the Management Board consists of two members: Dr. Torsten Hombeck, Chief Financial Officer, and Dr. Rajesh Malik, Chief Medical Officer. Dr. Torsten Hombeck was appointed as spokesperson for 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 procurist. 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. The Company has currently granted no general commercial power of attorney.

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 AG and may be liable to Agennix AG if such member has a material interest in any contractual agreement between Agennix AG 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 unable 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 AG in connection with transactions between a member of the Management Board and Agennix AG. The Supervisory Board may at any time request special reports regarding the affairs of the Company, the legal or business relations of Agennix AG 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 AG.

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 in 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. Jürgen 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 AG 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 reviews and approves the compensation policies and programs, including stock option programs and similar incentive-based compensation. It is also responsible for reviewing and approving the compensation paid to the members of the Management Board and 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 directly 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 (2010)

			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
Bernd R. Seizinger, M.D., Ph.D.	2009	2014	X		
Robert W. van Leen, Ph.D. (***)	2009	2014			
James D. Weaver III	2009	2014	Chairman		Chairman

(*) Term ends upon the adjournment of the Annual General Meeting held in the year indicated.
(**) In the first quarter of 2011, Prof. Dr. Jürgen Drews resigned from the Supervisory Board. Effective as of March 19, 2011, Dr. Friedrich von Bohlen und Halbach succeeded Prof. Dr. Jürgen Drews.
(***) In the fourth quarter of 2010, Dr. Robert van Leen resigned from the Supervisory Board. Effective as of February 14, 2011, Alan Feinsilver succeeded Dr. Robert van Leen.

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 has incorporated a new paragraph in its Rules of Procedure indicating 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 of members of the Supervisory Board. 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. Since the Supervisory Board Members elected in October 2009, including the replacement members, still have several years remaining in office, the Supervisory Board does not feel that it is currently in the position to implement goals for the composition of the Supervisory Board.

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 is taken into account.

The compensation of the Management Board is comprised of the following:

1. A fixed salary
2. A variable bonus
3. Stock options
4. Other income

With regard to 1:
The fixed salary is paid in 12 equal monthly installments.

With regard to 2:
The variable bonus is determined based on individual performance and the responsibility of the Management Board member. The setting of the variable bonus lies within the dutiful discretion of 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.

With regard to 3:
The members of the Management Board 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 four years. The exercise of the stock options is possible, if the closing price of the Company's stock during a comparison 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.

With regard to 4:
Included in the other compensation are contributions of the Company to a defined contribution plan and household allowances.

The total cash compensation of the Management Board amounted to EUR 859,284 and was comprised of the following:

Total Cash Compensation of the Management Board of Agennix AG (2010)

In EUR	Salary	Bonus	Other Compensation (*)
Dr. Friedrich von Bohlen und Halbach (**)	240,000	0	0
Dr. Torsten Hombeck	274,651	39,885	12,846
Dr. Rajesh Malik	259,843	0	32,059
	774,494	**39,885**	**44,905**

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

On May 31, 2010, the Company granted 264,292 share options to members of the Management Board. Fair value of the options at the date of grant was estimated at € 3.04 per option.

Compensation of the Members of the Supervisory Board

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

For the function as chairman in one or several committees, the members of the Supervisory Board receive an additional annual remuneration of € 5,000, and for the function as member in one or several committees the members of the Supervisory Board receive an additional annual remuneration of € 2,500, in each case plus VAT, if applicable.

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. The members of the Supervisory Board who are a member of the audit committee will not receive an additional remuneration for the work in other committees.

The total compensation of the Supervisory Board amounted to EUR 99,167 and is comprised of the following:

Total Compensation of the Supervisory Board of Agennix AG (2010)

	Period	Compensation
Dr. Christof Hettich	2010	25,000
Dr. Frank E. Young	2010	17,500
Prof. Dr. Jürgen Drews (*)	2010	12,500
Dr. Bernd R. Seizinger	2010	15,000
Dr. Robert W. van Leen (**)	2010	9,167
James D. Weaver III	2010	20,000
		99,167

(*) In the first quarter of 2011, Prof. Dr. Jürgen Drews resigned from the Supervisory Board. Effective as of March 19, 2011, Dr. Friedrich von Bohlen und Halbach succeeded Prof. Dr. Jürgen Drews.
(**) In the fourth quarter of 2010, Dr. Robert van Leen resigned from the Supervisory Board. Effective as of February 14, 2011, Alan Feinsilver succeeded Dr. Robert van Leen.

Annual General Meeting

Agennix AG 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 AG 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 AG 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 AG 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 2010, 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 2010.

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), corporate governance information and the declaration 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 its first full year as a combined company, Agennix AG made solid progress in advancing the development of its lead product candidate, oral talactoferrin, as well as in significantly strengthening its financial position. During 2010 patient recruitment in the FORTIS-M trial in non-small cell lung cancer expanded globally, and enrollment was completed in March 2011. Additionally, the Company announced longer term mortality results from its Phase II trial with talatoferrin in severe sepsis and presented data from the trial at important medical meetings. Agennix also announced its plans for the further development of talactoferrin in severe sepsis and anticipates to initiate the Phase II portion of a Phase II/III trial in the second quarter of 2011. Importantly the Company netted proceeds of approximately € 76 million via a rights offering in October 2010. Agennix believes it now has sufficient funding to get to top-line data in the FORTIS-M trial and to complete the Phase II portion of the planned Phase II/III trial with talactoferrin in severe sepsis, two important milestones for the Company.

Meetings of the Supervisory Board

During 2010 the Supervisory Board held eleven meetings, four of which were in person. At these meetings, there was discussion inter alia regarding the Company's clinical and business development activities, in particular with regard to talactoferrin. During 2010, the Supervisory Board also dedicated a significant amount of time to the financing plans and activities of the Company, including the rights offering completed in October 2010. In addition, the Supervisory Board supervised the Management Board in its management of the Company and advised the Management Board in discussions about issues related to the management of the Company. The Chairman of the Supervisory Board was in frequent contact with the members of the Management Board as well as the other members of the Supervisory Board. The Management Board kept the Supervisory Board updated on the Company's financial position and planning and its business activities.

The Supervisory Board recognized the partnership of the Chairman, Dr. Christof Hettich, in the law firm Rittershaus, which provides legal services to Agennix AG, as a potential conflict of interest. Insofar as the activity of Rittershaus was the subject of discussions of the Supervisory Board, the Chairman did not participate in these or in any voting. The Supervisory Board identified the consulting activities of Dr. Frank Young, Vice Chairman, as an additional potential conflict of interest. Dr. Young is advising the Company on regulatory matters. Insofar as the activity of Dr. Young was the subject of discussions of the Supervisory Board, the Vice Chairman did not participate in these or in any voting.

Committees

During 2010, the Supervisory Board had three committees: the Audit Committee, the Compensation Committee and the Nominations Committee. The Audit Committee met two times during 2010. The Committee's activities included discussion of annual financial statements with the Company's auditors before the statements were submitted to the Supervisory Board for approval, quarterly interim reports, audit fees and other topics. There were no meetings of the Compensation Committee or the Nominations Committee.

2010 Financial Statements

The financial statements 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 25, 2010. 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, who provided an unqualified audit opinion.

The Supervisory Board reviewed all financial statements of the Company and the audit reports issued by Ernst & Young GmbH. The Company's auditors participated in the meeting of the Audit Committee on March 9, 2011, as well as in the meeting of the Supervisory Board on March 15, 2011, 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 2010 annual financial statements, the consolidated financial statements, the management report, the group management report and the audit reports, the Supervisory Board agreed with 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 15, 2011.

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 15, 2011

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Gallowsky Auditor Färber 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 in its meeting of March 15, 2011. A representative of the auditing 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. 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.

Expression of Thanks

The Supervisory Board would like to thank Dr. Robert van Leen, who resigned from the Supervisory Board in the fourth quarter of 2010, as well as Prof. Dr. Drews who resigned in the first quarter of 2011, for their service to Agennix AG.

The Supervisory Board is pleased to welcome Mr. Alan Feinsilver and Dr. Friedrich von Bohlen und Halbach as new members.

The Supervisory Board also would like to thank the Management Board and Agennix employees for their continued efforts and dedication.

Heidelberg, March 25, 2011

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, 2010 to December 31, 2010. 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.

Munich, March 15, 2011

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Gallowsky	Färber
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

Management Report 2010

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]

The global recovery that began in the second half of 2009 continued during 2010. The International Monetary Fund (IMF) reported that world output accelerated from a year-over year decrease of 0.6% in 2009 to an increase of 5% in 2010. Global activity expanded in the second half of 2010 due to stronger-than-expected consumption in the United States and Japan. Government stimulus measures were partly responsible for the strengthened output. There were also increasing signs that private consumption, which fell sharply during the crisis, was starting to increase in the more developed economies. Growth in emerging and developing economies remained robust in the second half of 2010, buoyed by well-entrenched private demand, supportive governmental policies, and resurgent capital inflows. During the second half of 2010, global financial conditions broadly improved. Equity markets rose, risk spreads continued to tighten, and bank lending conditions in major advanced economies became less tight, even for small and medium-sized firms. Nonetheless, pockets of vulnerability persisted: real estate markets and household income were still weak in some major economies, including the United States.

Economic growth in the European Union as well as in the Euro countries accelerated significantly to +1.8% in 2010 compared to a decline of 4.1% in 2009. This growth was tempered in the last quarter of 2010 amid concerns about banking sector losses and fiscal sustainability triggered by the fiscal crisis in Greece and Ireland.

According to the Federal Statistical Office of Germany, the German economy recovered significantly from a decline in price-adjusted gross domestic product (GDP) of 4.7% in 2009 to an increase of 3.6% in 2010. While export demand was the starting point, German economic recovery widened at the end of 2010 with a recovery in domestic consumer and investment demand.

In the U.S., the Department of Commerce, Bureau of Economic Analysis reported that real GDP increased 2.9% in 2010, compared to a decrease of 2.6% in 2009. The increase in real GDP in 2010 primarily reflected positive contributions from private inventory investment, exports, personal consumption expenditures, non-residential fixed investment, and federal government spending. Imports, which are a subtraction in the calculation of GDP, increased.

The capital markets in Europe and the U.S. again performed positively overall, with increases in a number of key indices. The German blue-chip index DAX increased 16% in 2010 compared to 2009. The technology index TecDAX increased 4%, and the mid-cap index MDAX was up 35% compared to 2009. In the U.S., the Dow Jones increased 11% for the year, and the NASDAQ Composite increased 17%. Globally the biotechnology sector performed with mixed results in 2010: The sector index Prime IG Biotechnology of the Deutsche Boerse decreased 4%, while the NASDAQ Biotech index was up 15% compared to 2009.

Biopharmaceutical Industry[2]

According to *BioCentury*, 31 biotech companies raised $1.6 billion through initial public offerings in 2010, compared to 2009 when only ten companies raised approximately $1 billion. Excluding the four IPOs with post-money valuations greater than $500 million, the average post-money valuation was $136.8 million for the other 27 IPOs in 2010.

The total value of biotech-related merger and acquisition (M&A) deals in 2010 was $21.5 billion compared to $65.3 billion in 2009. Over 70% of the 2009 amount was for Roche's acquisition of Genentech Inc. Of the $21.5 billion in transactions in 2010, $15.5 billion

1 Sources: http://www.imf.org, http://www.destatis.de, http://www.bea.gov, WestLB

2 *BioCentury*. Jan 4, 2011: Financial Markets Preview 2011, http://www.fda.gov

came from acquisitions of public biotechs and $6.1 billion from acquisitions of privately-held biotechs. The merger between Valeant Pharmaceuticals International and Biovail Corp. was the top deal in 2010, with a value of $4.8 billion at closing.

The biotech industry raised $3.5 billion from follow-ons in 2010, below the $6.2 billion raised in 2009, but higher than the $1.9 billion in 2008.

About $2.6 billion exited healthcare/biotechnology funds during 2010, in comparison to nearly $2 billion in 2009.

According to the FDA's website, 21 new drugs were approved in 2010, down from 26 in 2009 and 24 in 2008, but higher from a recent low of 18 in 2007.

Situation of the Company

In 2010, its first full year as a combined company, Agennix AG made solid progress in advancing the development of its lead product candidate, oral talactoferrin, as well as in significantly strengthening its financial position.

During 2010 patient recruitment in the FORTIS-M Phase 3 trial in non-small cell lung cancer expanded globally. Enrollment in the trial completed in March 2011. Additionally, during 2010 the Company announced longer-term mortality results from its Phase 2 trial with talactoferrin in severe sepsis and presented data from this trial at important medical meetings. Agennix also announced its plans for the further development of oral talactoferrin in severe sepsis and plans to initiate a Phase 2/3 trial in that indication. This trial will build on the results seen in the earlier Phase 2 trial in severe sepsis conducted by the Company.

Financial position

Agennix took several measures in 2010 to secure continued funding for the Company. These efforts culminated in a major public offering 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.

On July 23, 2010, the Company announced that it had entered into an agreement with dievini Hopp Biotech holding GmbH & Co. KG ("dievini") pursuant to which dievini provided a € 15.0 million loan to Agennix AG at an interest rate of 6% per annum. The cash was received by the Company on July 26, 2010. The loan is unsecured and is payable on demand with thirty days advance notice. As of the date of these consolidated financial statements, the Company has not received a notice requiring repayment of the outstanding balance of the loan and interest accrued thereon.

On October 1, 2010, the Company announced that it raised approximately € 76 million in net proceeds in a capital increase via participation from both new and existing shareholders by issuing 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 became listed on the Frankfurt Stock Exchange and began trading on October 5, 2010.

Immediately 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 upon dievini's request 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.

During the year ended December 31, 2010, the Company incurred a net loss of € 27.0 million (net loss before income tax of € 36.5 million) and used cash in its operations of € 33.8 million. At December 31, 2010 the Company had cash, cash equivalents, other current financial assets and restricted cash of € 79.3 million and current liabilities of € 25.4 million, including the € 15 million short term loan from dievini. 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 well into the second half of 2012. This should enable the Company to obtain top-line data in the FORTIS-M trial, now expected in the first half of 2012, and to complete the Phase 2 portion of the planned Phase 2/3 trial with talactoferrin in severe sepsis, assuming no significant changes to currently projected timelines. This projected cash reach also assumes that the € 15 million loan made to the Company by dievini will not need to be re-paid prior to the release of top-line results from both the FORTIS-M trial and the Phase 2

portion of the Phase 2/3 trial in severe sepsis. 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.

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

Results of Operations

Agennix AG was formed by the business combination of Agennix, Incorporated and GPC Biotech AG ("GPC Biotech") and a € 15 million cash contribution by dievini Hopp BioTech holding GmbH & Co. KG ("dievini"). The business combination, which concluded with the merger of GPC Biotech into Agennix, became effective on November 5, 2009 (see Note 3 to the accompanying consolidated financial statements).

The accounting for the business combination was based on the acquisition method specified in IFRS 3 (Revised 2008), Business Combinations. GPC Biotech AG has been identified as the acquirer and Agennix, Incorporated as the acquiree in this transaction. The results of Agennix, Incorporated's operations and its financial position are consolidated from the acquisition date - November 5, 2009.

Overview of 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.

Since the effectiveness of the merger, Agennix AG is the German parent company of a group consisting of the two direct wholly-owned U.S. subsidiaries: Agennix USA Inc. (previously GPC Biotech 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 8 to the consolidated financial statements).

In 2010, net revenues decreased by 97% to € 0.2 million from € 7.7 million in 2009. The decrease in revenues is primarily due to the recognition in the fourth quarter of 2009 of €7.4 million of previously deferred revenue from the agreement with Yakult Honsha Co. Ltd. ("Yakult") for the development of satraplatin in Japan. 2010 revenue was attributable to a out-license agreement for certain intellectual property from the Company's discontinued discovery program unrelated to talactoferrin.

Research and development expenses

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

Research and development expenses increased 339% to € 29.4 million for the year ended December 31, 2010, compared with € 6.7 million for the same period in 2009. The increase in research and development expenses was primarily due to increased clinical trial costs related to the Company's Phase 3 FORTIS-M and Phase 3 FORTIS-C trials with talactoferrin as a result of the inclusion of Agennix Incorporated operations for the entire year ended December 31, 2010 as opposed to the two months after the date of acquisition in 2009, and a credit to compensation cost of € (1.2) million recognized for the year ended December 31, 2009 as a result of the forfeiture of convertible bonds and stock options which did not occur in 2010.

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.

Despite the inclusion of Agennix Incorporated's operations for the entire year ended December 31, 2010, administrative expenses decreased 24% to € 10.0 million compared to € 13.1 million for the same period in 2009. Included in administrative expenses for the year ended December 31, 2009, were approximately € 8.6 million in one-time merger related costs (banking fees, legal services, audit

and other related services) and a credit to compensation cost of € (1.5) million as a result of the forfeiture of convertible bonds and stock options. There were no such one-time charges in the year ended December 31, 2010.

For the year ended December 31, 2010 and 2009, the largest expense items of the Company were the following:

in million €	2010	2009
Clinical development	11.1	2.8
Salaries and benefits	9.5	6.0
Raw material & clinical supply	6.2	0.1
External research	3.9	0.9
Legal and advisory	4.7	7.2
Facilities and communications	1.8	0.9
Impairment of intangible assets	–	3.4
Other	2.2	2.1
Total operating expense	**39.4**	**23.4**

Other income / other expense, net

Other income and expense, net, was € 2.9 million in 2010 resulting mainly from net realized and unrealized gains due to foreign exchange rate differences and income from grants (2009: other income and expense, net, of € 1.3 million comprised mainly changes in the fair value of the conversion component of the note receivable prior to the effective date of the business combination, and the income from sale of available for sale investments and the sale of excess clinical supplies offset with net foreign exchange loss).

During the year ended December 31, 2010, the Euro weakened against the U.S. dollar, whereas during the same period in 2009, the Euro strengthened against the U.S. dollar. As a result, for the year ended December 31, 2010, the Company recognized net foreign exchange gain of € 2.2 million as opposed to net foreign exchange loss of € 0.4 million for the same period in 2009. The functional currency of Agennix AG is the Euro. Foreign exchange gains or losses arise mainly on U.S. dollar-denominated intercompany receivables, including the promissory note receivable, and Agennix AG's purchases of foreign currency for intercompany transfers. Although intercompany balances and transactions are eliminated when 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.

Net loss

The net loss in 2010 increased to € 27.0 million from € 11.9 million in the preceding year. Net loss before income tax benefit increased to € 36.5 million in 2010 from € 13.1 million in 2009. Income tax benefit for the year ended December 31, 2010 amounted to € 9.5 million (€ 1.1 million for the same period in 2009) and related to the net operating losses incurred by the Company's subsidiary, Agennix Incorporated, during the period.

The Management Board proposes that a dividend should not be paid for fiscal year 2010 and, 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 2010 and 2009, Agennix invested € 0.7 million and less than €0.1 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 (Note 3 to the accompanying consolidated financial statements), 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, 2010 and 2009 the asset is valued at € 99.5 million and € 91.8 million, respectively. The increase in asset value since the acquisition date is 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 € 33.8 million for 2010, primarily reflecting the net loss before income tax benefit for this period of € 36.5 million, adjusted for non-cash depreciation and amortization, non-cash stock-based compensation expense, changes in accounts payable, accruals and other liabilities, and deferred revenue. The net cash burn was € 34.5 million for 2010 (2009: € 21.4 million). Net cash burn is derived by adding net cash used in operating activities (€ 33.8 million) and purchases of property, equipment and intangibles (€ 0.7 million). Cash burn continues to be one of the most important measures to manage the Company's financial performance.

The net cash flow used in investing activities amounted to € 30.9 million for 2010, primarily due to the purchase of short term investments, compared to a net cash flow used in investing activities of € 12.7 million in 2009. Net cash provided by financing activities was € 102.0 million for 2010 compared with € 13.2 million for 2009 primarily due to equity transactions of € 87.2 million and the issuance of short term debt of € 15.0 million.

Financial position

As of December 31, 2010, total assets were € 186.1 million (2009: € 109.6 million). Cash, cash equivalents, other current financial assets and restricted cash accounted for € 79.3 million of total assets (2009: € 11.5 million). These funds were mostly held in short term accounts and time deposits. During fiscal year 2010, the Company funded its operations and investments in research and development activities primarily from proceeds generated from the issuance of share capital (Note 25 to the accompanying consolidated financial statements).

Long-term liabilities (excluding deferred taxes) were € 0.2 million (2009: € 0.2 million) and primarily resulted from liabilities related to convertible bonds.

Shareholders' equity was € 152.8 million at December 31, 2010 (2009: € 86.6 million), representing an equity ratio of 82%, compared to 79% in 2009 (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 talactoferrin. Talactoferrin is an oral biologic therapy that has been shown to impact the immune system and also has bacteria-fighting properties. Oral talactoferrin is being studied for the treatment of cancer and severe sepsis and has demonstrated activity in randomized, double-blind, placebo-controlled Phase 2 studies in non-small cell lung cancer (NSCLC), as well as in severe sepsis.

Two Phase 3 trials with oral talactoferrin are currently ongoing. During 2010, enrollment was expanded globally in the Company's Phase 3 FORTIS-M trial evaluating talactoferrin for the treatment of NSCLC. Enrollment in the trial completed in March 2011. The FORTIS-M trial 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 3 trial in NSCLC (FORTIS-C). FORTIS-C is a randomized, double-blind, placebo-controlled trial evaluating oral talactoferrin plus the 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.

Data from a randomized, double-blind, placebo-controlled Phase 2 trial evaluating oral talactoferrin in severe sepsis were presented at international medical conferences during 2010 and early 2011. The data showed that talactoferrin significantly improved 28-day all-cause mortality and this effect was sustained over longer time periods of three and six months. Talactoferrin was well tolerated in this patient population. In 2010, Agennix announced its plans to further develop talactoferrin in severe sepsis, including initiating a Phase 2/3 trial in this indication. This Phase 2/3 trial will have two distinct components. A randomized, double-blind, placebo-controlled Phase 2 portion in approximately 350 adult patients with severe sepsis will be conducted prior to initiating the Phase 3 portion. The purpose of this Phase 2 component, which builds on the promising results seen in the first Phase 2 trial conducted by the Company, is to generate additional meaningful clinical data with oral talactoferrin in severe sepsis using the Company's existing financial resources.

During 2010, Agennix met with regulatory authorities in the U.S. and Europe to discuss the further development of talactoferrin in severe sepsis. At its meeting, the U.S. Food and Drug Administration (FDA) strongly recommended that Agennix conduct two adequate and well-controlled Phase 3 studies to support a potential Biologic License Application (BLA) submission for talactoferrin in this indication. The planned Phase 2/3 trial incorporates the initial Phase 3 trial the Company plans to conduct. The Company expects to review with regulatory authorities the results of the Phase 2 study after they are available.

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 is also developing RGB-286638 a multi-targeted kinase inhibitor. A Phase 1 trial in advanced solid tumors is ongoing and preliminary results from the study were presented in November 2010 at the EORTC-NCI-AACR conference. The Company plans to complete this clinical trial; however, additional clinical testing will not be initiated with this compound at this time as the Company is focusing its resources on talactoferrin.

At December 31, 2010, the Company's worldwide research and development headcount was 28, representing 50% of the total number of employees of 56.

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 United States, European 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.

A U.S. patent covering the use of talactoferrin for the treatment of non-small cell lung cancer and renal cell carcinoma has been recently issued that provides patent coverage until 2025. Agennix also has additional pending use patent applications directed to cancer and sepsis, which, if granted, would potentially provide additional patent coverage until 2023 and directed to severe sepsis, which, if granted, would potentially provide additional patent coverage until 2031.

In addition, talactoferrin has been granted orphan drug designation for non-small cell lung cancer 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 general criteria for the selection of service providers and suppliers are high product quality combined with service that meets the Company's needs. The majority of the Company's purchases are services. The Company has established a pharmaceutical development group that is responsible for all of the materials that are used in clinical trials and ultimately for the market, including bulk drug, capsules, vials and packaging. 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 56 as of December 31, 2010, compared to 60 on December 31, 2009. At the end of 2010, 50% 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, 2010, there were 1,732,923 stock options outstanding, of which 1,051,538 were not yet deemed to be vested. During 2010, 719,716 stock options were exercised. There were also, 41,976 convertible bonds still outstanding for former GPC Biotech plans at December 31, 2010, of which 10,000 were not yet deemed to be vested. During 2010 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 29 and 30 to the accompanying consolidated financial statements for details.

Litigation

In December 2009, the Company was served with a lawsuit filed by former shareholders of GPC Biotech AG 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 former shareholders of GPC Biotech AG commenced similar proceedings in January and February 2010 and the proceedings have been consolidated before the same court in Munich. A reply brief was filed by the Company on May 6, 2010. An oral hearing was held on August 5, 2010, at which the court addressed certain issues in the case and heard statements from the parties. The plaintiffs sought an additional cash payment to former shareholders of GPC Biotech AG. 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. As of December 31, 2010, The Company estimates 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. The plaintiffs have the right to appeal the decision until March 21, 2011. On March 4, 2011, the Company was informed that two shareholders have filed an appeal to the court's decision. Management believes that the appeals are without merit and no additional provision was recognized in connection with this litigation.

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 32.

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 has been appointed to serve as spokesperson of the Management Board.

Dr. Hombeck is entitled to severance benefits in the amount of 100 percent of his last annual salary in the event that the Supervisory Board determines not to renew his service agreement on comparable terms beyond its current term, which ends November 5, 2011. In the event that Dr. Hombeck 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 due to the early termination of the agreement plus one year's salary. 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.

In the event that Dr. Malik is removed from office without good cause or his appointment is not extended until December 31, 2012, he has the right to terminate his service agreement and is entitled to receive a payment in the amount of the compensation not received 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, 2010 is set forth in the table below:

		Annual Compensation		All Other Compensation [1]
Year ended December 31, 2010	Months of Service	Salary (€)	Cash Bonus (€)	(€)
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

(1) Represents employer contributions to a defined contribution plan and household allowances
(2) Friedrich von Bohlen und Halbach Ph.D., term as interim Chief Executive Officer expired on February 28, 2011.

Information about share-based compensation of Management Board and Supervisory Board members is presented in Note 32 to the accompanying consolidated financial statements. Major terms and conditions of the share-based compensation are presented in Notes 29 and 30 to the accompanying consolidated financial statements.

Voting Rights and Major Shareholders

As of December 31, 2010, the share capital of Agennix AG amounted to € 41,884,176 comprised of 41,884,176 bearer shares. Each share has equal rights, including equal voting rights. The Company is not aware of any limitation or restrictions on voting rights.

In the course of the capital increase in October 2010 James D. Weaver III, Margaret W. Weaver, Cain Asset Management LLC, Cain Investments Limited and certain other related entities and dievini, representing approximately 71% of the share capital of the Company shortly after the offering, have agreed, subject to certain limited exceptions, not to sell or otherwise dispose of their shares in the Company before April 5, 2011.

As a result of their participation in the capital increase, dievini and certain other persons and legal entities to whom dievini's share ownership is attributed, acquired control of the Company in the meaning of Section 29 (2) of the German Takeover Act. However, the German Federal Financial Supervisory Authority (Bundesanstalt fuer Finanzdienstleistungsaufsicht) (BaFin) granted 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.

The following table sets forth, to the Company's knowledge, the Company's principal shareholders who will hold more than 3% of the voting rights of the Company based on notifications received by the Company pursuant to Section 21 et seq. of the German Securities Trading Act (WpHG) as of December 31, 2010. 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]	26,441,141	63.1%	63.1%
Cain Shareholders[2]	4,224,266	10.1%	10.1%

(1) 62.2% (voting rights from 26,061,141 shares) are attributed to Mr. Hopp pursuant to Section 22 Para. 1 Sentence 1 No. 1 WpHG from the following companies controlled by Mr. Hopp, the attributed share of voting rights of which in each case is 3% or more: dievini Hopp BioTech holding GmbH & Co. KG, DH-Capital GmbH & Co. KG, Golf Club St. Leon-Rot Betriebsgesellschaft mbH & Co. KG, Verwaltungsgesellschaft des Golf Club St. Leon-Rot GmbH (which in part own shares and thereby voting rights directly and to which in part shares and thereby voting rights are attributed). The shares and thereby voting rights directly owned by dievini Hopp BioTech holding GmbH & Co. KG (24,684,917 shares (which equals approximately 58.9% of the voting rights), are also attributed according to Section 22 Para. 1 Sentence 1 No. 1 WpHG to OH Beteiligungen GmbH & Co. KG, OH-Capital GmbH & Co. KG, Mr. Oliver Hopp, BW Verwaltungs GmbH and Mr. Berthold Wipfler.

(2) 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 share ownership from Gordon A. Cain, a co-founder of Agennix Incorporated.

2.5% voting rights (voting rights from 1,059,105 shares) are directly held by Mr. Weaver, of these 0.6% voting rights (voting rights from 254,233 shares) from several trusts established under the laws of Texas as sole trustee; 1.7% voting rights (voting rights from 705,856 shares) from several trusts established under the laws of Texas as joint trustee with Ms. Margaret W. Weaver. 4.6% voting rights (voting rights from 1,936,005 shares) are being attributed to Mr. Weaver pursuant to Section 22 Para. 1 Sentence 1 No. 1 WpHG from the following companies which Mr. Weaver may only jointly represent, together with Ms. Margaret W. Weaver the attributed share of voting rights of which in each case is 3% or more: Cain Asset Management LLC and Cain Investments Limited L.P. 2.3% voting rights (voting rights from 962,720 shares) are directly held by Mrs. Weaver, of these 0.5% voting rights (voting rights from 224,432 shares) from several trusts established under the laws of Texas as sole trustee; 1.7% voting rights (voting rights from 705,856 shares) from several trusts established under the laws of Texas as joint trustee with Mr. James D. Weaver. 4.6% voting rights (voting rights from 1,936,005 shares) are being attributed to Ms. Weaver pursuant to Section 22 Para. 1 Sentence 1 No. 1 WpHG from the following companies which Mrs. Weaver may only jointly represent, together with Mr. James D. Weaver the attributed share of voting rights of which in each case is 3% or more: Cain Asset Management LLC and Cain Investments Limited L.P. 2.3% voting rights (voting rights from 972,292 shares) are attributed to Ms. Cain pursuant to Section 22 Para. 1 Sentence 1 No. 1 WpHG from several trusts established under the laws of Texas as sole trustee. 4.6% voting rights (voting rights from 1,936,005 shares) as majority shareholder of Cain Investments Limited L.P. pursuant to Section 22 Para. 1 Sentence 1 No. 1 WpHG from the following companies controlled by Mary H. Cain the attributed share of voting rights of which in each case is 3% or more: Cain Investments Limited L.P. Multiple attribution of voting rights based on the attribution provisions of Section 21 et seq. WpHG.

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).

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 six 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 897,152 stock options under the stock option program 2009 were granted and outstanding as of December 31, 2010.

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 653,000 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 546,423 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, the Management Board is authorized until May 24, 2015, subject to the approval of the Supervisory Board, to issue bearer option and/or convertible bonds up to 3,700,000 no-par value bearer shares with a total nominal amount of up to EUR 30,000,000.00. 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.

A total of 34,500 stock options under the stock option program 2010 were granted and outstanding as of December 31, 2010.

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

Authorized Capital ("Genehmigtes Kapital")

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 Stock Corporation Act 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 Stock Corporation 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 Stock Corporation Act;

(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 2010
Based on a authorized capital provided for in Sec. 2.1.9 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 May 24, 2015 once or in partial amounts several times, by up to € 6,491,500 through the issuance of up to 6,491,500 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 Stock Corporation Act 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 Stock Corporation 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;

(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 or acquiring rights to products or drug development technologies 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.

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

There are no provisions in the service agreements of the members of the Management Board providing any form of compensation related to a change in control of the Company.

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.

Significant characteristics of this risk management system include:

- The designation of a member of the Management Board and an additional employee, the Risk Manager, who are 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.
- The implementation of organizational functions and controls, 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 to 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 EMA, the FDA and other regulatory authorities;
- the establishment of sufficient manufacturing capacity to meet anticipated future market demand;
- the production of drug supply in sufficient commercial quantities through validated processes acceptable to regulatory authorities;
- the establishment of an effective sales and marketing infrastructure or 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 physicians and key opinion leaders; and
- the commercial launch of the product.

If one or more of these goals is not achieved, the Company will 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 continuing expenses, 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.

Research and development activities, 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 approval process is intensive, time-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 unrelated to a product candidate's safety and efficacy, 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 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 as 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, 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 the Company's future product revenues, if any.

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 in key markets around the world. The key patents for talactoferrin expire in 2013 in the U.S., Europe and Japan. The Company expects that talactoferrin will be eligible for statutory patent term extension in the U.S. with similar patent term extensions in Europe and Japan. If talactoferrin were granted the full 5-year patent term extension, patent protection in the U.S. would not expire until November 2018. However, 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. If the Company does not qualify or timely apply for such patent extensions for talactoferrin, talactoferrin could face competition upon expiration of key patents for the program, which could significantly reduce potential revenues and harm the Company's ability to achieve profitability.

The Company also has pending use patent applications directed to cancer and sepsis, which, if granted, would potentially provide additional patent coverage until 2023 and directed to severe sepsis, which, if granted, would potentially provide additional patent coverage until 2031. However, there can be no guarantee that these patents will be issued. Even if issued, they may issue with a limited scope.

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

Risks Related to Legal Proceedings

Please see “Litigation” section of this Management Report.

The execution of clinical trials exposes the Company to product liability risks. The Company has purchased appropriate product liability insurance for its clinical programs to mitigate this risk. However, it is possible that the Company may not be able to maintain sufficient insurance to cover claims, should any ever be made against 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 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/or Agennix Incorporated in the past received government grants in Germany and/or the United States for research and development projects in significant amounts. 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. 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, 2010, Agennix had cash, cash equivalents, other current financial assets and restricted cash amounting to € 79.3 million which is expected to fund the Company’s operations well into the second half of 2012. This projected cash reach also assumes that the € 15 million loan made to the Company by dievini will not need to be re-paid prior to the release of top-line results from both the FORTIS-M trial and the Phase 2 portion of the Phase 2/3 trial in severe sepsis. Management believes, based on currently projected timelines, that this would enable the Company to obtain top-line data in the FORTIS-M trial and to complete the Phase 2 portion of the planned Phase 2/3 trial with talactoferrin in severe sepsis. Due to uncertainties inherent to clinical development, there however can be no certainty that these clinical milestones will occur when currently expected. In the event of significant delay, the Company will need to raise additional funding to finance its activities through any such additional time period. There can be no guarantee that the Company will be able to obtain sufficient funding in the time frame required, in which case the Company will need to delay or reduce its activities.

Despite its improved financial situation, 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 raise additional funds at some point in the future. The timing of this funding requirement depends heavily upon, for example, the rate of development progress of the Company’s programs and the success of its 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 “Financial Position” for analysis of the Company’s financial position as of December 31, 2010.

Dependence on Key Personnel

The Company’s future success depends largely 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 subsidiaries of the Company in the U.S. 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

The mid- to long-term success of the Company depends on the strategic direction and business model of the Company, as well as on its ability to execute its chosen strategy. To do this, the Company will need to secure the further funding of its operations, to preserve cash and to use it wisely as it prepares for the 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. The Company has implemented the Enterprise Resource Planning System ("ERPS") which has operated successfully for several years. The ERPS is the Company's integrated accounting system. It is 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 the internal control and risk management system over financial reporting.

The internal control and risk management system over financial reporting is not defined by law. Management considers the internal control and risk management system a comprehensive system and 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 the Company's management and aimed at implementation of 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 the legislation applicable to the Company.

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

The following structures and processes have been implemented by the Company with regard to the 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 the guidelines which are updated in a regular manner to current external and internal developments.

Management considers those aspects of the internal control and risk management system over financial reporting which have 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. These are the following aspects in particular:

- Identification of major areas of risk and internal control aspects 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;
- Procedures to ensure proper IT-system processing of transactions and financial reporting information;

The Company has further implemented in the financial reporting processes a risk management system that includes procedures to identify and assess significant risks as well as the corresponding risk-mitigating procedures designed to ensure compliance of the consolidated financial statements.

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 accurately predict when or whether it will successfully complete the development of its product candidates or obtain further financing.

The Company's risk management system is designed to identify, monitor and actively manage risks. The Company plans to continue to further develop and improve this system during 2011.

Environmental Protection and Occupational Safety

The Company does not have its own manufacturing operations. 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 2010

On February 11, 2011, the court issued a decision rejecting the claims of the plaintiffs for an additional cash payment relating to the merger litigation discussed in Note 31 to the accompanying consolidated financial statements and above. The court ordered that the Company pay the court costs and out–of-court costs of the plaintiffs. The Company estimates the expense relating to this ruling to be approximately € 0.3 million which was accrued at December 31, 2010 and included in administrative expense. The plaintiffs have the right to appeal the decision until March 21, 2011. On March 4, 2011, the Company was informed that two shareholders have filed an appeal to the court's decision. Management believes that the appeals are without merit and no additional provision was recognized in connection with this litigation.

On March 4, 2011, the Company announced changes to both its Management Board and Supervisory Board.

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 also has been appointed to serve as spokesperson of the Management Board.

Changes to the Supervisory Board

On March 4, 2011, Dr. Juergen Drews has informed the Company that he is resigning from the Board. As previously provided for at the time of the closing of the merger of GPC Biotech into Agennix AG in November 2009, Dr. von Bohlen will be filling 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. Mr. Feinsilver had previously been named as a replacement member for Dr. van Leen at the time of the closing of the merger.

Outlook

This section contains forward-looking statements which express the current beliefs and expectations of the management of Agennix AG, including financial projections and forecasts relating to the Company's operations and financial situation, as well as statements about the Company's development programs. Such statements are subject to risks and uncertainties, such as those described in the risk management section of this Management Report. Actual results could differ materially depending on a number of factors, and investors should not place undue reliance on the forward-looking statements contained herein.

Economy and Biotechnology Industry[3]

According to the World Economic Outlook of the International Money Fund (IMF), the global economic recovery is continuing, with global output projected to expand by 4.5% in 2011. This represents an upward revision of previous forecasts, reflecting stronger-than-expected activity in the second half of 2010, as well as new policy initiatives in the United States that are expected to boost activity in 2011. The recovery, however, is proceeding at two speeds. In advanced economies, activity has moderated less than expected, but growth remains subdued, unemployment is still high, and renewed stresses in certain parts of Europe are contributing to downside risks. In many emerging economies, in comparison, activity remains buoyant, inflation pressures are emerging, and there are now some signs of overheating, driven in part by strong capital inflows. Most developing countries are also growing at a strong pace.

According to the IMF, the U.S. economy is expected to continue to grow, at an expected rate of 3% in 2011 but then 2.7% for 2012. For the EU, the IMF is predicting that the economy will grow 1.7% and 2% in 2011 and 2012, respectively. Although growth in certain parts of Europe is expected to decline this year, this is expected to be offset by an upward revision to growth in Germany due to stronger domestic demand. The IMF is predicting the German economy will grow 2.2% in 2011 and 2% in 2012.

According to the IMF, however, downside risks to the recovery remain elevated. The most urgent requirements for robust recovery are comprehensive and rapid actions to overcome sovereign and financial troubles in the euro area specifically and policies to redress fiscal imbalances and to repair and reform financial systems in advanced economies overall. These actions need to be accompanied by policies that keep overheating pressures in check and facilitate external rebalancing in key emerging economies.

According to BioCentury, buy-side investors are cautiously optimistic about biotech's prospects in 2011, particularly since data for several high profile compounds have already been reported, thus lowering risk. There is a fair amount of caution, however, as a number of important events involve commercial product launches, an area where the sector has recently failed to meet expectations. However, several factors could make smaller biotech companies more interesting in 2011: Some fund managers anticipate large caps could remain stymied and note that mid-caps had a strong run last year. The continued signs of economic recovery and the more robust biotech financing environment that most expect should in turn increase investor appetite for risk and could help to make smaller biotechnology companies more attractive. Looking ahead, investors think it is important that biotechs show they can deliver on the main drivers for 2011, which are expected to be clinical progress and good sales numbers.

Employees

At December 31, 2010, Agennix had 56 employees, with approximately 23% in Germany and 77% based in the U.S. The Company expects to hire a limited number of additional personnel in drug development as its clinical trials mature.

Financial

The Company provided the following financial guidance:

Revenues: Management expects no substantial cash generating revenues for 2011 or 2012. This guidance does not consider cash revenue from potential partnering of the Company's product candidates due to the uncertainty of the timing of such events.

R&D expenses: For 2011 and 2012, the Company expects R&D expenses to increase compared to 2010 due to an expected increase in talactoferrin clinical trial-related costs. The talactoferrin Phase 3 FORTIS-M trial in non-small cell lung cancer achieved target enrollment in March 2011. Agennix also announced its plans for the further development of oral talactoferrin in severe sepsis and plans to initiate a Phase 2/3 trial in that indication. This trial will build on the results seen in the earlier Phase 2 trial in severe sepsis conducted by the Company.

Administrative expenses: Administrative expenses in 2011 and 2012 are expected to increase compared to 2010 as the Company plans to initiate certain critical pre-commercialization efforts.

Cash position: Management believes that the Company will have sufficient cash to fund its operations well into the second half of 2012. This should enable the Company to obtain top-line data in the FORTIS-M trial, now expected in the first half of 2012, and to

3 http://www.imf.org; *BioCentury*, Jan 10, 2011: Buyside *view XIX: Commercial Risk*

complete the Phase 2 portion of the planned Phase 2/3 trial with talactoferrin in severe sepsis, assuming no significant changes to currently projected timelines. This projected cash reach also assumes that the € 15 million loan made to the Company by dievini will not need to be re-paid prior to the release of top-line results from both the FORTIS-M trial and the Phase 2 portion of the Phase 2/3 trial in severe sepsis. 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 Corporate Goals

The Company is focused on advancing its development programs, especially oral talactoferrin.

The talactoferrin FORTIS-M trial in 3rd-line+ NSCLC achieved target enrollment in March 2011 and topline data are expected to be available in the first half of 2012. Should the data so warrant, Agennix would then prepare to submit marketing authorizations to the FDA and EMA requesting marketing approval of talactoferrin. The Company is planning to initiate the Phase 2 portion of a Phase 2/3 trial in severe sepsis. Should the data from the Phase 2 portion so warrant, the Company then plans to initiate the Phase 3 part of the trial. The Company is seeking a commercial partner or partners for oral talactoferrin.

Consolidated Statement of Operations for the Year Ended December 31

in thousand €, except per share data	Note	2010	2009
Revenue	10	**153**	**7,746**
Research and development expenses		(29,360)	(6,719)
Administrative expenses		(9,982)	(13,141)
Amortization of intangible assets	18	(52)	(169)
Impairment of intangible assets	18,19	-	(3,372)
Other income	11	2,969	1,709
Other expense	11	(23)	(391)
Finance income	13	202	1,446
Finance costs	14	(400)	(188)
Net loss before tax		**(36,493)**	**(13,079)**
Income tax benefit	15	9,491	1,141
Net loss for the year	16	**(27,002)**	**(11,938)**
Basic and diluted loss per share, in €	16	(1.07)	(1.31)

See accompanying notes to the consolidated financial statements

Consolidated Statement of Comprehensive Income (Loss) for the Year Ended December 31

€ 000	Note	2010	2009
Net loss		**(27,002)**	**(11,938)**
Other comprehensive income (loss):			
Net gain on available-for-sale ("AFS") investments		-	474
Reclassification of accumulated gain upon sale of AFS investments	11	-	(497)
Exchange differences on translating foreign operations	25	5,339	2,078
Total comprehensive loss		**(21,663)**	**(9,883)**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Financial Position at December 31

€ 000	Note	2010	2009
ASSETS			
Non-current assets			
Property and equipment	17	3,462	3,416
Intangible assets	18	99,466	91,881
Other non-current assets	20	2,153	2,040
Total non-current assets		**105,081**	**97,337**
Current assets			
Trade receivables	21	4	35
Prepayments		316	596
Other current assets	22	1,443	259
Other current financial assets	23	30,197	-
Cash and cash equivalents	24	49,016	11,413
Total current assets		**80,976**	**12,303**
TOTAL ASSETS		**186,057**	**109,640**
EQUITY AND LIABILITIES			
Equity attributable to the Company's equity holders			
Issued capital	25	41,884	18,705
Share premium	25	150,931	86,237
Other reserves	25	3,476	(1,863)
Retained loss		(43,499)	(16,497)
Total equity		**152,792**	**86,582**
Non-current liabilities			
Convertible bonds	30	210	210
Other non-current liabilities		18	33
Deferred tax liability	15	7,631	15,850
Total non-current liabilities		**7,859**	**16,093**
Current liabilities			
Trade payables		5,020	1,592
Accruals and other liabilities	26	4,994	5,330
Note payable	27	15,392	-
Deferred revenue, current portion		-	43
Total current liabilities		**25,406**	**6,965**
Total liabilities		**33,265**	**23,058**
TOTAL EQUITY AND LIABILITIES		**186,057**	**109,640**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Cash Flows for the Year Ended December 31

€ 000	Note	2010	2009
Cash flows from operating activities			
Net loss before tax for the year		(36,493)	(13,079)
Adjustments for:			
Depreciation	17	774	338
Amortization	18	52	169
Impairment of intangible assets	18, 19	-	3,373
Compensation costs for (reversal of) share-based payments	29, 30	693	(2,661)
Unrealized foreign exchange (gain) loss on intercompany settlements		(1,290)	1,734
Change in fair value of conversion component of note receivable before the business combination	3, 11	-	(852)
Finance income	13	(202)	(1,446)
Gain on sale of available-for-sale investments	11	-	(497)
Finance costs	14	400	188
Loss on sale of property and equipment, net	11	23	10
		(36,043)	**(12,723)**
(Increase) decrease in other assets, non-current and current		(852)	1,392
Decrease (increase) in trade receivables		31	(179)
Increase in trade payables		3,356	144
Decrease in deferred revenue		(43)	(7,380)
Decrease in accruals and other liabilities		(406)	(2,693)
Cash used in operations		(33,957)	(21,439)
Interest received		179	120
Interest paid		(8)	(36)
Net cash used in operating activities		**(33,786)**	**(21,355)**
Cash flows from investing activities			
Purchase of property and equipment		(576)	(13)
Purchase of intangible assets		(151)	-
Proceeds from sale of property and equipment		4	147
Purchase of financial assets held for trading, net	23	(25,153)	-
Purchase of held-to-maturity investments	23	(5,000)	-
Proceeds from sale of available-for-sale investments		-	612
Net cash received from business combination	3	-	2,189
Purchase of note receivable in connection with business combination	3	-	(15,657)
Net cash used in investing activities		**(30,876)**	**(12,722)**
Cash flows from financing activities			
Proceeds from issue of share capital, net of payments for transaction costs of € 2.2 million in 2010 (2009: € 0)	3, 25	86,057	15,000
Proceeds from exercise of share options		1,123	-
Proceeds from issuance of short-term note payable	27	15,000	-
Repayment of convertible bonds		(211)	(1,752)
Net cash provided by financing activities		**101,969**	**13,248**
Effect of exchange rate changes on cash and cash equivalents		294	458
Changes in restricted cash		2	98
Net increase (decrease) in cash and cash equivalents		**37,603**	**(20,273)**
Cash and cash equivalents at beginning of period	24	**11,413**	**31,686**
Cash and cash equivalents at end of period	24	**49,016**	**11,413**

See accompanying notes to the consolidated financial statements

Consolidated Statement of Changes in Equity for the Year Ended December 31

in € 000, excluding number of shares	Shares	Issued Capital	Share Premium	Retained Loss	Conv. Bonds	AFS Reserve	Foreign Transl. Reserve	Total Equity
Balance at January 1, 2009	**7,367,371**	**7,367**	**399,124**	**(378,949)**	**720**	**23**	**(4,661)**	**23,624**
Loss for the period	-	-	-	(11,938)	-	-	-	(11,938)
Other comprehensive income (loss)	-	-	-	-	-	(23)	2,078	2,055
Total comprehensive income (loss)	**-**	**-**	**-**	**(11,938)**	**-**	**(23)**	**2,078**	**(9,883)**
Issue of share capital – business combination (Note 3)	8,977,619	8,978	51,521	-	-	-	-	60,499
Issue of share capital – equity offering in connection with business combination (Note 3)	2,358,381	2,358	12,642	-	-	-	-	15,000
Reclassification of the pre-merger accumulated losses (Note 25)	-	-	(374,390)	374,390	-	-	-	-
Exercise of share options	1,861	2	1	-	-	-	-	3
Reversal of compensation cost for share-based payment	-	-	(2,661)	-	-	-	-	(2,661)
Balance at December 31, 2009	**18,705,232**	**18,705**	**86,237**	**(16,497)**	**720**	**-**	**(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 25)	1,870,523	1,870	7,894	-	-	-	-	9,764
Issue of share capital –October 2010 public offering (Note 25)	20,588,705	20,589	57,854	-	-	-	-	78,443
Transaction costs –October 2010 public offering (Note 25)	-	-	(2,150)	-	-	-	-	(2,150)
Exercise of share options	719,716	720	403	-	-	-	-	1,123
Compensation cost from share-based payment	-	-	693	-	-	-	-	693
Balance at December 31, 2010	**41,884,176**	**41,884**	**150,931**	**(43,499)**	**720**	**-**	**2,756**	**152,792**

See accompanying notes to the consolidated financial statements

Notes to the Consolidated Financial Statements

as of December 31, 2010 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 Company was formed by the combination of the businesses of Agennix Incorporated and GPC Biotech AG ("GPC Biotech") and a € 15 million cash contribution by dievini Hopp BioTech holding GmbH & Co. KG ("dievini") (the "business combination"). The business combination, which concluded with the merger of GPC Biotech into Agennix, became effective on November 5, 2009 (see Note 3).

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 2010, its first full year as a company, Agennix AG made solid progress in advancing the development of its lead product candidate, oral talactoferrin, as well as in significantly strengthening its financial position.

During 2010, patient recruitment in the FORTIS-M Phase 3 trial in non-small cell lung cancer expanded globally and enrollment was completed in March 2011. Additionally, during 2010 the Company announced longer-term mortality results from its Phase 2 trial with talactoferrin in severe sepsis and presented data from the trial at important medical meetings. Agennix also announced its plans for the further development of oral talactoferrin in severe sepsis and plans to initiate a Phase 2/3 trial in that indication. This trial will build on the results seen in the earlier Phase 2 trial in severe sepsis conducted by the Company.

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 financing, 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 15, 2011.

2. Financial Position

During the year ended December 31, 2010, the Company incurred a net loss of € 27.0 million (net loss before income tax of € 36.5 million) and used cash in its operations of € 33.8 million. At December 31, 2010, the Company had cash, cash equivalents, other current financial assets and restricted cash of € 79.3 million and current liabilities of € 25.4 million, including the €15 million short- term loan from dievini (Note 27). 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 well into the second half of 2012. This should enable the Company to obtain top-line data in the FORTIS-M trial, now expected in the first half of 2012, and to complete the Phase 2 portion of the planned Phase 2/3 trial with talactoferrin in severe sepsis, assuming no significant changes to currently projected timelines. This projected cash reach also assumes that the € 15 million loan made to the Company by dievini will not need to be re-paid prior to the release of top-line results from both the FORTIS-M trial and the Phase 2 portion of the Phase 2/3 trial in severe sepsis. 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.

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

3. Business Combination

On June 24, 2009, after shareholders' approval, GPC Biotech AG signed a merger agreement with diagennix GmbH. Diagennix GmbH was converted into a stock corporation and renamed Agennix AG shortly prior to the effectiveness of the merger. Pursuant to the merger agreement, GPC Biotech AG, as transferring entity, was merged into Agennix AG, as absorbing entity, to which were contributed all the shares of Agennix Incorporated and a € 15 million cash contribution by dievini. The business combination, which concluded with the merger of GPC Biotech AG into Agennix AG, became effective on November 5, 2009. Upon registration in the commercial register of Agennix AG, GPC Biotech AG ceased to exist as a separate legal entity and Agennix AG assumed all of its assets and liabilities.

The shares of Agennix AG were admitted to trading on the Frankfurt Stock Exchange, Prime Standard, starting November 6, 2009. According to the terms of the merger agreement, GPC Biotech AG shareholders received one ordinary share of Agennix AG for every five shares they owned of GPC Biotech AG.

In the business combination, accounted for using the acquisition method specified in International Financial Reporting Standard 3 (Revised 2008), Business Combinations, ("IFRS 3(R)"), GPC Biotech (the acquirer) acquired Agennix Incorporated's (the acquiree's) development projects with regard to talactoferrin with a total estimated fair value of € 89.1 million at the date of acquisition. Additionally, deferred tax liabilities of € 30.3 million were recognized on the acquired intangible assets, and deferred tax assets of € 13.8 million on the net loss carry-forwards of Agennix Incorporated, which were previously unrecognized. The total consideration transferred amounted to € 60.5 million. The Company did not recognize any goodwill on the business combination.

Prior to the effectiveness of the business combination, in February 2009, GPC Biotech made a $20 million (approximately € 15.7 million at that date) loan to Agennix Incorporated in the form of a senior secured convertible promissory note bearing an interest rate of 12% per annum and maturing in February 2012. At GPC Biotech's option, the note could have been converted into ordinary shares of Agennix Incorporated at $75 per share. This convertible promissory note was accounted for as a compound financial instrument that included two components: an asset component (the note) and a conversion component (the conversion option). IAS 39, Financial Instruments: Recognition and Measurement, required a separation between these financial instruments. Accordingly, upon inception the conversion component was bifurcated from the total amount of the note and measured at its then fair value. Subsequent changes to the fair value of the conversion component were recorded through profit and loss. The remaining note receivable was measured at amortized cost using the effective interest method. The effective interest rate approximated 14.6%. The Company used the Black-Scholes model to estimate the fair value of the conversion component at each reporting date. The Company used unobservable market data (level 3 inputs) in the determination. The unamortized balances of the promissory note and the conversion component as of the reporting date, as well as the respective interest income (expense) and changes in fair value of the conversion component from the acquisition date were eliminated from these consolidated financial statements as intercompany transactions.

4. 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 until December 31, 2010, 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 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 does not expect any impact 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. The standard is effective for annual periods beginning on or after

January 1, 2013. In subsequent phases, the IASB will address hedge accounting, impairment and offsetting of financial instruments. 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.

Improvements to IFRSs (issued in May 2010)
The IASB issued Improvements to IFRSs, an omnibus of amendments to its IFRS standards. The amendments have not been adopted as they become effective for annual periods beginning on or after either July 1, 2010 or January 1, 2011. The amendments listed below, may possibly have an impact on the Company:

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

The Company, however, expects no impact from the adoption of the amendments on its financial position or performance.

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. Currently, the Company does not expect the adoption of the interpretation to have a material impact on the Company's financial position or results of operations.

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.

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 following new or revised accounting standards in these consolidated financial statements, with the following effects:

As of January 1, 2010 the Company adopted the amendment to IFRS 2, Share-based Payment – Group Cash-settled Share-based Payment Transactions, that clarifies the accounting for group cash-settled share-based payment transactions in the individual financial statements of the subsidiary. Furthermore, the amendment to IFRS 2 incorporates guidance previously included in IFRIC 8, Scope of IFRS 2, and IFRIC 11, IFRS 2 – Group and Treasury Share Transactions. The adoption of the amendment did not have any impact on the financial position or results of operations.

In April 2009, the IASB issued the second omnibus standard Improvements to IFRSs as part of its annual improvement process project. This pronouncement slightly adjusts ten existing standards and two interpretations by fifteen amendments, primarily with a view to removing inconsistencies and clarifying wording. Unless otherwise specified, the amendments are effective for fiscal years beginning on or after January 1, 2010. There are separate transitional provisions for each standard. The adoption of the amendments resulted in minor changes to some of the Company's accounting policies but did not have any impact on the financial position or results of operations.

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 5.

Beginning with the third quarter of 2010, the Company has decided to present foreign exchange gains and losses arising from routine purchases, transfers of U.S. dollars in intercompany settlements, and translation of regular intercompany accounts on a net basis as other income or other expense, as appropriate, in order to avoid inflating line items of the statement of operations in case of significant

fluctuations of foreign exchange rates. Accordingly, the comparative financial information for the year ended December 31, 2009, was adjusted. In the consolidated statement of operations for the year ended December 31, 2009, other income and other expense were decreased by approximately € 1.6 million.

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 Incorporated and Agennix USA Incorporated, 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.

5. 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, 2010, the Company has recognized € 26.7 million in deferred tax assets and € 34.3 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. Deferred tax assets were recognized for the carry forward of unused tax losses, to the extent that it was probable that the 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 15 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.

Intangible assets acquired in a business combination
In-licensed Research & Development ("IL R&D") is valued as part of the process of allocating an acquisition's purchase price. Payments for other acquired assets in development, such as those related to initial payments and milestone payments for licensed or acquired compounds, are capitalized as IL R&D intangible assets. This occurs even if uncertainties continue to exist as to whether the IL R&D projects will ultimately be successful in producing a commercial product. Estimate of the fair value assigned to each class of acquired assets and assumed liabilities is based on expectations and assumptions that have been deemed reasonable by management. Significant assumptions and estimates used in the valuation are described in Note 19.

Revenue recognition
The Company recognizes revenues in accordance with IAS 18, Revenue. 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 seller, that the stage of completion at the reporting date can be measured reliably and that the costs incurred, or to be incurred, with respect to the transaction can be measured reliably. For detailed discussions on significant estimates involved in revenue recognition (timing, determination of period of significant involvement and others), see Notes 6, 9 and 10.

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 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 higher of the fair value less costs to sell or the value in use. See Note 19 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 29 and 30.

6. 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 foreign operations, Agennix Incorporated and Agennix USA, Incorporated, 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 translated using the exchange rate prevailing at the dates of the transactions and revalued at the reporting date. Gains and losses from foreign currency transactions are included in the consolidated statement of operations in other income and expenses, respectively.

Assets and liabilities of Agennix Incorporated and Agennix USA, Incorporated are translated into Euros at the closing rate on the date of the statement of financial position. Income and expense items 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.

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, and has one reportable operating segment. The Company's historical revenues were derived primarily from co-development and research collaborations with life science companies. Additional income is derived from governmental grants for specific research and development programs. The results of operations are reported to the Company's chief operating decision-makers on an aggregate basis. Refer to Note 8 for further information.

The information about geographical areas is presented based on the location of the Company's assets or, in the case of sales, based on the geographical location of the group to which company sales relate.

Property and Equipment

Property and equipment are measured at historical cost less accumulated depreciation and any 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 group 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; clinical trial and related clinical manufacturing costs; contract and other outside service fees; employee stock-based compensation expense 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 (property and equipment) 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 higher 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 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.

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. Intangible assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Refer to Note 19 for disclosure of the key assumptions used in impairment testing of assets not yet available for use.

Investments and Other Financial Assets

Financial assets in the scope of IAS 39 (revised 2005), Financial Instruments: Recognition and Measurement, are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The Company's purchase and sale of all financial assets is a regular way purchase or sale that is accounted for at trade date or settlement date, respectively. When financial assets are recognized initially, they are measured at fair value plus directly attributable transaction costs, except in the case of investments at fair value through profit or loss. The Company determines the classification of its financial assets after 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 fair value through profit or loss. 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 23) and derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39 (refer to Note 3: conversion component of the senior secured convertible promissory note which was eliminated from these consolidated financial statements as intercompany transaction). 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 other 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 for the Company's investments in money market funds, or in other income or other expense for other derivative financial instruments. The Company has not designated any financial assets upon initial recognition as at fair value through profit or loss. The Company evaluated 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 ("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, 2010 were represented by a short-term fixed rate bank note (Note 23) (2009: € 0).

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 fair value through profit or loss. 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. 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. During 2009, the Company sold all of its available-for-sale marketable equity securities. As of December 31, 2010 and 2009, the Company did not hold any available-for-sale investments.

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. 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 assets 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.

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.

Loan and Other Receivables
Loans and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and other 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 other receivables are de-recognized or impaired, as well as through the amortization process.

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. Those with maturities greater than three months are included in available for-sale investments. 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 (see Note 7).

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

The Company has already applied IFRS 2 for equity-settled awards granted before November 7, 2002.

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 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 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.

In connection with the business combination discussed in Note 3, the Company assumed all of Agennix Incorporated's stock options outstanding at the effective date of the business combination. After the merger of GPC Biotech AG into Agennix AG, such stock options represent the right to purchase Agennix AG ordinary shares. The conversion to calculate the number of Agennix AG shares that can be purchased was made by multiplying the number of Agennix Incorporated stock options by 4.8103 and dividing the respective exercise prices by 4.8103, with the result rounded down to the nearest whole number. As the Company was obliged to replace Agennix Incorporated's awards, a portion of the market-based measure of the Company's replacement awards that is attributable to pre-combination service was included in measuring the consideration transferred in the business combination (Note 3). The other portion, attributable to post-combination service, was recognized entirely as compensation expense in the post-combination financial statements because substantially all the awards have been vested at the date of exchange.

Agennix Incorporated's stock options are not complex and do not have market conditions. Therefore, the Company used the Black-Scholes model to estimate the fair value of the replacement and original award at the effective date of the business combination. The calculations reflected the Company's best available estimate of the number of replacement awards expected to vest.

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 (revised 2005), *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.

Additionally, the fair value of the conversion option attached to the convertible bond is calculated in accordance with IFRS 2 using a Monte Carlo simulation. The assumptions used are the same as for stock options (see Note 30).

The fair value of the employee services received in exchange for the grant of convertible bonds 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.

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 € 152,000 and € 134,000 in 2010 and 2009, 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 € 471,000 and €307,000 in 2010 and 2009, 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 relating rental expense.

Business Combinations and Goodwill

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. As a result of the business combination (see Note 3), no goodwill was recognized.

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 fees and/or reimbursement fees of past drug development cost 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 15).

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.

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 and described further in Note 23.

7. Restructuring Activities

The Company records costs associated with restructuring activities in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent Assets*.

In May 2010, the Company reduced its workforce by 8 employees who were located at both the Princeton, New Jersey and Houston, Texas offices. The Company incurred a total restructuring charge of approximately € 0.2 million related to this restructuring plan in 2010. These charges primarily consisted of employee severance and termination benefits and were included in both research and development and administrative expenses. This restructuring was completed in the first quarter of 2011.

In March 2009, the Company implemented a corporate restructuring plan which resulted in the reduction of 8 employees, all located in the Princeton, New Jersey office. The Company incurred a total restructuring charge of approximately € 0.4 million related to this restructuring plan in 2009. These charges primarily consisted of employee severance and termination benefits and were included in both research and development and administrative expenses. This restructuring was completed in the first quarter of 2010.

Below is a summary of the significant components of the restructuring liability as of December 31, 2010 and 2009, (in thousand €):

	Employee Termination Benefits
January 1, 2010 Balance	**213**
Restructuring Charges	167
Restructuring Payments	(359)
Adjustments/Changes in Estimates	(31)
Exchange Differences	14
December 31, 2010 Balance [1]	**4**

(1) Amount paid January 2011

	Employee Termination Benefits	Lease Loss	Total
January 1, 2009 Balance	**175**	**34**	**209**
Amortization of Lease Loss	-	(33)	(33)
Restructuring Charges	349	-	349
Restructuring Payments	(306)	-	(306)
Adjustments / Changes in Estimates	-	(1)	(1)
Exchange Differences	(5)	-	(5)
December 31, 2009 Balance	**213**	**-**	**213**

The restructuring liability of € 4,000 and € 213,000 at December 31, 2010 and 2009, respectively, is included in accruals and other liabilities in the accompanying consolidated statement of financial position (Note 26).

8. Segment Information

The Company so far has been operating a single business unit and a single reportable operating segment, which primarily focuses on the development 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 revenue is derived primarily from co-development and license agreements with other life science companies. The 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. The results of operations are reported to the Company's chief operating decision-makers on an aggregate basis.

The total net book value of non-current assets located outside of the Company's home location of Germany was € 104.5 million and € 96.7 million at December 31, 2010 and 2009, respectively. All of these assets were located in the United States of America.

Revenues from external customers attributed to the Company's home location of Germany were € 0.2 million and € 7.6 million in the years ended December 31, 2010 and 2009, respectively. Revenues from external customers attributed to locations outside of Germany were € 0 and less than € 0.1 million in the years ended December 31, 2010 and 2009, respectively. Revenues are attributed to countries based on the location of the Company's legal entity that is party to the underlying contract.

9. Significant Collaborative Agreements

Product Candidate Licensing Activities

The Company did not enter into any significant agreements in 2010 or 2009. As part of the business combination, the Company acquired Agennix Incorporated'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 $3.1 million relating to this agreement which is included in intangible assets.

In June 2007, the Company entered into a license agreement with Yakult Honsha Co. Ltd. ("Yakult") for satraplatin in Japan. Satraplatin is an oral platinum-based anticancer agent of the Company. Under the terms of the agreement, Yakult gained exclusive commercialization rights to satraplatin for Japan and was responsible for taking the lead in developing the drug in that country. Under the agreement, in 2007 Yakult made an upfront payment of ¥1.2 billion (€ 7.4 million) to the Company as reimbursement for past satraplatin development expenses. In accordance with IAS 18, the upfront payment of € 7.4 million was deferred until the Company was able to estimate the period of substantial involvement which would be determined by Yakult's development plan for satraplatin.

In the fourth quarter of 2009 the Company recognized the € 7.4 million upfront payment as revenue because it became apparent late in 2009, following inconclusive results from additional analyses, that there was an increased level of uncertainty relating to the future development of satraplatin in Japan. As a result of these uncertainties, the Company determined that the remaining contractual obligation to participate on the joint steering committee was no longer considered a substantial deliverable in this arrangement, which triggered the release of the deferred revenue.

10. Revenue

Total revenue recognized under co-development and license agreements amounted to € 0.2 million and € 7.7 million for the years ended December 31, 2010 and 2009, respectively. 2009 revenue included the amortization of deferred upfront payments received in prior years totaling € 7.4 million, as well as € 0.3 million which is mainly attributable to the services agreement between GPC Biotech and Agennix Incorporated prior to the effective date of the business combination.

11. Other Income and Other Expense

€ 000	2010	2009 [1]
Other income:		
Income from grants	799	-
Foreign exchange gain, net	2,170	-
Income from disposal of excess of clinical supplies	-	353
Change in fair value of conversion component of note receivable prior to the effective date of the business combination (Note 3)	-	852
Gain on sale of available-for-sale investments	-	497
Gain on sale of property and equipment	-	7
Total other income	2,969	1,709
Other expense:		
Foreign exchange loss, net	-	(374)
Loss on sale of property and equipment	(23)	(17)
Total other expense	(23)	(391)
Total other income, net	**2,946**	**1,318**

(1) The Company reclassified net foreign exchange gain and loss amounts in 2009 for consistency with current year presentation.

During the year ended December 31, 2010, the Euro weakened against the U.S. dollar, whereas during the same period in 2009, the Euro strengthened against the U.S. dollar. As a result, for the year ended December 31, 2010, the Company recognized net foreign exchange gain of € 2.2 million as opposed to net foreign exchange loss of € 0.4 million for the same period in 2009. The functional currency of Agennix AG is the Euro. Foreign exchange gains or losses arise mainly on U.S. dollar-denominated intercompany receivables, including the promissory note receivable, and Agennix AG's purchases of foreign currency for intercompany transfers. 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.

12. Personnel Cost

€ 000	2010	2009
Salaries	7,618	6,936
Payroll taxes and other benefits	1,171	1,696
Stock based compensation cost (reversal of)	693	(2,661)
Total personnel cost	**9,482**	**5,971**

13. Finance Income

€ 000	2010	2009
Interest income from third parties	202	121
Interest income on convertible promissory note prior to the effective date of the business combination (Note 3)	-	1,325
Total finance income	**202**	**1,446**

14. Finance Costs

€ 000	2010	2009
Interest expense on convertible bonds	7	187
Interest expense on note payable (Note 27)	392	-
Other	1	1
Total finance costs	**400**	**188**

15. Income Taxes

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

€ 000	2010	2009
Deferred tax assets:		
Net operating loss carry-forwards	26,587	15,594
R&D tax credits	53	49
Accrued expenses	16	-
Other assets	1	-
Deferred tax liabilities:		
Intangible assets	(33,744)	(31,270)
Intercompany liabilities	(273)	(223)
Other assets	(271)	-
Net deferred tax liability	**(7,631)**	**(15,850)**

For the taxable temporary difference in the investments in subsidiaries of € 2,499,000 as of December 31, 2010 (2009: € 2,499,000), 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	2010	2009*
Accounting loss before income tax	(36,493)	(13,079)
Tax benefit at Agennix's combined statutory income tax rate of 26.33% in 2010 and 2009	(9,609)	(3,444)
Non-deductible expenses and other permanent differences	850	127
Tax effect on share based payments	182	(776)
Different tax rate in other countries	(2,970)	(944)
Change in deferred tax assets not recognized	2,979	3,435
Transaction costs of public offering (Note 25)	(566)	-
Tax effect of foreign currency translation	(295)	456
Other	(62)	5
Income tax benefit	**(9,491)**	**(1,141)**

* The Company reclassified tax effect of foreign currency translation in 2009 for consistency with current year presentation.

As of December 31, 2010 and 2009, the Company's combined applicable tax rate was 26.33%.The effective tax rate amounts to 26% for the year ended December 31, 2010 (2009: 9%).

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 difference no deferred tax assets could be recognized as of December 31, 2010 and 2009, as it was not probable that they would be utilized in the near future:

€ 000	2010	2009**
Accrued expenses and losses	195	415
Other current liabilities	-	6
Property and equipment	294	597
Other assets	-	44
	489	**1,062**

** The Company adjusted temporary differences in 2009 for consistency with current year presentation.

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, there were significant changes in the ownership structure of Agennix AG which caused the German loss forfeiture rules according to Section 8c of Corporation Tax Act (KStG) and Section 10a of Trade Tax Act (GewStG) to apply.

As a result, a significant part of the NOL carry forwards as of December 31, 2009 (€ 4.1 million for corporate income tax as well as for trade tax purposes), and as of December 31, 2010 (€ 5.7 million for corporate income tax as well as for trade tax purposes), have been forfeited.

Considering the partial forfeiture of NOL carry-forwards in 2009 and 2010, the remaining amount of NOL carry-forwards for the German corporate income and trade tax purposes as of December 31, 2010 is € 7,365,000 and € 7,293,000, respectively. In general, these NOLs do not expire assuming that there will be no further significant changes in the ownership structure of Agennix AG which might again be subject to the aforementioned German loss forfeiture rules. As of December 31, 2010, deferred tax asset was not recognized for the NOL carry-forwards of Agennix AG for German corporate income and trade tax purposes of € 5,299,000 and € 5,227,000, respectively, since it was not probable that future taxable profit would be available against which they can be utilized.

According to German tax legislation, the use of NOL carry-forwards for the German corporation tax and trade tax purposes is restricted. 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 forwards fifteen years.

At December 31, 2010, Agennix USA, Incorporated had total federal net operating loss carry-forwards of € 147,739,000, of which € 137,087,000 were subject to a twenty year carry-forward and € 10,652,000 were subject to a fifteen year carry-forward. In 2000 and 2006, Agennix USA, Incorporated experienced a change in ownership as defined in Section 382 of the 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 its 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, Incorporated's NOLs of approximately € 90.7 million accumulated for tax years 1995 through 2006 is subject to certain annual limitations. The Company estimated that NOLs in the range of approximately € 26-47 million could expire unutilized as a result of those limitations. The exact amount of such NOLs will be determined prior to utilizing such losses (if any).

The acquisition of Agennix, Incorporated by GPC Biotech in 2009 (Note 3) also resulted in a change in ownership, as defined in Section 382 of the Internal Revenue Code, for Agennix, Incorporated. As a result, Agennix, Incorporated's NOLs accumulated prior to the acquisition date will also be subject to a limitation under IRC Section 382 of approximately € 2.0 million per year, beginning in 2009. After considering the above limitation, at December 31, 2010, Agennix, Incorporated had € 73,012,000 of federal NOLs subject to a twenty year carry-forward and € 1,744,000 subject to a fifteen year carry-forward. These carry-forwards will expire at various times between 2011 and 2028.

U.S. State

At December 31, 2010, Agennix USA, Incorporated has state net operating losses of € 172,199,000 that will expire at various times between 2011 and 2015. Of the € 172,199,000, the Company has Massachusetts ("MA") NOL carry-forwards of € 75,582,000, which have a carry-forward period of five years, and New Jersey ("NJ") NOL carry-forwards of € 96,617,000, which have a carry-forward period of seven years. Some or all of these state NOL carry-forwards of Agennix USA, Incorporated may also expire unutilized as a result of the above two changes in ownership. The exact amount will be determined when the Company decides to utilize such losses (if any). Agennix, Incorporated 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, 2010, Agennix USA, Incorporated had federal research and development credits of € 1,264,000 which will be subject to a twenty year carry-forward. These carry-forwards will expire at various times between 2027 and 2028. At December 31, 2010, Agennix, Incorporated had federal research and development credits of € 52,827, which will be subject to a twenty year carry-forward and will expire in 2029.

At December 31, 2010, Agennix USA, Incorporated also had state research and development credits of € 3,968,000. Of this amount, the Company has MA R&D credits of € 2,722,000, which have a carry-forward period of 15 years, and NJ R&D credits of € 1,246,000, which have a carry-forward period of 7 years. The MA credits will begin to expire in 2016 and the NJ credits began to expire in 2010. At December 31, 2010, the Company also had accumulated state alternative minimum tax credits for MA and NJ of € 418,000 and € 79,000 respectively. Alternative minimum tax credits do not expire.

For Agennix USA, Incorporated, 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.

16. 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, 2010 and 2009, 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 287,461 and 906,594 for the years ended December 31, 2010 and 2009, respectively.

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

€ 000 (except share and per share data)	2010	2009
Numerator:		
Net loss	(27,002)	(11,938)
Denominator:		
Weighted-average number of shares	25,246,336	9,137,687
Basic and diluted loss per share	**(1.07)**	**(1.31)**

17. Property and Equipment

€ 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**

€ 000	Office Equipment	Furniture and Fixtures	Computer Equipment	Leasehold Improvements	Construction in Progress	Total 2009
Cost						
As of January 1, 2009	500	604	949	318	-	**2,371**
Additions	-	-	2	-	-	**2**
Acquisitions through business combinations (Note 3)	-	25	30	2,808	375	**3,238**
Disposals	(61)	(153)	(253)	(20)	-	**(487)**
Currency adjustments	(8)	(8)	(11)	(3)	-	**(30)**
As of December 31, 2009	**431**	**468**	**717**	**3,103**	**375**	**5,094**
Accumulated depreciation and impairment						
As of January 1, 2009	301	436	811	299	-	**1,847**
Depreciation	79	52	116	91	-	**338**
Disposals	(61)	(155)	(257)	(21)	-	**(494)**
Currency adjustments	(4)	(4)	(5)	-	-	**(13)**
As of December 31, 2009	**315**	**329**	**665**	**369**	**-**	**1,678**
Net book value as of December 31, 2009	**116**	**139**	**52**	**2,734**	**375**	**3,416**

As part of the business combination (Note 3), the Company acquired a production facility held under a finance lease with a remaining useful life of approximately 7 years. Its carrying amount as of December 31, 2010, was € 3,244,000 (2009: € 2,718,000).

In 2010, the Company entered into an agreement with DSM Capua S.p.A. on further expansion of the existing production facility. Total estimated cost of the expansion is approximately € 0.5 million representing the Company's purchase commitment as of December 31, 2010.

18. Intangible Assets

€ 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**

€ 000	Technology rights	In-licensed R&D	Patents and licenses	Software	Total 2009
Cost					
As of January 1, 2009	1,143	10,240	474	1,412	**13,269**
Additions	-	-	-	11	**11**
Acquisitions through business combination (Note 3)	-	89,115	-	-	**89,115**
Disposals	-	-	-	(695)	**(695)**
Currency adjustments	(20)	2,711	(7)	(4)	**2,680**
As of December 31, 2009	**1,123**	**102,066**	**467**	**724**	**104,380**
Accumulated amortization and impairment					
As of January 1, 2009	1,143	7,274	379	889	**9,685**
Amortization	-	-	77	92	**169**
Impairment (Note 19)	-	2,966	-	407	**3,373**
Disposals	-	-	-	(698)	**(698)**
Currency adjustments	(20)	-	(8)	(2)	**(30)**
As of December 31, 2009	**1,123**	**10,240**	**448**	**688**	**12,499**
Net book value as of December 31, 2009	**-**	**91,826**	**19**	**36**	**91,881**

As part of the accounting for the business combination in 2009 (Note 3), 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, 2010 and 2009, the asset is valued at € 99.5 million and € 91.8 million, respectively. The increase in asset value since the acquisition date is primarily due to foreign currency translation adjustments. 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.

19. 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 € 99.5 million as of December 31, 2010 (€ 91.8 million at December 31, 2009), and was capitalized as part of the business combination. The estimates used in the determination of the asset's fair value at the acquisition date (Note 3) did not change adversely as of the reporting date. Accordingly, as of December 31, 2010, no impairment of talactoferrin-related intangible assets was required.

The Company utilized the Multi-Period Excess Earnings Method to estimate the fair value of the intangible asset capitalized in connection with talactoferrin. 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 EMEA. Further, industry-specific risks were applied to the success of clinical trials in Phase 2 and 3, and to gaining regulatory approval in the primary markets, namely the U.S., Europe and Japan, patent exclusivity and estimated market share were 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%.

Sensitivity to changes in key assumptions

With regard to the fair value assessment for this intangible asset, if approval of talactoferrin in the major markets is not reached, if estimates of pricing, market size or discount rates are not correct, the carrying value of the in-licensed R&D capitalized in connection with talactoferrin may exceed its recoverable amount. The maximum exposure is the carrying amount of this intangible asset.

The Company's market capitalization as of December 31, 2010 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. Management updated its analysis of the talactoferrin intangible asset's fair value less costs to sell as of December 31, 2010 and ensured that it exceeded the asset's carrying amount. 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 certain assumptions (such as launch date, peak market share, probability of clinical success and approval, estimated selling price and cost per patient) updated for the most recent management estimates.

Satraplatin

In the fourth quarter of 2009, the Company impaired the remaining capitalized balance of € 2,966,000 due to the increased level of uncertainty regarding potential future options for the development of satraplatin, which became apparent in late 2009.

Software

The Company did not record any software impairment in 2010. In the first quarter of 2009, the Company recorded an impairment charge on computer software of approximately € 0.4 million, which represented the difference between the fair value of the assets no longer used and their net carrying value.

20. Other Non-current Assets

A summary of the components of other non-current assets as of December 31, 2010 and 2009, is provided below. Advance payments primarily consist of payments to contract research organizations ("CROs") that manage the execution of the Company's clinical trials and are expected to be utilized within the next 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 related to insurance.

€ 000	2010	2009
Advance payments	1,457	1,347
Security deposits	55	51
Restricted cash	88	89
Other prepaid expenses	553	553
Total other non-current assets	**2,153**	**2,040**

21. Trade Receivables

Trade receivables are non-interest bearing and are generally on 30-day terms. As of December 31, 2010 and 2009, trade receivables totaled € 4,000 and € 35,000, respectively, of which none were past due or impaired.

22. Other Current Assets

€ 000	2010	2009
Corporation tax receivable	157	49
Other tax receivables	173	46
Advance payments	1,107	160
Other receivables	6	4
Total other current assets	**1,443**	**259**

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 2010 and 2009, it is entitled to claim a refund of the tax withheld during those years.

23. Other Current Financial Asset

€ 000	2010	2009
Financial assets at fair value through profit or loss ("FVTPL")	25,182	-
Held to maturity ("HTM") investments	5,015	-
Total other current financial assets	**30,197**	**-**

During 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, 2010 and 2009, the Company held € 10.6 million and € 0 respectively in a European money market fund, as well as € 14.6 million and € 0, respectively, in a US 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 1 month to less than 9 months. The fair value is determined by reference to

published price quotes in an active market. During 2010, the Company recognized net gain of € 55 thousand on its investments in money market funds which is included in finance income in the accompanying consolidated statement of operations (2009: € 0 thousand).

In addition, 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 are receivable on April 28, 2011. The investment is carried at amortized cost using the effective interest rate method. During 2010, the Company recognized interest income of € 15 thousand on its HTM investments which is included in finance income in the accompanying consolidated statement of operations (2009: € 0 thousand).

24. Cash and Cash Equivalents

€ 000	2010	2009
Cash at banks and on hand	2,968	3,233
Short-term deposits	46,048	8,180
Total cash and cash equivalents	**49,016**	**11,413**

25. Equity Attributable to the Company's Equity Holders

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.

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, 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, 2010, the total number of authorized ordinary shares potentially issuable was 19,859,400. The number of ordinary shares authorized to service the exercise of stock options and conversion of convertible bonds granted by GPC Biotech AG was 653,000. The number of ordinary shares authorized to service the exercise of stock options granted by Agennix

Incorporated was 546,423. Additionally, 2,057,600 ordinary shares were authorized to service the exercise of stock options granted by the Company. The number of ordinary shares authorized for the purpose of potential merger and acquisition activities, in-licensing activities and future capital increases is 10,288,977. The number of ordinary shares authorized for the purposes of potential convertible debt issuances is 6,313,400.

In the business combination completed on November 5, 2009 (Note 3), upon registration in the commercial register of Agennix AG, GPC Biotech AG ceased to exist as a separate legal entity, and Agennix AG assumed all of its assets and liabilities. However, the different components of the equity were not transferred individually. In contrast, all of the equity of Agennix AG consisted mainly of issued capital and share premium. Because of that, the share premium was partially offset against historical retained loss so the amount of share premium (before stock based compensation) corresponded with the legal share premium ("Kapitalrücklagen"). This reclassification was included in the consolidated statement of changes in equity for the year ended December 31, 2009.

Other Reserves

As of December 31, 2010 and 2009, other reserves amounted to € 3.5 million and € (1.8) million, respectively. The increase in other reserves in 2010 is due to the foreign exchange gains on translating foreign operations of € 5.3 million (2009: € 2.1 million) relating mostly to the translation of the financial position and results of operations of Agennix Incorporated. The functional currency of the Company's subsidiaries, Agennix Incorporated 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. The increase of foreign exchange gain on translating foreign operations in 2010 was due to higher U.S. dollar appreciation against the Euro.

26. Accruals and Other Liabilities

The following is a summary of the balances of accrued expenses and other current liabilities at December 31, 2010 and 2009 (in thousand €):

€ 000	2010	2009
Accrued external R&D	3,056	2,142
Accrued legal, advisory and investor relations	1,190	1,626
Accrued personnel expenses and payroll liabilities	379	596
Tax liabilities	122	347
Accrued restructuring (see Note 7)	4	213
Current portion of convertible bonds	-	211
Other accruals and current liabilities	243	195
Total accruals and other liabilities	**4,994**	**5,330**

27. Note Payable

On July 23, 2010, the Company announced that it had entered into an agreement with dievini pursuant to which dievini provided a € 15.0 million loan to Agennix AG at an interest rate of 6% per annum. The cash was received by the Company on July 26, 2010. The loan is unsecured and is payable on demand with thirty days advance notice. As of the date of these consolidated financial statements, the Company has not received a notice requiring repayment of the outstanding balance of the loan and interest accrued thereon. Interest accrued of € 0.4 million as of December 31, 2010 is repayable on the first anniversary of the loan agreement (i.e., in July 2011).

28. 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 € 623,000 and € 503,000 in 2010 and 2009, 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, 2010 and 2009, 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.

29. Share-Based Payment Transactions

Stock Options

Agennix AG awards

The Company grants stock options to the employees and the members of the Management Board under the Stock Option Plan 2009 and the Stock Option Plan 2010 as adopted by the resolution of the general meeting of shareholders on November 5, 2009 and May 25, 2010, 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 date 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 (Note 25) in October 2010, dievini held approximately 59% of the total shares outstanding. As a result of this change in control, the contractual vesting period of certain stock options issued under the 2009 Stock Option Plan during the 12 month period ended December 31, 2010, were 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

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 dates of grant. 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 Agennix stock relative to various indices as specified in each option plan) as required by German law.

As part of the business combination, completed on November 5, 2009 (Note 3) the Company also modified all of the former GPC Biotech AG's stock options outstanding at the effective date of the business combination with the terms and conditions substantially identical to those in effect prior to the business combination, except for the following adjustments:

- GPC Biotech AG stock options were converted into Agennix AG stock options by dividing the number of GPC Biotech AG stock options by 5, with the result rounded down to the nearest whole number, and multiplying the respective exercise prices by 5.

- 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 the share of Agennix AG.
- Upon completion of the business combination, the contractual vesting period of stock options issued to the Management Board members and some employees (7 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.

In accordance with IFRS 2, during the year ended December 31, 2009, the Company recognized additional non-cash compensation expense of € 0.2 million as a result of the above modification. There were no modifications of former GPC Biotech awards in 2010.

Former Agennix Incorporated awards

Agennix Incorporated's stock options do not have market conditions and the exercise price is fixed at the date of grant. As of the acquisition date, substantially all the awards have been vested. The remaining contractual terms of the options are between 1 year to 7 years.

In the connection with the business combination discussed in Note 3, the Company assumed all of Agennix Incorporated's stock options outstanding at the effective date of the business combination. After the merger of GPC Biotech AG into Agennix AG, such stock options represent the right to purchase Agennix AG ordinary shares. The conversion to calculate the number of Agennix AG shares that can be purchased was made by multiplying the number of Agennix Incorporated stock options by 4.8103 and dividing the respective exercise prices by 4.8103, with the result rounded down to the nearest whole number. All other terms and conditions remain identical to those in effect prior to the business combination. In accordance with IFRS 3(R), during the year ended December 31, 2009, the Company recognized additional non-cash compensation expense of € 0.3 million attributable to post-combination service.

The following is a summary of the aggregated stock options activity for the years ended December 31, 2010 and 2009:

	2010		2009	
	Stock options	Weighted Average Exercise Price	Stock options	Weighted Average Exercise Price
Outstanding at January 1	1,764,446	€ 15.27	638,175	€ 46.60
Granted	950,852	4.31	-	-
Assumed in the business combination[1]	-		1,267,810	€ 2.08
Exercised	(719,716)	€ 1.56	(1,861)	€ 1.45
Forfeited	(86,358)	€ 23.24	(98,514)	€ 33.40
Expired	(176,301)	€ 69.77	(41,164)	€ 53.81
Outstanding at December 31	1,732,923	€ 9.26	1,764,446	€ 15.27
Exercisable at December 31	681,385	€ 14.71	1,590,676	€ 15.43

(1) This represents all of Agennix Incorporated's stock options assumed in the business combination (Note 3). Exercise prices remain denominated in U.S. dollars and will be converted into euro if and when stock options are exercised. Therefore, when reporting balances of stock options ending at the reporting date, the Company uses the foreign currency exchange rate at such date to translate their respective exercise prices. When reporting the activity of stock options that occurred during the period (e.g., exercise, cancel, etc.), the Company uses the foreign currency exchange rate at the date of the transaction to translate the exercise prices. The same principle is used for the translation into euro of the fair value of former Agennix Incorporated stock options for disclosure purposes.

The weighted-average grant date fair value of stock options granted during 2010 was € 3.08. No options were granted during 2009. The weighted-average share price of stock options exercised during the year ended December 31, 2010 and 2009 was € 3.79 and € 5.60, 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 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.

The following weighted-average assumptions were used to value stock option grants or modifications in 2010 and 2009:

December 31,	2010	2009
Expected dividend yield	-	-
Risk-free interest rate %	2.45 - 3.32	0.34 - 3.02
Expected volatility %	85.28 - 88.37	28.42 - 53.58
Weighted average share price in €	4.30	6.94
Weighted average exercise price in €	4.31	2.08

For the purposes of calculating compensation costs for 2010 and 2009, 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 2010, total compensation cost was € 3.0 million, which is being recognized over the expected vesting period of those stock options. There were no stock options issued during 2009.

Compensation cost related to stock options included in the statements of operations during 2010 and 2009 was € 0.3 million and € 0.3 million, respectively.

As of December 31, 2010, there was € 2.0 million (2009: € 0.4 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 46 months (2009: 43 months).

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	7.51
8.65 - 13.95	99,500	12.87	7.00
14.55 - 45.50	62,322	21.20	2.87
46.65 - 77.60	167,800	49.78	2.99
96.50 - 118.60	3,460	101.87	6.13
	1,732,923	**9.26**	**6.87**

The following table represents weighted-average exercise price and contractual life information regarding outstanding stock options at December 31, 2009:

Stock Options Outstanding

Range of Exercise Prices in €	Number	Weighted-Average Exercise Price in €	Weighted-Average Remaining Contractual Life (years)
1.45 - 5.30	1,202,052	1.45	3.2
8.65 - 13.95	110,636	12.82	7.8
14.50 - 46.00	151,508	23.29	2.0
46.65 - 77.60	180,440	49.63	4.0
80.15 - 170.10	119,810	94.29	0.7
	1,764,446	**15.27**	**3.3**

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

30. 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 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 merger of GPC Biotech AG into Agennix AG completed on November 5, 2009 (Note 3), the nominal price per bond was adjusted to reflect the merger exchange ratio and multiplied by 5.

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, 2010 and 2009:

	2010		2009	
	Convertible Bonds	Weighted Average Exercise Price	Convertible Bonds	Weighted Average Exercise Price
Outstanding at January 1	43,976	€ 51.79	371,294	€ 73.00
Granted	-	-	-	-
Exercised	-	-	-	-
Forfeited	(2,000)	€ 96.50	(183,800)	€ 94.02
Expired	-		(143,518)	€ 52.55
Outstanding at December 31	41,976	€ 49.66	43,976	€ 51.79
Exercisable at December 31	31,976	€ 35.01	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 and represents an estimate of the period when both the service and market conditions are expected to be satisfied.

Compensation cost related to convertible bonds included in the statements of operations was € 0.4 million and a credit of € 2.9 million in 2010 and 2009, respectively. The 2009 credit was due to forfeitures.

As of December 31, 2010, there was € 0.2 million (2009: € 0.3 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 26 months (2009: 39 months).

The following tables represent 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**

The following tables represent weighted-average exercise price and contractual life information regarding outstanding convertible bonds at December 31, 2009:

Convertible Bonds Outstanding

Range of Exercise Prices in €	Number	Weighted verage Exercise Price in €	Weighted-Average Remaining Contractual Life (years)
21.80 – 24.80	19,976	23.75	3.2
53.35 – 96.50	24,000	75.12	6.3
	43,976	**51.79**	**4.9**

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, decreasing the amount recorded as compensation cost within share premium. The discount on the outstanding convertible bonds was fully amortized as of December 31, 2009.

The total fair value of the liability component of convertible bonds at December 31, 2010 and 2009, was € 0.2 million and € 0.4 million, respectively.

31. Commitments and Contingencies

Operating Lease Commitments

Future minimum lease commitments for all non-cancellable operating leases for the years ended December 31, 2010 and 2009, are as follows (in thousand €):

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

Non-cancellable operating leases	2009
2010	526
2011	180
Thereafter	-
Total as of December 31, 2009	**706**

DSM Purchase Commitment

As part of the business combination completed on November 5, 2009 (Note 3), the Company acquired a manufacturing and supply agreement with DSM Capua S.p.A. (DSM) to supply the Company with talactoferrin bulk drug substance. Under this agreement, the Company has an annual minimum purchase commitment of € 1.8 million. The shortfall in product purchased during the year ended December 31, 2010 of approximately € 0.7 million will be added to the minimum purchase obligation for 2011, as such the Company's minimum purchase commitment for 2011 would amount to € 2.5 million. The initial term of the agreement with DSM (as amended on December 21, 2009) remains in effect until January 1, 2011 and automatically renews thereafter for additional one-year terms unless terminated by either party with an 18-month written notice. As of the date of these consolidated financial statements neither party has provided a notice of termination, and the earliest date the agreement could be terminated would be December 31, 2012.

Other Commitments

The Company has entered into various purchase commitments for services and materials as part of the 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 will 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 former shareholders of GPC Biotech AG 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 former shareholders of GPC Biotech AG commenced similar proceedings in January and February 2010 and the proceedings have been consolidated before the same court in Munich. A reply brief was filed by the Company on May 6, 2010. An oral hearing was held on August 5, 2010, at which the court addressed certain issues in the case and heard statements from the parties. The plaintiffs sought an additional cash payment to former shareholders of GPC Biotech AG.

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 estimates 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.The plaintiffs have the right to appeal the decision until March 21, 2011. On March 4, 2011, the Company was informed that two shareholders have filed an appeal to the court's decision. Management believes that the appeals are without merit and no additional provision were recognized in connection with this litigation.

32. Related Party Disclosures

During 2010 and 2009, the Company received approximately € 5,000 and € 0 from Morphosys AG, a related party to the Company, for the sale of some equipment. Morphosys AG is a related party to the Company due to the fact that Dr. Jürgen Drews, who is a member of the Company's Supervisory Board, is Deputy Chairman of Morphosys AG's Supervisory Board. There were no other cash receipts, or any cash payments or outstanding balances to or from Morphosys AG in 2010 and 2009.

During 2010 and 2009, the Company paid € 0.3 million and € 0.3 million, respectively, to Rittershaus. The Company also had accrued expenses of approximately € 30,000 and € 36,000 at December 31, 2010 and 2009, 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. There were no other cash payments or outstanding balances to Rittershaus in 2010 or 2009.

During 2010 and 2009, the Company paid approximately € 69,000 and € 2,000, respectively, to Dr. Frank Young. The Company also had accrued expenses of approximately € 1,000 and € 6,000 at December 31, 2010 and 2009, 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 advisory agreement between the two parties. There were no other cash payments or outstanding balances to Dr. Young in 2010 or 2009.

During 2010 and 2009, the Company paid € 0.1 million and € 0, respectively, to LIFE Biosystems. The Company had no accrued expenses at December 31, 2010 and 2009, respectively. LIFE Biosystems is a related party to the Company because, Dr. Friedrich von Bohlen und Halbach, is the Chairman of the Supervisory Board of LIFE Biosystems' Supervisory Board which currently performs external R&D for the Company. There were no other cash payments or outstanding balances to LIFE Biosystems in 2010 or 2009.

On July 23, 2010, the Company announced that it had entered into an agreement with dievini pursuant to which dievini provided a € 15.0 million loan to Agennix AG at an interest rate of 6% per annum (Note 27). Dievini is a shareholder of the Company (a controlling shareholder after the public offering completed in October 2010 (Note 25). As of December 31, 2010, the amount payable to dievini totaled € 15.4 million (2009: € 0), including interest accrued of € 0.4 million which is charged to finance costs in the accompanying consolidated statement of operations.

In 2001, the Company entered into a manufacturing and supply agreement with DSM Capua S.p.A. to supply the Company with talactoferrin bulk drug substance. DSM Capua S.p.A was a related party to the Company due to the fact that one of the Company's previous Supervisory Board members, Dr. Robert van Leen, is the Chief Innovative Officer at Koninklijke DSM N.V. ("DSM"), DSM Capua S.p.A's parent. During 2009, the company paid € 0.3 million to DSM and had accrued expenses of € 1.5 million to DSM. Upon Dr. van Leen's resignation from Agennix's Supervisory Board in the fourth quarter of 2010, DSM was no longer considered a related party to the Company.

Compensation of Management Board and Supervisory Board

		Annual Compensation		All Other Compensation [4]
Year ended December 31, 2010	Months of Service	Salary (€)	Cash Bonus (€)	(€)
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, L.L.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 (See Note 34 for further details.)
(3) Announced resignation as Supervisory Board member on March 4, 2011. Dr. von Bohlen und Halbach is filling this seat (See Note 34 for further details).
(4) Represents employer contributions to a defined contribution plan and household allowances.

		Annual Compensation		All Other Compensation [4]
Year ended December 31, 2009	Months of Service	Salary (€)	Cash Bonus (€)	(€)
Management Board				
Friedrich von Bohlen und Halbach, Ph.D. [3]	2	37,333	-	-
Torsten Hombeck, Ph.D.	12	269,458	-	942
Rajesh Malik, M.D. [3]	2	46,448	-	-
Bernd Seizinger, M.D., Ph.D [1]	6	248,017	-	1,521,178
Supervisory Board				
Christof Hettich, L.L.D (Chairman) [3]	3	3,014	-	-
Frank Young, M.D., Ph.D. (Vice Chairman) [3]	3	2,260	-	-
Jürgen Drews, M.D., Ph.D.	12	34,562	-	-
Bernd Seizinger, M.D., Ph.D [1]	6	7,096	-	-
James Weaver III [3]	3	1,507	-	-
Robert van Leen, Ph.D. [3]	3	1,507	-	-
Metin Colpan, Ph.D. [1]	7	13,315	-	-
Peter Preuss [1]	7	14,979	-	-
Donald Soltysiak [1]	7	11,651	-	-
Michael Lytton, J.D. [1]	6	14,301	-	-
James Frates [2]	10	24,959	-	-

(1) Dr. Seizinger's term as Chief Executive Officer of GPC Biotech AG ended on June 23, 2009, at the annual shareholders meeting. At this meeting, Dr. Seizinger was elected to GPC Biotech AG's Supervisory Board by the shareholders, replacing Mr. Lytton who resigned from the Board at the end of the meeting. In addition, the shareholders approved a reduction in the size of GPC Biotech AG's Supervisory Board from six to three members, which became effective in August 2009 upon registration with the commercial register of this change as an amendment to the articles of association of GPC Biotech AG. In connection with this change, Dr. Colpan, Mr. Preuss and Mr. Soltysiak resigned from the Board.
(2) Mr. Frates' term ended upon completion of the merger of GPC Biotech AG into Agennix AG on November 5, 2009.
(3) Elected to the respective board of Agennix AG effective upon completion of the merger of GPC Biotech AG into Agennix AG on November 5, 2009.
(4) Represents employer contributions to a defined contribution plan and, in Dr. Seizinger case, a €1.5 million one-time payment which approximated the compensation due him for the remaining term of his service agreement.

Shareholdings of Management Board and Supervisory Board

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 May 31, 2010, the Company granted 264,292 share options to members of the Management Board. Fair value of the options at the date of grant was estimated at € 3.04 per option. Refer to Note 29 for further details on the stock option plan.

Year ended December 31, 2009	Number of Shares	Number of Options	Number of Convertible Bonds
Management Board			
Friedrich von Bohlen und Halbach, Ph.D.	-	-	-
Torsten Hombeck, Ph.D.	-	34,540	-
Rajesh Malik, M.D.	-	67,344	-
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	2,000	-
Bernd Seizinger, M.D., Ph.D (1)	50,000	157,800	17,701
James Weaver III	113,080	-	-
Robert van Leen, Ph.D.	-	-	-

(1) Dr. Bernd Seizinger's term as Chief Executive Officer of GPC Biotech AG ended at the end of the Annual Shareholders' Meeting on June 23, 2009. At this meeting, Dr. Seizinger was elected to GPC Biotech AG's Supervisory Board by the shareholders, replacing Mr. Michael Lytton who resigned from the Board at the end of the meeting. In addition, the shareholders approved a reduction to the size of GPC Biotech AG's Supervisory Board from six to three members, which became effective in August 2009 upon registration with the commercial register of this change as an amendment to the articles of association of GPC Biotech AG. In connection with this change, Dr. Metin Colpan, Mr. Peter Preuss and Mr. Donald Soltysiak resigned from the Board.

Dr. Seizinger joined the Supervisory Board of Agennix AG in 2009. Dr. Seizinger resigned from his position as GPC Biotech AG's Chief Executive Officer (Chairman of the Management Board) after the shareholder meeting on June 30, 2009. Under the terms of the severance agreement entered into by the Company and Dr. Seizinger in February 2009, Dr. Seizinger waived his right to the severance payment provided for in his service agreement (in the approximate amount of € 1.7 million). Upon his departure, the Company made a one-time payment of € 1.5 million to Dr. Seizinger which represented the approximate amount of compensation due to him for the remaining term of his five-year service agreement entered into March 2007.

There are no provisions in the service agreements of the members of the Management Board providing any form of compensation related to a change in control of the Company.

Dr. Hombeck is entitled to severance benefits in the amount of 100%of his last annual salary in the event that the Supervisory Board determines not to renew his service agreement on comparable terms beyond its current term, which ends November 5, 2011. In the event that Dr. Hombeck 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 due to the early termination of the agreement plus one year's salary. 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.

In the event that Dr. Malik is removed from office without good cause or his appointment is not extended through December 31, 2012, he has the right to terminate his service agreement and is entitled to receive a payment in the amount of the compensation not received 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.

33. 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, 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 is generally 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. Fluctuations between the euro and the U.S. dollar can affect the financial results of the Company. The U.S. dollar denominated proportion of the operating costs and revenues can vary from year to year. In 2010 and 2009, a significant amount of the expenses of the Company was 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.

	Increase/decrease in US dollar rate	Effect on loss before tax in € 000
2010	+10%	7,096
	-10%	(7,096)
2009 [1]	+10%	1,569
	-10%	(1,569)

(1) 2009 effects of changes in US dollar exchange rate were adjusted to conform to the current year presentation.

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, 2010 and 2009, 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, other current financial assets and available-for-sale investments. 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. With the recognition of € 7.4 million of deferred revenue, one partner, Yakult, accounted for 96% of total revenues for 2009. No other partners or customers accounted for more than 10% of total revenues in 2010 and 2009, and there is no other significant concentration of credit risk.

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, as well as, other current financial assets and available-for-sale investments, 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, 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 ending December 31, 2010 and 2009.

34. Subsequent Events

On February 11, 2011, the court issued a decision rejecting the claims of the plaintiffs for an additional cash payment relating to the merger litigation discussed in Note 31 above. The court ordered that the Company pay the court costs and out–of-court costs of the plaintiffs. The Company estimates the expense relating to this ruling to be approximately € 0.3 million which was accrued at December 31, 2010 and included in administrative expenses for the year then ended. The plaintiffs have the right to appeal the decision until March 21, 2011. On March 4, 2011, the Company was informed that two shareholders have filed an appeal to the court's decision. Management believes that the appeals are without merit and no additional provision was recognized in connection with this litigation.

On March 4, 2011, the Company announced changes to both its Management Board and Supervisory Board.

Management Board Changes

Dr. 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 has been appointed to serve as spokesperson of the Management Board.

Supervisory Board Changes

On March 4, 2010 Dr. Juergen Drews has informed the Company that he is resigning from the Board. As previously provided for at the time of the closing of the merger of GPC Biotech into Agennix AG in November 2009, Dr. von Bohlen will be filling 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. Mr. Feinsilver had previously been named as a replacement member for Dr. van Leen at the time of the closing of the merger.

35. Ownership of Subsidiaries

Consolidated subsidiaries as of December 31, 2010

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, Incorporated, Princeton, New Jersey, USA	USD	75.4546	100	29	(6,253)
Agennix Incorporated, Houston, Texas, USA	USD	75.4546	100	59,707	(26,637)

36. Number of Employees

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

	2010	2009
Research and Development	26	24
Administrative	30	32
Total	**56**	**56**

37. 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 2010 were € 778,000 and comprise fees for year-end audit services of € 239,000, fees for audit-related services including quarterly reviews and consulting services relating to the comfort letter of € 472,000, tax consulting services of € 50,000 and other services including translation of € 17,000.

38. 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.

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 15, 2011

The Management Board ("Vorstand")

Dr. Torsten Hombeck

Dr. Rajesh Malik

Management Board

Torsten Hombeck, Ph.D.

Chief Financial Officer
Dr. Torsten Hombeck serves as Chief Financial Officer. Prior to serving as Chief Financial Officer of Agennix AG, he held positions of increasing responsibility in finance at GPC Biotech, which he joined in 1999, including the position of Chief Financial Officer starting December 2007. Dr. Hombeck previously held positions in corporate finance and controlling at Beiersdorf AG, an international branded consumer products company. Dr. Hombeck holds a Masters degree in business administration from the European Business School in Oestrich-Winkel, Germany, where he also received his Ph.D. in Finance. Dr. Hombeck serves as a board member of Flakeboard America Ltd., a North American producer of composite wood products.

Rajesh Malik, M.D.

Chief Medical Officer
Dr. Rajesh Malik serves as Chief Medical Officer. He joined Agennix Inc. as Chief Medical Officer in January 2007. Dr. Malik has more than 25 years of combined clinical and industry oncology experience. Before joining Agennix, he was Chief Medical Officer at Adherex Technologies, where he directed global clinical and regulatory development strategy for three oncology product candidates. He was also previously Executive Director at EMD Pharmaceuticals, the U.S. affiliate of Merck KGaA, where he directed the global clinical development strategy for several oncology product candidates. Dr. Malik also served as Associate Director at Bristol-Myers Squibb, where he was responsible for the global clinical development strategy for an oral taxane and for the company's pediatric initiatives. Dr. Malik received his M.D. from the University of Sheffield Medical School in the United Kingdom. He served his residency at Duke University Medical Center and hematology-oncology fellowships at Children's Hospital of Philadelphia and Duke University Medical Center.

Corporate Calendar and Contacts

2011 Corporate Calendar

- **March 16**
  Publication of results for fiscal year 2010
- **May 4**
  Publication of results for first three months 2011
- **May 10**
  Annual Shareholders' Meeting, Munich, Germany
- **August 4**
  Publication of results for first six months 2010
- **November 3**
  Publication of results for first nine months 2010

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Copy Deadline

March 16, 2011 (subjects unrelated to financials)

This Annual Report 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, many of which are beyond the control of the Company, 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. There can be no guarantee that the results of the FORTIS-M trial or other ongoing studies with talactoferrin will be obtained when expected, will be positive or will be adequate to support a marketing approval. Additionally, there can be no guarantee that talactoferrin will be approved for marketing in any country or at all. Actual results could differ materially depending on a number of factors, and management cautions investors not to place undue reliance on the forward-looking statements contained in this Annual Report. 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.

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