Company Announcement no. 11/2012

To: NASDAQ OMX Copenhagen A/S

Hørsholm, Denmark, 22 August, 2012

Veloxis Pharmaceuticals announces financial results for the first half 2012, anticipated financing, revised EU regulatory filing strategy and revised outlook for 2012. Phase III activities for LCP-Tacro™ progressing according to plan.

Highlights:

- Veloxis development activities for LCP-Tacro™ are proceeding in line with expectations. Enrollment has been completed in the pivotal LCP-Tacro 3002 Phase III study in *de novo* kidney transplant patients. The LCP-Tacro 3002 study is designed to demonstrate non-inferiority versus standard therapy Prograf® and 543 patients have been randomized at approximately 90 clinical sites around the world. Results are expected mid-2013.

- Veloxis STRATO Study of LCP-Tacro™ in Kidney Transplant Recipients Experiencing Tremors is progressing according to plan. The study is designed to explore whether a conversion of patients who have symptomatic tremor from treatment with standard immediate release twice-daily tacrolimus capsules to extended release once-daily LCP-Tacro™ tablets leads to a measurable improvement in tremor.

- The Company has met with EMA representatives to discuss the MAA filing for LCP-Tacro™ and have agreed to defer filing to 2013.

- Veloxis is announcing its intent to obtain further financing through a rights issue, anticipated to be launched in the fourth quarter of 2012, to raise gross proceeds of approximately DKK 425 million. The Company's two largest shareholders, Lundbeckfond Invest A/S and Novo A/S, have expressed their intention to support the financing. Based on the support expressed by the major shareholders the Company expects that the share price of the offering will be no less than DKK 0.35.

- The Company intends in late August to call an EGM for September to approve the proposed financing. Detailed information to shareholders will be included in the notice convening the EGM in late August.

- Veloxis reported a net loss of DKK 160.6 million for the first half of 2012 compared to a net loss of DKK 141.2 million for the same period in 2011. Veloxis announces revised outlook for 2012.

- For the first half of 2012, Veloxis' research and development costs amounted to DKK 119.5 million compared to DKK 117.2 million during the same period in 2011.

- On 30 June, 2012, Veloxis had cash and cash equivalents of DKK 152.7 million.

Outlook for 2012

Veloxis changes its 2012 outlook from previously announced DKK 220 - 250 to DKK 240 – 270 million in operating loss due to restructuring cost incurred in the second quarter of 2012. The Company's cash and cash equivalents position as at 31 December, 2012 is maintained as announced in the annual report for 2011, and is expected to be in the range of DKK 40–80 million. The outlook is without giving the effect to the planned financing anticipated during the fourth quarter 2012.

Financial calendar for 2013

6 March, 2013:	Release of Annual Report 2012.
17 April, 2013:	Annual General Meeting.
15 May, 2013:	Interim Report for the 1st Quarter - for the period 1 January to 31 March, 2013.
21 August, 2013:	Interim Report for the 2nd Quarter – for the period 1 January to 30 June, 2013.
13 November, 2013:	Interim Report for the 3rd Quarter – for the period 1 January to 30 September, 2013.

Conference call

A conference call will be held tomorrow, 23 August, 2012 at 8:00 AM CET (Denmark); 7:00 AM GMT (London).

To access the live conference call, please dial one of the following numbers:
+45 32 72 76 25 (Denmark)
+44 (0) 1452 555 566 (UK)
+1 631 510 7498 (USA)
Access code 21465742

Following the conference call, a recording will be available on the company's website http://www.veloxis.com.

This company announcement does not constitute an offer to sell or the solicitation of an offer to buy, any securities. No offer or sale of any securities will be made in any jurisdiction in which such offer, solicitation or sale would be unlawful. Any securities to be offered have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "US Securities Act"), or any applicable securities laws of any state of the United States, and may not be offered or sold in the United States absent such registration or an applicable exemption from such registration requirements. If the proposed rights issue is consummated, any preemptive rights and/or offer shares will be offered in the United States solely to Qualified Institutional Buyers in reliance on Rule 144A under the US Securities Act, and outside the United States in offshore transactions in reliance on Regulation S under the US Securities Act.

Research & development update

LCP-Tacro™ in kidney transplant patients

Veloxis has completed one Phase III study and has commenced a second Phase III study of LCP-Tacro™ in kidney transplant recipients as the basis for its development programme for LCP-Tacro™ as a once-daily agent for the prophylaxis of organ rejection in kidney transplantation. The first of these studies, the 3001 Study was a non-inferiority study performed in 326 stable kidney transplant recipients, and was successfully completed in 2011, meeting its primary efficacy and safety endpoints when compared to Prograf® (tacrolimus, Astellas Pharma Inc.). The second study, Study 3002 is being undertaken in *de novo* kidney transplant recipients. This study is a randomized, double-blind, multicenter study that compares once-daily LCP-Tacro™ against twice-daily Prograf® in *de novo* adult kidney transplant patients. The primary endpoint of the study, a composite endpoint (biopsy proven acute rejection, graft failure, loss to follow up or death), will be evaluated after a 12-month treatment period to demonstrate the non-inferiority of LCP-Tacro™ compared to Prograf®. Secondary endpoints will include safety, tolerability and renal function assessments. The study completed enrollment in March 2012 of 543 subjects at approximately 90 transplant centers, primarily in the U.S and Europe. Results from this study are expected mid-2013. Patients will participate in a 12-month extension period on treatment for follow-up safety assessments.

In addition to the pivotal Phase III studies, Veloxis is planning a series of Phase IIIb/IV studies to further evaluate potential differences in clinical profile provided by LCP-Tacro's unique PK profile. The first study initiated is the STRATO (Switching kidney TRAnsplant patients with Tremor to LCP-tacrO) study of LCP-Tacro™ in kidney transplant recipients experiencing drug-induced tremors. The STRATO study is designed to explore whether a conversion of patients who have symptomatic tremor from treatment with standard immediate release twice-daily tacrolimus capsules to extended release once-daily LCP-Tacro™ tablets leads to a measurable improvement in tremor.

LCP-Tacro™ Regulatory Strategy

The Company has met with EMA (European Medicines Agency) representatives to discuss the MAA (Marketing Authorization Application) filing for LCP-Tacro™ for the prophylaxis of organ rejection and based on these discussions the company has decided to defer filing to 2013. The revised timing will enable the Company to submit requested manufacturing data to the EMA in the initial MAA. These data have now been generated. The Company will seek EMA rapporteur advice to discuss the optimal timing for regulatory submission including consideration of timing the MAA submission relative to the availability of the 3002 de novo study data. The U.S. submission to the FDA (Food and Drug Administration) is planned for the second half of 2013.

Financing

The Board of Directors intends to proceed with an equity financing to support the Company through LCP-Tacro™ regulatory submissions, the estimated one-year regulatory review periods, and initial product launch in the US. In this regard, the Company will propose raising gross proceeds of approximately DKK 425 million through a rights issue. Lundbeckfond Invest A/S and Novo A/S, the Company's two largest shareholders have each expressed their intent to subscribe for their pro-rata amount of the financing and, beyond this, have expressed their intention to subscribe any unsubscribed portion. The two major shareholders have indicated that they will support a share price which is no less than DKK 0.35 for the rights offering. The Company will in late August call an EGM for September and request authorization to issue up to approximately 1,350,000,000 new Company shares, at the discretion of the Board.

Financial Highlights

	YTD 2012 DKK'000	YTD 2011 DKK'000	Q2 2012 DKK'000	Q2 2011 DKK'000	Year 2011 DKK'000
Income Statement					
Revenue	-	-	-	-	-
Research and development costs	(119,487)	(117,212)	(56,639)	(64,951)	(222,053)
Administrative expenses	(19,693)	(23,861)	(9,462)	(12,137)	(47,814)
Operating loss before restructuring cost	(139,180)	(141,073)	(66,101)	(77,088)	(269,867)
Restructuring cost	(21,462)	-	(21,462)	-	-
Operating loss	(160,642)	(141,073)	(87,563)	(77,088)	(269,867)
Net financial income / (expenses)	459	158	2,051	2,008	16,048
Loss before tax	(160,183)	(140,915)	(85,512)	(75,080)	(253,819)
Tax for the period	(448)	(300)	(130)	(300)	1,193
Net loss for the period	(160,631)	(141,215)	(85,642)	(75,380)	(252,626)
Balance Sheet					
Cash and cash equivalents	152,720	402,213	152,720	402,213	297,727
Total assets	167,799	426,860	167,799	426,860	320,927
Share capital	45,254	452,543	45,254	452,543	452,543
Total equity	98,968	363,606	98,968	363,606	255,900
Investment in property, plant and equipment	217	1,256	126	635	2,981
Cash Flow Statement					
Cash flow from operating activities	(142,764)	(122,017)	(62,400)	(56,621)	(234,637)
Cash flow from investing activities	53,607	(221,757)	24,174	77,845	(169,778)
Cash flow from financing activities	(2,395)	(2,832)	(1,085)	(1,426)	(5,948)
Cash and cash equivalents at period end	152,720	402,213	152,720	402,213	297,727
Financial Ratios					
Basic and diluted EPS	(0.35)	(0.31)	(0.19)	(0.17)	(0.56)
Weighted average number of shares	452,542,480	452,542,480	452,542,480	452,542,480	452,542,480
Average number of employees (FTEs)	55	53	55	52	52
Assets/equity	1.70	1.17	1.70	1.17	1.25

The interim report is unaudited.

Revenue
For the first half of 2012 Veloxis had no revenue as in the same period of 2011.

Research and development costs
For the first half of 2012, Veloxis' research and development costs amounted to DKK 119.5 million compared to DKK 117.2 million during the same period in 2011. Research and development costs are mainly attributable to the ongoing phase III trial in LCP-Tacro™ (*de novo* patients, Study 3002).

Administrative expenses
For the first half of 2012, Veloxis' administrative cost amounted to DKK 19.7 million compared to DKK 23.9 million during the same period in 2011.

Restructuring cost
Restructuring cost includes salary payments to former employees in connection with the reduction in headcount effected in May 2012 and a write-down of laboratory equipment and laboratory improvements due to the discontinuation of pipeline activities not related to LCP-Tacro™.

Compensation costs
For the first half of 2012, a total of DKK 3.5 million was recognized as share-based compensation. The cost is included in R&D and G&A. The comparable cost for 2011 was DKK 6.3 million.

In the second quarter of 2012, a total of 2,137,916 warrants have been cancelled.

As of 30 June, 2012, there were a total of 27,638,230 warrants outstanding at an average strike price of DKK 3.2. Members of the Board of Directors held 474,735 warrants at an average strike price of DKK 6.0. Members of the Executive Management held 8,914,466 warrants at an average strike price of DKK 1.6, while other current and former employees held 18,249,029 warrants at an average strike price of DKK 3.9.

Please refer to Veloxis' latest annual report for additional details on the Company's warrant programs.

Operating loss
Veloxis' operating loss for the first half of 2012 was DKK 160.6 million compared to DKK 141.1 million in the corresponding period of 2011.

Financial income
During the first half of 2012, the Company recognized net financial income of DKK 0.5 million compared to net financial income of DKK 0.2 million in the corresponding period of 2011. The gain is mainly attributable to interest and gains on investment bonds.

Net loss
Veloxis' net loss for the first half of 2012 was DKK 160.6 million compared to DKK 141.2 million in the corresponding period of 2011.

Cash flow

As at 30 June, 2012, the balance sheet reflects cash and cash equivalents of DKK 152.7 million compared to DKK 297.7 million as at 31 December, 2011. This represents a decrease of DKK 145.0 million primarily reflecting the Company's operating activities for the period.

Balance sheet

As per 30 June, 2012, total assets were DKK 167.8 million compared to DKK 320.9 million at the end of 2011.

Shareholders' equity equalled DKK 99.0 million as of 30 June, 2012, compared to DKK 255.9 million at the end of 2011.

As approved at the annual general meeting on 18 April 2012 the company's share capital was decreased by nominally DKK 407,288,232 from nominally DKK 452,542,480 to nominally DKK 45,254,248, and the per share nominal value was reduced from DKK 1.00 to DKK 0.10.

Financial review

Veloxis reports its financial statements in Danish Kroner (DKK), which is the functional currency of the Company and the group. Solely for the convenience of the reader, this Interim Report contains a conversion of certain DKK amounts into Euro (EUR) at a specified rate. These converted amounts should not be construed as representations that the DKK amounts actually represent such EUR amounts or could be converted into EUR at the rate indicated or at any other rate. Unless otherwise indicated, conversion herein of financial information into EUR has been made using the Danish Central Bank's spot rate on 30 June, 2012, which was EUR 1.00 = DKK 7.4334.

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The forward looking statements and targets contained herein are based on the current view and assumptions of the Executive Management and the Board of Directors of Veloxis Pharmaceuticals A/S. Such statements involve known and unknown risks and uncertainties that may cause actual results, performance or events to differ materially from those anticipated herein. Veloxis Pharmaceuticals A/S expressly disclaim any obligation or undertaking to update or revise any forward looking statements, targets or estimates contained in this interim report to reflect any change in events, conditions, assumptions, or circulations on which any such statements are based unless required by applicable law.

About LCP-Tacro™ and tacrolimus

Tacrolimus is a leading immunosuppression drug used for the prevention of transplant allograft rejection after organ transplantation. LCP-Tacro™ is being developed as a once-daily tablet version of tacrolimus, with improved bioavailability, consistent pharmacokinetic performance and reduced peak-to-trough variability when compared to currently approved tacrolimus products. Transplant patients need to maintain a minimum blood level of tacrolimus for the prevention of transplant allograft rejection, but excessive levels may increase the risk of serious side effects such as nephrotoxicity, tremor, diabetes, high blood pressure, and opportunistic infections. Therefore, tacrolimus levels need to be managed carefully, and transplant patients are typically obliged to make frequent visits to the hospital for monitoring and dose adjustments after receiving a new organ.

About Veloxis Pharmaceuticals

Based in Hørsholm, Denmark, with a subsidiary in New Jersey. Veloxis is a speciality pharmaceutical company currently focused on the development of LCP-Tacro™ for the prevention of organ rejection in kidney transplant patients. Veloxis' unique, patented delivery technology, MeltDose®, can improve absorption and bioavailability at low-scale up costs.. Veloxis is listed on the NASDAQ OMX Copenhagen under the trading symbol OMX: VELO.

For further information, please visit http://www.veloxis.com.

Executive Management's and the Board of Directors' Statement on the Interim Report

The Executive Management and the Board of Directors have considered and adopted the Interim Report of Veloxis Pharmaceuticals A/S.

The Interim Report is prepared in accordance with International Accounting Standard No. 34 (IAS 34), "Interim Financial Reporting" and additional Danish disclosure requirements for financial reporting of listed companies.

We consider the applied accounting policies to be appropriate and, in our opinion, the Interim Report gives a true and fair view of the assets and liabilities, financial position, results of the operation and cash flow of the group for the period under review. Furthermore, in our opinion the management review includes a fair review of the development and performance of the business and the financial position of the group, together with a description of the material risks and uncertainties the group faces.

Hørsholm, 22 August, 2012

Executive Management

Dr. William J. Polvino	Johnny Stilou
President & CEO	Executive Vice President & CFO

Board of Directors

Kim Bjørnstrup	Thomas Dyrberg	Kurt Anker Nielsen
(Chairman)	(Deputy Chairman)	
Anders Götzsche	Mette Kirstine Agger	Ed Penhoet

Financial Highlights
Quarterly Numbers in DKK

	Q2 2012 DKK'000	Q1 2012 DKK'000	Q4 2011 DKK'000	Q3 2011 DKK'000	Q2 2011 DKK'000	Q1 2011 DKK'000
Income Statement						
Revenue	-	-	-	-	-	-
Research and development costs	(56,639)	(62,848)	(61,763)	(43,079)	(64,951)	(52,261)
Administrative expenses	(9,462)	(10,231)	(11,385)	(12,568)	(12,137)	(11,724)
Operating loss before restructuring cost	(66,101)	(73,079)	(73,148)	(55,647)	(77,088)	(63,985)
Restructuring cost	(21,462)	-	-	-	-	-
Operating loss	(87,563)	(73,079)	(73,148)	(55,647)	(77,088)	(63,985)
Net financial income / (expenses)	2,051	(1,592)	4,528	11,363	2,008	(1,850)
Loss before tax	(85,512)	(74,671)	(68,620)	(44,284)	(75,080)	(65,835)
Tax for the period	(130)	(318)	373	1,120	(300)	-
Net loss for the period	(85,642)	(74,989)	(68,247)	(43,164)	(75,380)	(65,835)
Balance Sheet						
Cash and cash equivalents	152,720	213,786	297,727	348,252	402,213	462,319
Total assets	167,799	235,187	320,927	370,865	426,860	490,578
Share capital	45,254	452,543	452,543	452,543	452,543	452,543
Total equity	98,968	182,545	255,900	322,516	363,606	436,200
Investment in property, plant and equipment	126	91	1,123	602	635	621
Cash Flow Statement						
Cash flow from operating activities	(62,400)	(80,364)	(52,139)	(60,481)	(56,621)	(65,396)
Cash flow from investing activities	24,174	29,433	26,101	25,878	77,845	(299,602)
Cash flow from financing activities	(1,085)	(1,310)	(1,670)	(1,445)	(1,426)	(1,407)
Cash and cash equivalents at period end	152,720	213,786	297,727	348,252	402,213	462,319
Financial Ratios						
Basic and diluted EPS	(0.19)	(0.17)	(0.15)	(0.10)	(0.17)	(0.15)
Weighted average number of shares	452,542,480	452,542,480	452,542,480	452,542,480	452,542,480	452,542,480
Average number of employees (FTEs)	55	55	51	51	52	54
Assets/equity	1.70	1.29	1.25	1.15	1.17	1.12

Financial Highlights
Quarterly Numbers in EUR

	Q2 2012 EUR'000	Q1 2012 EUR'000	Q4 2011 EUR'000	Q3 2011 EUR'000	Q2 2011 EUR'000	Q1 2011 EUR'000
Income Statement						
Revenue	-	-	-	-	-	-
Research and development costs	(7,620)	(8,455)	(8,309)	(5,795)	(8,738)	(7,031)
Administrative expenses	(1,273)	(1,376)	(1,531)	(1,691)	(1,632)	(1,577)
Operating loss before restructuring cost	(8,893)	(9,831)	(9,840)	(7,486)	(10,370)	(8,608)
Restructuring cost	(2,887)	-	-	-	-	-
Operating loss	(11,780)	(9,831)	(9,840)	(7,486)	(10,370)	(8,608)
Net financial income / (expenses)	276	(214)	609	1,529	270	(249)
Loss before tax	(11,504)	(10,045)	(9,231)	(5,957)	(10,100)	(8,857)
Tax for the period	(17)	(43)	50	150	(41)	-
Net loss for the period	(11,521)	(10,088)	(9,181)	(5,807)	(10,141)	(8,857)
Balance Sheet						
Cash and cash equivalents	20,545	28,760	40,053	46,850	54,109	62,195
Total assets	22,574	31,639	43,174	49,892	57,425	65,996
Share capital	6,088	60,880	60,880	60,880	60,880	60,880
Total equity	13,314	24,557	34,426	43,387	48,915	58,681
Investment in property, plant and equipment	17	12	151	81	85	84
Cash Flow Statement						
Cash flow from operating activities	(8,395)	(10,811)	(7,014)	(8,136)	(7,617)	(8,798)
Cash flow from investing activities	3,252	3,960	3,511	3,481	10,472	(40,305)
Cash flow from financing activities	(146)	(176)	(225)	(194)	(192)	(189)
Cash and cash equivalents at period end	20,545	28,760	40,053	46,850	54,109	62,195
Financial Ratios						
Basic and diluted EPS	(0.03)	(0.02)	(0.02)	(0.01)	(0.02)	(0.02)
Weighted average number of shares	452,542,480	452,542,480	452,542,480	452,542,480	452,542,480	452,542,480
Average number of employees (FTEs)	55	55	51	51	52	54
Assets/equity	1.70	1.29	1.25	1.15	1.17	1.12

Income statement and statement of comprehensive income

Income Statement	Consolidated				
(DKK'000)	**YTD 2012**	**YTD 2011**	**Q2 2012**	**Q2 2011**	**Year 2011**
Revenue	-	-	-	-	-
Research and development costs	(119,487)	(117,212)	(56,639)	(64,951)	(222,053)
Administrative expenses	(19,693)	(23,861)	(9,462)	(12,137)	(47,814)
Operating loss before restructuring cost	**(139,180)**	**(141,073)**	**(66,101)**	**(77,088)**	**(269,867)**
Restructuring cost	(21,462)	-	(21,462)	-	-
Operating loss	**(160,642)**	**(141,073)**	**(87,563)**	**(77,088)**	**(269,867)**
Financial income	5,226	10,253	3,649	8,608	33,238
Financial expenses	(4,767)	(10,095)	(1,598)	(6,600)	(17,190)
Loss before tax	**(160,183)**	**(140,915)**	**(85,512)**	**(75,080)**	**(253,819)**
Tax for the period	(448)	(300)	(130)	(300)	1,193
Net loss for the period	**(160,631)**	**(141,215)**	**(85,642)**	**(75,380)**	**(252,626)**
Basic and diluted EPS	(0.35)	(0.31)	(0.19)	(0.17)	(0.56)
Weighted average number of shares	452,542,480	452,542,480	452,542,480	452,542,480	452,542,480

Statements of comprehensive income	Consolidated				
(DKK'000)	**YTD 2012**	**YTD 2011**	**Q2 2012**	**Q2 2011**	**Year 2011**
Net loss for the period	**(160,631)**	**(141,215)**	**(85,642)**	**(75,380)**	**(252,626)**
Other comprehensive income:					
Currency translation differences	248	307	173	37	(163)
Other comprehensive income for the period	248	307	173	37	(163)
Total comprehensive income for the period	**(160,383)**	**(140,908)**	**(85,469)**	**(75,343)**	**(252,789)**

Balance sheet

Assets	Consolidated		
(DKK'000)	**30 June 2012**	**30 June 2011**	**31 Dec. 2011**
Patent rights and software	2,469	2,120	2,563
Intangible assets	**2,469**	**2,120**	**2,563**
Property, plant and equipment	4,236	10,131	8,967
Leasehold improvements	200	4,937	3,880
Property, plant and equipment	**4,436**	**15,068**	**12,847**
Non-current assets	**6,905**	**17,188**	**15,410**
Other receivables	5,057	6,204	5,480
Prepayments	3,117	1,255	2,310
Receivables	**8,174**	**7,459**	**7,790**
Investment bonds	112,973	221,939	166,797
Cash	39,747	180,274	130,930
Cash and cash equivalents	**152,720**	**402,213**	**297,727**
Current assets	**160,894**	**409,672**	**305,517**
Assets	**167,799**	**426,860**	**320,927**

Balance sheet

Equity & Liabilities	Consolidated		
(DKK'000)	**30 June 2012**	**30 June 2011**	**31 Dec. 2011**
Share capital	45,254	452,543	452,543
Special reserve	407,289	-	-
Translation reserves	2,179	2,401	1,931
Retained earnings/loss	(355,754)	(91,338)	(198,574)
Equity	**98,968**	**363,606**	**255,900**
Finance lease	1,718	5,932	3,715
Non-current liabilities	**1,718**	**5,932**	**3,715**
Finance lease	4,214	5,510	4,612
Trade payables	19,614	21,244	28,263
Other payables	43,285	30,568	28,437
Current liabilities	**67,113**	**57,322**	**61,312**
Liabilities	**68,831**	**63,254**	**65,027**
Equity and liabilities	**167,799**	**426,860**	**320,927**

Cash flow statements

Cash Flow Statement	Consolidated				
(DKK'000)	**YTD 2012**	**YTD 2011**	**Q2 2012**	**Q2 2011**	**Year 2011**
Operating loss	**(160,642)**	**(141,073)**	**(87,563)**	**(77,088)**	**(269,867)**
Share-based payment	3,451	6,276	1,891	2,750	10,451
Depreciation and amortization	8,728	3,793	7,488	1,894	7,320
Changes in working capital	5,544	7,422	15,670	14,071	13,094
Cash flow from operating activities before interest	**(142,919)**	**(123,582)**	**(62,514)**	**(58,373)**	**(239,002)**
Interest received	962	3,344	480	2,298	5,418
Interest paid	(359)	(1,479)	(237)	(246)	(2,246)
Corporate tax paid	(448)	(300)	(129)	(300)	1,193
Cash flow from operating activities	**(142,764)**	**(122,017)**	**(62,400)**	**(56,621)**	**(234,637)**
Purchase of property, plant and equipment	(217)	(1,256)	(126)	(635)	(2,981)
Investments in bonds	(11,935)	(377,668)	(8,174)	(1,637)	(406,128)
Sale of bonds	65,759	155,729	32,474	78,737	239,331
Cash transfer to restricted security deposit	-	1,438	-	1,380	-
Cash flow from investing activities	**53,607**	**(221,757)**	**24,174**	**77,845**	**(169,778)**
Installments on bank borrowings and finance lease	(2,395)	(2,832)	(1,085)	(1,426)	(5,948)
Cash flow from financing activities	**(2,395)**	**(2,832)**	**(1,085)**	**(1,426)**	**(5,948)**
Increase/(decrease) in cash	**(91,552)**	**(346,606)**	**(39,311)**	**19,798**	**(410,363)**
Cash at beginning of period	130,930	530,081	76,513	161,902	531,519
Exchange gains/(losses) on cash	369	(3,201)	2,545	(1,426)	9,774
Cash at end of period	**39,747**	**180,274**	**39,747**	**180,274**	**130,930**
Cash and cash equivalents at end of period comprise:					
Investment bonds	112,973	221,939	112,973	221,939	166,797
Deposit on demand and cash	39,747	180,274	39,747	180,274	130,930
	152,720	**402,213**	**152,720**	**402,213**	**297,727**

Statement of changes in equity

Consolidated Equity	Number of Shares	Share Capital DKK'000	Share Premium DKK'000	Special Reserves DKK'000	Translation Reserves DKK'000	Retained Earnings DKK'000	Total DKK'000
Equity as of 1 January 2011	**452,542,480**	**452,543**	**43,601**	**-**	**2,094**	**-**	**498,238**
Total comprehensive income					307	(141,215)	(140,908)
Share-based payment						6,276	6,276
Transfer of retained earnings			(43,601)			43,601	-
Equity as of 30 June 2011	**452,542,480**	**452,543**	**-**	**-**	**2,401**	**(91,338)**	**363,606**
Total comprehensive income					(470)	(111,411)	(111,881)
Share-based payment						4,175	4,175
Equity as of 31 December 2011	**452,542,480**	**452,543**	**-**	**-**	**1,931**	**(198,574)**	**255,900**
Total comprehensive income					248	(160,631)	(160,383)
Reduction of share capital		(407,289)		407,289			-
Share-based payment						3,451	3,451
Equity as of 30 June 2012	**452,542,480**	**45,254**	**-**	**407,289**	**2,179**	**(355,754)**	**98,968**

Notes

1. Accounting policies

The interim report is prepared in compliance with International Accounting Standard No. 34 (IAS 34), "Interim Financial Reporting" and in accordance with the NASDAQ OMX Copenhagen's financial reporting requirements for listed companies.

There have been no changes in accounting policies used for the interim report compared to the accounting policies used in the preparation of Veloxis Pharmaceuticals' annual report for 2011.

The income statement presents expenses by function and a new subtotal "Operating loss before restructuring costs" which exclude restructuring costs. This subtotal is considered relevant in understanding the financial performance and outlook for 2012 of the group.

2. Accounting estimates

Impairment tests

In accordance with IAS 36, property, plant and equipment are tested for impairment if there are indications of impairment. Due to the restructuring of the organisation announced on 23 May 2012 Management has performed an impairment test of the book value of property, plant and equipment primarily consisting of leasehold improvements and laboratory equipment. According to Veloxis' accounting policies regarding impairment tests a write-down is made to the highest value of an estimated sales price or calculated net present value. Leasehold improvements and certain laboratory equipment will no longer be deployed by Veloxis due to the restructuring. It has been assessed that the value in use and the estimated sales price amount to DKK 0 million. The book value of laboratory equipment still being used by Veloxis as part of the LCP-Tacro Phase III study is considered by management not to be impaired.

On basis of the impairment test a write-down was made on 30 June 2012 of DKK 6.1 million (30 June 2011: DKK 0 million).