2011 ANNUAL REPORT

Veloxis PHARMACEUTICALS

MANAGEMENT REVIEW

FINANCIAL STATEMENTS

To our shareholders

DEAR SHAREHOLDER,
2011 proved to be a very exciting and productive year for Veloxis.

The Company has continued to progress its strategy focusing its efforts on the LCP-Tacro program for transplant patients. LCP-Tacro has advanced through Phase III study in stabile patients with promising results, and the Phase III study in newly transplanted patients is almost fully enrolled. In Phase II, the product has been evaluated with promising results in both liver and kidney transplant patients. Phase III focuses on the larger of the two populations, kidney transplant patients.

Our studies to date have supported the unique benefits of the MeltDose technology used to make the LCP-Tacro product. This technology improves the oral absorption of tacrolimus. We seek to demonstrate the ability to protect transplant recipients against immune rejection with a product that is once-daily and provides very consistent blood levels, in the therapeutic range, 24-hours a day. Our clinical study results have demonstrated the promising nature of the technology in patients.

Our Phase III kidney program consists of two studies: a completed study in stable transplant recipients (who were all receiving twice-daily Prograf, prior to study participation) and an ongoing study in newly transplanted patients.

The Company has reported results from the stable “switch” patient study in mid-2011. The primary results indicated that LCP-Tacro demonstrated the desired non-inferior efficacy to Prograf. Both products had a low incidence of treatment failure at 0.25% each. In a secondary analysis, utilizing a blinded central reader of the biopsy slides and including all follow-up data (beyond 12 months), there was only one acute rejection confirmed in patients receiving LCP-Tacro; in contrast there were 5 patients with confirmed acute rejections receiving Prograf.

Based upon these exciting results, the Company made two significant strategic decisions: (1) to commercialize LCP-Tacro in the U.S. while partnering outside the U.S.; and (2) to accelerate the European regulatory filings to mid-2012. Both activities have been advancing well in accord with this strategic plan.

The second, and larger, ongoing Phase III study will enroll a total of 540 patients. Unlike the stable “switch” study, these patients will be newly transplanted and randomized 1:1 to receive either LCP-Tacro or Prograf. The study is being conducted in a double-blind fashion with a Data Safety Monitoring Board responsible for overseeing patient safety and study progress. The study has now randomized close to 500 patients and is tracking towards complete enrollment in April 2012. Once all patients have been randomized, the study period will run for one year with a double-blind one-year treatment extension to follow. Consequently, top-line results are expected mid-2013 with an FDA filing targeted for the second half of 2013.

The Company will now begin its focus on completion of the regulatory phase of LCP-Tacro development, initiation of Phase IIIB/IV product differentiation studies, partnering in ex-US territories and the planned build and implementation of commercialization activities within the U.S. It is anticipated that a sales force of only 20-25 representatives will be required to capture the full commercial value of LCP-Tacro in the U.S. Presently, the Company is evaluating several potential partners for commercialization of LCP-Tacro in territories outside of the U.S. The Company has now initiated its first Phase IIIB/IV differentiation study, “STRATO”, which is an initial investigation to evaluate the potential of LCP-Tacro to reduce tremors in patients receiving tacrolimus. Tremors are estimated to affect 20-50% of patients receiving tacrolimus with significant negative impact on quality of life. The Company hopes to demonstrate that the more consistent blood levels of tacrolimus resulting from our MeltDose technology will provide a benefit compared to the peaks-and-valleys in blood levels with traditional twice-daily tacrolimus.

2012 looks to be an exciting year for the Company. We appreciate the strong support of our shareholder base and look forward to successful achievement of these promising objectives for the coming year.

Yours sincerely,

Kim Björnstrup
Chairman

William J. Polvino
President and Chief Executive Office

DEVELOPMENT GRANT

6 June

Veloxis announced agreement of a DKK 3.9 million grant from The Danish National Advanced Technology Foundation to support development of an oral chemotherapy agent.

NEW COMPANY NAME

7 July

Veloxis announced company name change from previously LifeCycle Pharma.

PARTNER DEAL

23 December

Veloxis and Athena Drug Delivery Solutions Pvt. Ltd. announced partnership to develop, manufacture and commercialize its investigational drug AtorFen (Fenofibrate-Atorvastin fixed dose combination) in certain emerging markets.

POSITIVE PHASE III DATA

21 June

Veloxis announced positive phase III results in the LCP-Tacro Trial in stable kidney transplant patients which met all primary efficacy and safety endpoints.

LICENSE AGREEMENT

22 December

Veloxis announced licensing of US commercial Fenoglide (fenofibrate) rights to Santarus and settlement of Impax patent litigation.

OUTLOOK

Veloxis is expecting an operating loss of DKK 220 – 250 million compared to the realized operating loss of DKK 270 million in 2011. The net loss is likewise expected to be in the range of DKK 220 – 250 million compared to the net loss of DKK 253 million in 2011. As of 31 December 2011, the Company's cash position equaled DKK 298 million and the Company's 31 December 2012 cash position is expected to be in the range of DKK 40 - 80 million.

The above estimates are subject to possible changes primarily due to the timing and variation of clinical activities, related costs, royalty and other partner income, and fluctuating exchange rates. The outlook for 2012 does not include any effect from eventual milestone, royalty or partner arrangements.

Management is focused on securing additional funds beyond 2012 by either partner agreements, debt or equity, or a mix thereof.

STUDY INITIATION

4 January

Veloxis announced Initiation of STRATO Study of LCP-Tacro in Kidney Transplant Recipients Experiencing 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.

Veloxis business strategy

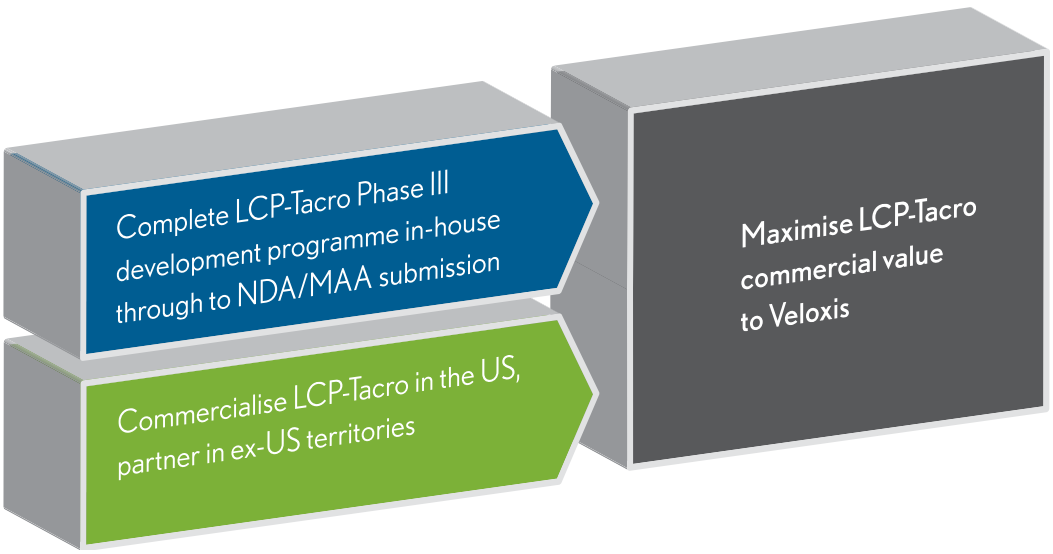
The primary goal of Veloxis is to build a clinical and market-stage pharmaceutical business around its late stage transplant immunosuppression product candidate LCP-Tacro. The key elements of Veloxis' business strategy are as follows:

- **Advance LCP-Tacro through clinical studies within the organ transplantation area.**
  LCP-Tacro (once-daily dosage extended release tacrolimus) has received positive Phase II and III clinical data in kidney transplant patients when compared head-to-head with Prograf (twice-daily dosage), the only branded tacrolimus product currently available on the U.S. market. In addition, Veloxis has received positive Phase II data for LCP-Tacro in liver transplant patients. Veloxis has elected to focus its development efforts on pursuing LCP-Tacro for treatment of kidney transplant patients, given the larger potential patient population and demand.

- **Complete LCP-Tacro Phase III programme in-house and file MAA / NDA submissions with US and EU regulatory authorities.**
  Veloxis completed a Phase III clinical study, Study 3001, for LCP-Tacro in the second half of 2010 in stable kidney transplant patients and has an ongoing Phase III study in *de novo* kidney transplant patients that is due to complete enrolment in April 2012. The *de novo* transplant study protocol received a SPA from the FDA, which defined the parameters of this Phase III clinical study protocol. Veloxis is positioned to fund the full research and development programme through NDA/MAA submission. Based on the data from its first Phase III trial, Study 3001, and its extensive Phase II program, Veloxis plans to evaluate accelerating filing activities for LCP-Tacro in Europe and submit a Marketing Authorization Application in Europe to regulatory authorities in mid-2012. NDA submission to the US FDA is projected for the second half of 2013.

- **Maximise the full value of the LCP-Tacro programme by commercialising LCP-Tacro in the U.S. and partnering ex-US.**
  Veloxis plans to build and develop its own commercial infrastructure in the U.S. to support the launch and selling of LCP-Tacro in the key US Transplant market. The company is actively identifying partners to commercialise LCP-Tacro in the ex-US regions. Through such a strategy Veloxis can maximise the commercial value of LCP-Tacro.

BUSINESS MODEL



LCP-Tacro and immunosuppression

Market overview

MARKET SIZE

In 2010, over 50,000 organ transplants were conducted in the U.S., Japan, the United Kingdom, France, Germany, Italy and Spain.

The immunosuppression market for transplant patients in the U.S., Japan, the United Kingdom, France, Germany, Italy and Spain totalled USD 4.4 billion in 2009 (source: Business Insights August 2010; IMS Health; all rights reserved). CNIs (calcineurin inhibitors), the leading class, to which LCP-Tacro belongs, had a 55% share of global sales at USD 2.4 billion, followed by anti-metabolites (USD 1.4 billion, 31% market share) and mTOR inhibitors (USD 321 million, 7% market share) (source: Business Insights). The top-selling product was Astellas' Prograf (tacrolimus), which sold just over USD 1.5 billion in these markets, which represented approximately one-third of the total sales of immunosuppression drugs for transplantation, followed by Roche's CellCept (mycophenolate mofetil, USD 1.1 billion) and Novartis's Neoral (cyclosporine, USD 585 million) (source: Business Insights August 2010). These three products, which represent the cornerstones of modern immunosuppressant regimens, accounted for 76% of sales in the transplantation market.

In 2010, worldwide sales of Prograf were reported at approximately USD 2 billion (Astellas Annual Report FY 2010). Generic versions of Prograf are available in the US and several EU markets. LCP-Tacro contains the same active molecule, tacrolimus, as Prograf, however LCP-Tacro has a completely different concept of absorption and a lower once-daily treatment dosage.

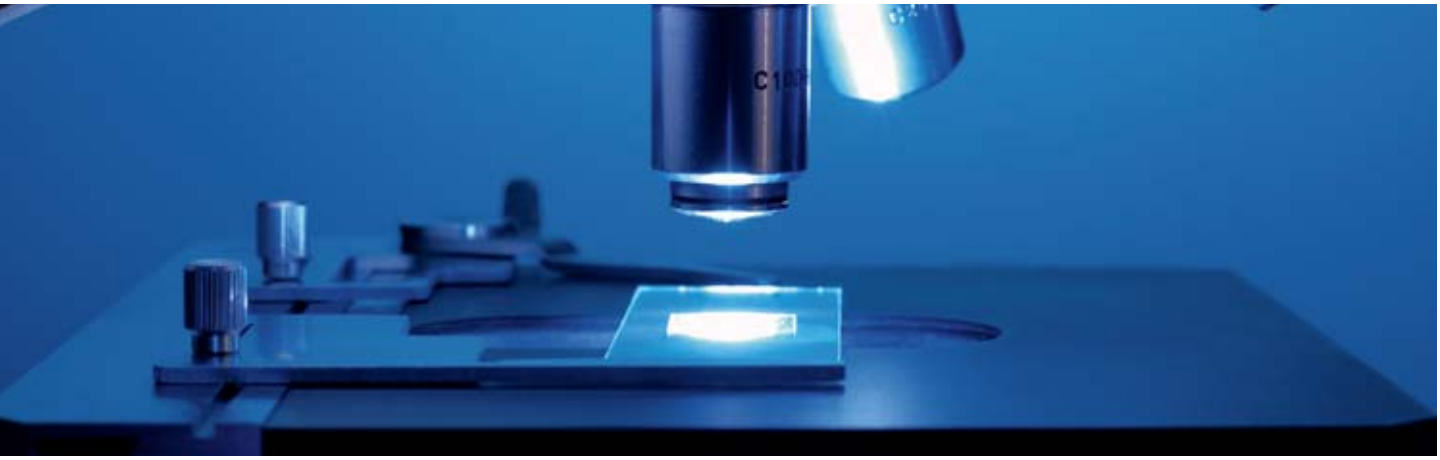
MARKET STRUCTURE

The transplant marketplace in the U.S. is ideally suited for a small and well-focused selling effort. The clinical practice of transplant medicine leads to a unique commercialisation opportunity. Transplants are generally performed at a small number of highly specialised centres. For example, in the entire U.S., only about 250 centres perform transplants. Patients waiting for a transplant will often travel considerable distances for transplant at one of these few centres. As such, a limited number of sales representatives can cover the majority of the centres. With a field force of 20-25 sales representatives, centres can be triaged into “high priority” high volume centres performing the majority of transplants. These centres are covered with a higher calling frequency than are the lower priority centres. During a call, a representative can effectively call upon the professio-nals involved in the transplant process including surgeons, nephrologists, infectious diseases specialists and pharmacists. On a targeted basis, community nephrologists with large numbers of transplant patients would also be included for field force coverage.

TREATMENT OPTIONS

Over the past 20 years, a number of new immunosuppression medications have been approved, increasing the number of options available and facilitating a noticeable evolution in therapeutic protocols. While CNIs continue to be used for maintenance immunosuppression in most patients, there has been a change in the preference of CNI used, from cyclosporine to Astellas' tacrolimus (Prograf). A new infusional agent, Nulogix (belatacept, BMS) achieved US and EU approval in 2011.

Immunosuppression can be achieved with many different drugs, including steroids, targeted antibodies and CNIs like tacrolimus. Of these immunosuppressants, tacrolimus is one of the most potent in terms of suppression of the immune system. Tacrolimus for systemic use is currently available worldwide as a twice-daily dosage formulation, Prograf (Astellas), and in Europe, since June 2007, it has also been available as a once-daily dosage formulation, Advagraf (Astellas). Advagraf attained EUR 71 million in sales in the first half of 2011 in the EU (Astellas 2Q/FY2011 Financial Results). Astellas received, with respect to Advagraf, approvable letters from the FDA in January 2007 for the prevention of organ rejection in kidney and liver transplants, in March 2008 (for the prevention of organ rejection in kidney transplants) and May 2008 (for the prevention of organ rejection in liver transplants). However, at the date of this Annual Report, Advagraf has not been approved for sale in the U.S. No public information available indicates that Astellas has asked for a new approval of the drug in the U.S. after the initial refusal of approval by the FDA.



LCP-TACRO FOR KIDNEY AND LIVER TRANSPLANTATION

DISEASE INDICATIONS	STATUS	MARKETING RIGHTS
Organ transplant–Kidney	Phase III clinical studies ongoing: – *De novo* kidney transplant patients Phase III clinical studies completed: – Stable kidney transplant patients	Worldwide – Veloxis
Organ transplant–Liver	Phase II clinical studies completed: – *De novo* liver transplant patients – Stable liver transplant patients	Worldwide – Veloxis

Product programs

LCP-Tacro is being developed as a once-daily dosage version of tacrolimus for the treatment of kidney and liver transplant patients. Compared with Astellas' Prograf, a twice-daily dosage version of tacrolimus, and Advagraf, a once-daily dosage version of tacrolimus which was approved by the EMA in mid-2007, Veloxis believes that LCP-Tacro may have the following potential benefits:

- Once-daily dosing;
- Improved systemic absorption;
- Improved bioavailability and thus a lower dose of tacrolimus;
- Limited variability in the concentration of tacrolimus in the blood ("peak-to-trough" fluctuation);

Veloxis believes that physicians will have a preference for LCP-Tacro's once-daily dosing given the potential for impact on compliance for patients, and based on physicians' preference for branded products for molecules with a narrow therapeutic index. No once daily tacrolimus product is currently approved for sale in the U.S.

Transplant patients need to maintain a minimum level of tacrolimus in the blood in order to prevent organ rejection. On the other hand, if too much tacrolimus is administered, there is an increased risk of serious side effects such as kidney damage. Since tacrolimus is a "narrow therapeutic index" drug, its concentration and dosing must be carefully managed, typically requiring transplant patients to visit the hospital for monitoring and dose adjustments after receiving a new organ. In Phase I, II and III clinical studies, LCP-Tacro has demonstrated improved and higher bioavailability when compared with Prograf. LCP-Tacro is formulated using Veloxis' MeltDose technology and through this technology, Veloxis has aimed to optimise the delivery kinetics of LCP-Tacro to provide "flat" pharmacokinetics, avoiding the peaks associated with traditional immediate-release tacrolimus. Veloxis believes that LCP-Tacro will potentially offer transplant physicians a desired consistent pharmacokinetic profile, as well as consistency from one prescription refill to the next.

Development strategy and status

LCP-Tacro is in ongoing Phase III clinical studies for patients who have undergone a kidney transplant and has completed Phase II clinical studies for patients who have undergone a liver transplant.

KIDNEY – PHASE III CLINICAL STUDIES
A Phase III programme in kidney transplant patients was initiated in the second half of 2008. The programme consists of one conversion (switch) study in stable kidney transplant patients with Prograf as the comparator, as well as one *de novo* kidney transplant study versus Prograf. Ultimately, these combined Phase III clinical studies are expected to have a total of nearly 900 patients.

LCP-TACRO IN KIDNEY TRANSPLANT PATIENTS (STABLE PATIENTS, STUDY 3001)
This study was completed and preliminary data was released in June 2011. Data from this study was presented at the European Society for Organ Transplantation in September, 2011 in Glasgow and at the American Society of Nephrology Renal Week in November, 2011 in Philadelphia.

This Phase III study successfully demonstrated non-inferiority in predefined endpoints compared to Prograf. The Phase III open-label conversion (switch) study in 326 stable kidney transplant recipients, with Prograf as the comparator, met all its primary efficacy and safety endpoints. The study also showed a trend towards superior rejection rates based on central laboratory pathology assessment with rates of 0.6% for LCP-Tacro and 3.1% for Prograf (p=0.214).

LCP-TACRO IN KIDNEY TRANSPLANT PATIENTS (DE NOVO PATIENTS, STUDY 3002)
This clinical Phase III study in *de novo* kidney transplant patients was initiated in October 2010. Patient enrolment is ongoing, and will include approximately 540 patients. Enrolment is targeted for completion in April 2012, with initial data availability expected in mid-2013.

Study 3002 is a randomized, double-blind, multicentre 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 (BPAR (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 is being conducted at approximately 90 transplant centres, primarily in the U.S. and Europe. Patients will participate in a 12-month extension period on treatment for follow-up safety assessments.

LCP-TACRO REGULATORY STRATEGY
Based upon the favourable results of the 3001 Study, and the totality of an extensive Phase I, II and III clinical safety, efficacy and PK program, the company plans to file an MAA in Europe in mid-2012. This acceleration enables a potential to commercialize LCP-Tacro in Europe approximately one year in advance of previously planned. The US submission is targeted for the second half of 2013.

KIDNEY TRANSPLANT PHASE IIIB PROGRAMME
Veloxis plans to initiate in the period ahead of launch several Phase IIIb studies to further examine the potential clinical differences between LCP-Tacro and existing therapies.

STRATO (Switching kidney TRAnsplant patients with Tremor to LCP-tacrO - Study 3003)
This is a study of LCP-Tacro in kidney transplant recipients experiencing tremors on immediate release tacrolimus. It is designed to explore whether converting patients, who have symptomatic tremor from treatment with standard immediate release twice-daily tacrolimus capsules, to extended release once-daily LCP-Tacro tablet, leads to a measurable improvement in tremor. This study initiated in December 2011.

Commercial strategy

Veloxis plans to launch and commercialize LCP-Tacro in the U.S. through its own dedicated Sales, Marketing and Medical team. The required infrastructure build is underway and will continue to ramp up through to projected launch in 2014. It is anticipated that a field sales force of 20-25 representatives will be hired, to call on the key transplant centres in the U.S. in a tiered fashion:

In the ex-US territories, Veloxis plans to identify partner/s with suitable specialty or hospital product expertise to market and sell LCP-Tacro in these territories. Discussions with potential partners are in progress.

KIDNEY TRANSPLANT CENTERS

Account type	Call frequency
Priority 1 (>140 Transplants)	Once weekly
Priority 2 (50 - 140 Transplants)	Twice monthly
Priority 3 (<50 Transplants)	As needed

"LCP-TACRO PHASE III STUDY SUCCESSFULLY DEMONSTRATED NON-INFERIORITY IN PREDEFINED ENDPOINTS COMPARED TO PROGRAF"

Cardiovascular

LCP-FenoChol and AtorFen

While Veloxis has committed to focus its efforts and resources on the development and commercialization of LCP-Tacro, the company will continue efforts to identify partners for its existing pipeline cardiovascular assets. Within the cardiovascular area, one product, LCP-FenoChol (marketed as Fenoglide), developed using Veloxis' proprietary MeltDose technology has received approval from the FDA for commercial sale in the U.S. for the treatment of dyslipidemia (which includes hypertriglyceridemia, mixed dyslipidemia and hypercholesterolemia). In addition, Veloxis has a second product candidate, AtorFen, a fixed dose combination tablet of fenofibrate and atorvastatin, which has completed Phase II and for which Veloxis continues to pursue possible partnership opportunities.

LCP-FENOCHOL (FENOGLIDE)
On 10 August 2007, the FDA approved LCP-FenoChol for the treatment of dyslipidemia in the U.S. Veloxis outlicensed the marketing of LCP-FenoChol for the U.S., Canada and Mexico to Shionogi (formerly Sciele) which launched the product under the brand name Fenoglide in the U.S. in February 2008. In August 2008, Veloxis sold to Cowen under a purchase agreement, the future royalty and milestone payments for sales of Fenoglide in North America due to it from Shionogi. As part of its agreement with Cowen, Veloxis also granted to Cowen an exclusive, royalty-free license, with right to sub-license, to develop, manufacture and sell LCP-FenoChol in the U.S., Canada, and Mexico, subject to the prior rights granted by Veloxis to Shionogi. Shionogi in 2010 gave notice to Veloxis of termination of the licence agreement with Veloxis, and Shionogi's responsibilities were transferred to Shore Therapeutics, Inc. On 22 December, 2011, it was announced that US commercial rights to Veloxis' Fenoglide were to be transferred from Shore Therapeutics to Santarus, Inc. (NASDAQ: SNTS).

On 22 December, 2011, it was also announced that the ongoing US patent litigation with Impax Laboratories, Inc. (NASDAQ: IPXL) related to Fenoglide had been settled, pending regulatory review. The settlement terms grant Impax a sublicense to begin selling a generic version of Fenoglide on 1 October, 2015, or earlier under certain circumstances.

ATORFEN
AtorFen, which has completed Phase II clinical studies for the treatment of dyslipidemia, is a combination therapy based on a fixed-dose combination of atorvastatin (the active ingredient in Lipitor) and a low dose of fenofibrate. Thus, the product candidate is designed to combine in a small tablet a proven statin and a fenofibrate in a treatment that addresses all three atherosclerosis risk parameters: Elevated LDL-C, elevated triglycerides and low HDL-C.

AtorFen has completed Phase II clinical studies. While not in the active stage of development, Veloxis continues to pursue potential partnership opportunities for AtorFen. On 23 December, 2011, Veloxis announced that it had entered into an alliance with Athena Drug Delivery Solutions Pvt. Ltd. whereby Athena will obtain exclusive rights in certain emerging market territories to manufacture and, with third parties, develop, register and commercialize AtorFen.

MeltDose technology

In 2012 Veloxis Pharmaceuticals initiated a new research area together with Herlev Sygehus in order to investigate if the Veloxis MeltDose technology could be applied to convert certain types of intravenous chemotherapy to be modified to become pill-based therapy.

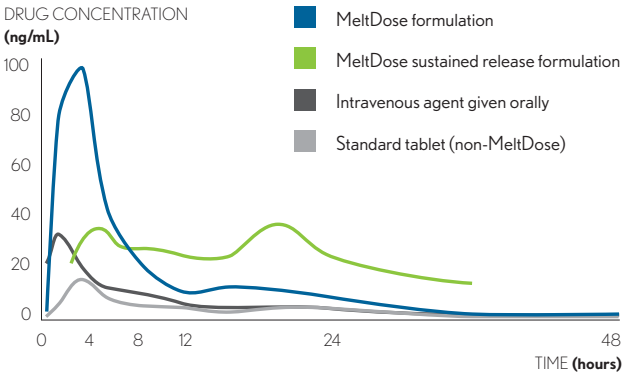
Pill-based therapy has a number of advantages compared to the traditional intravenous treatment.

Recent research has demonstrated that some chemotherapy agents when given more frequently in lower doses actually have better efficacy in terms of anti-tumor effect compared to the traditional approach where a high dose is given with several weeks of interval. Additionally, small frequent doses may also minimize side effects for the patients. However, as it is not practicable for either patients or the hospital system to treat patients with daily chemotherapy infusions a pill-based treatment needs to be developed.

A pill-based treatment is also preferred from a patient's viewpoint, giving the ability for the often weak and vulnerable patients to be treated in their home. For the health care system home treatments will save medical resources by minimizing the need for infusion centers, doctors, nurses and equipment per patient, thus having significant pharmaco-economical perspectives for the society to control escalating healthcare costs.

This project is currently in the early development stage where different prototypes of various relevant chemotheraphy agents are being tested in animal models for their ability, in a safe way, to be absorbed in the body by taking a pill.

MELTDOSE TECHNOLOGY



MeltDose has again demonstrated its unique capabilities to improve oral absorption of difficult molecules and has in animal models improved the bioavailability of the chemotheraphy agent as compared to if the intravenous agent was given orally or as a simple tablet.

The project and collaboration is supported with a grant from the Advanced Technology Foundation of DKK 3.9 million for bringing a lead candidate to human phase I testing within a 2½ year period.

"INVESTIGATE IF THE VELOXIS MELTDOSE TECHNOLOGY COULD BE APPLIED TO CONVERT CERTAIN TYPES OF INTRAVENOUS CHEMOTHERAPY TO BE MODIFIED TO BECOME PILL-BASED THERAPY."

Financial review

REVENUE
During 2011, Veloxis had no revenue compared to DKK 1.5 million in 2010. Revenue in 2010 consisted of payments under Veloxis' collaboration agreements.

RESEARCH AND DEVELOPMENT COSTS
Research and development costs increased by DKK 11.6 million, or by 5.5%, from DKK 210.4 million in 2010 to DKK 222.0 million in 2011. Research and development costs are mainly attributable to the two phase III trials in LCP-Tacro. In the cost is included the finalization of the phase III study in kidney transplant patients (stable patients, Study 3001) along with costs associated with the ongoing phase III study in kidney transplant patients (*de novo* patients, Study 3002).

On an overall basis, research and development costs account for 82.3% of total cost of operations. The comparable figure for 2010 was 80.1%.

ADMINISTRATIVE EXPENSES
Administrative expenses decreased by DKK 4.4 million or by 8.4%, from DKK 52.2 million in 2010 to DKK 47.8 million in 2011. The reduction in cost is attributable to the continued focus of reducing overall cost.

ONE-OFF RESTRUCTURING COST
During 2011, Veloxis incurred no restructuring cost. Restructuring cost mainly includes salary payments to former employees in connection with the reduction in headcount that occured in January 2010.

SHARE-BASED COMPENSATION COSTS
During 2011, a total of DKK 10.5 million was recognized as share-based compensation. The comparable number for 2010 was DKK 9.8 million.

OPERATING LOSS
During 2011, Veloxis recognized DKK 269.9 million in operating loss compared to DKK 272.0 million in 2010.

FINANCIAL INCOME
Net financial items increased by DKK 16.8 million, from an expense of DKK 0.8 million in 2010 to an income of DKK 16.0 million in 2011. The gain in 2011 is mainly attributable to earnings on interests and rate increases on securities along with currency gains due to increase in the DKK/USD exchange rate.

NET LOSS
During 2011, Veloxis recognized DKK 252.6 million in net loss compared to DKK 274.2 million in 2010.

The net loss is in line with management's expectations for 2011, which projected a net loss of DKK 250 - 280 million.

CASH FLOW
As per 31 December 2011, the balance sheet reflects cash and cash equivalents of DKK 297.7 million compared to DKK 531.5 million as per 31 December 2010. The decrease in cash position reflects the changes in operating activities in 2011.

The cash position is in line with management's expectations for 2011, which projected a cash position at the end of 2011 of DKK 250 - 300 million.

BALANCE SHEET
As per 31 December 2011, total assets were DKK 320.9 million compared to DKK 562.9 million at the end of 2010.

Shareholders' equity equaled DKK 255.9 million as of 31 December 2011, compared to DKK 498.2 million at the end of 2010.

(DKK'000)	2011	2010	2009	2008	2007
Income Statement					
Revenue	-	1,496	2,476	170,122	64,705
Research and development costs	(222,053)	(210,426)	(210,140)	(270,875)	(183,608)
Administrative expenses	(47,814)	(52,198)	(62,381)	(73,311)	(54,033)
One-off restructuring cost	-	(10,894)	(9,489)	-	-
Operating loss	(269,867)	(272,022)	(279,534)	(174,064)	(172,936)
Net financial income / (expenses)	16,048	(759)	8,540	24,285	12,697
Loss before tax	(253,819)	(272,781)	(270,994)	(149,779)	(160,239)
Tax for the period	1,193	(1,425)	-	-	-
Net loss for the period	(252,626)	(274,206)	(270,994)	(149,779)	(160,239)
Balance Sheet					
Cash and cash equivalents	297,727	531,519	333,429	600,130	331,740
Total assets	320,927	562,906	379,269	646,293	381,912
Share capital	452,543	452,543	56,568	56,288	31,771
Total equity	255,900	498,238	317,281	572,323	325,689
Investment in property, plant and equipment	2,981	2,583	11,043	6,571	5,900
Cash Flow Statement					
Cash flow from operating activities	(234,637)	(238,148)	(251,158)	(102,560)	(129,291)
Cash flow from investing activities	(169,778)	(2,658)	(11,011)	(6,628)	(7,298)
Cash flow from financing activities	(5,948)	440,014	729	373,637	3,769
Cash and cash equivalents at period end	297,727	531,519	333,429	600,130	331,740
Financial Ratios					
Basic and diluted EPS (DKK)	(0.56)	(2.84)	(4.80)	(3.06)	(5.19)
Weighted average number of shares	452,542,480	96,707,708	56,443,701	49,006,500	30,875,434
Average number of employees (FTEs)	52	59	93	102	64
Assets/equity	1.25	1.13	1.20	1.13	1.17

(EUR'000)	2011	2010	2009	2008	2007
Income Statement					
Revenue	-	201	332	22,817	8,685
Research and development costs	(29,804)	(28,255)	(28,220)	(36,330)	(24,644)
Administrative expenses	(6,417)	(7,009)	(8,377)	(9,832)	(7,252)
One-off restructuring cost	-	(1,463)	(1,275)	-	-
Operating loss	(36,221)	(36,526)	(37,540)	(23,345)	(23,211)
Net financial income / (expenses)	2,154	(102)	1,147	3,257	1,704
Loss before tax	(34,067)	(36,628)	(36,393)	(20,088)	(21,507)
Tax for the period	160	(191)	-	-	-
Net loss for the period	(33,907)	(36,819)	(36,393)	(20,088)	(21,507)
Balance Sheet					
Cash and cash equivalents	40,048	71,303	44,807	80,548	44,489
Total assets	43,169	75,513	50,967	86,744	51,218
Share capital	60,873	60,708	7,602	7,555	4,261
Total equity	34,422	66,838	42,637	76,816	43,678
Investment in property, plant and equipment	401	347	1,484	882	791
Cash Flow Statement					
Cash flow from operating activities	(31,493)	(31,977)	(33,729)	(13,755)	(17,353)
Cash flow from investing activities	(22,787)	(357)	(1,479)	(889)	(980)
Cash flow from financing activities	(798)	59,083	98	50,112	506
Cash and cash equivalents at period end	40,048	71,303	44,807	80,548	44,489
Financial Ratios					
Basic and diluted EPS (EUR)	(0.07)	(0.38)	(0.64)	(0.41)	(0.70)
Weighted average number of shares	452,542,480	96,707,708	56,443,701	49,006,500	30,875,434
Average number of employees (FTEs)	52	59	93	102	64
Assets/equity	1.25	1.13	1.20	1.13	1.17

Numbers are translated into EUR as supplementary information. The translation of income statement and cash flow statement items is based on average exchange rate that year, and the translation of balance sheet items is based on the exchange rate at the end of that year.

Average DKK/EUR exchange rate	7,450529	7,447366	7,446251	7,455974	7,450551
Ending DKK/EUR exchange rate	7,434200	7,454400	7,441500	7,450600	7,456600

Source: www.nationalbanken.dk

A lean and focused organization

At year end 2011 Veloxis employed 53 persons in our two locations in Hørsholm, Denmark and New Jersey, U.S. The organization is built to support our strategy and we will continue to strengthen the organization with focus on the commercialization of LCP-Tacro in the U.S.

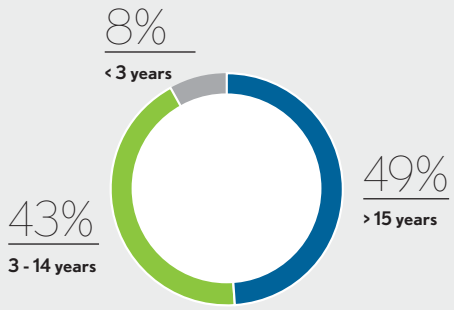
Attracting and retaining the best talent is crucial to our success and continues to be a company-wide focus.

As of 31 December 2011, 79% of the employees were in research and development (R&D) and 21% were in general and administration (G&A).

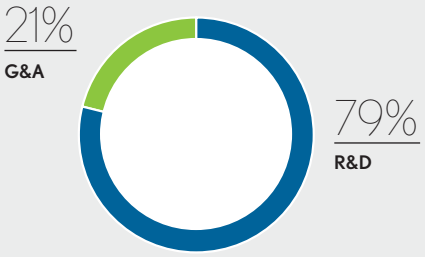
EDUCATIONAL BACKGROUND

It is a prerequisite for Veloxis' activities that our employees are both highly motivated and well educated. 49% of Veloxis' employees have a university degree at a master's level or above. Our team is also highly experienced in that 49% of our employees have been employed in the biotech or pharmaceutical industry for more than 15 years.

EMPLOYEES´ EXPERIENCE IN THE BIOTECH OR PHARMA INDUSTRY



EMPLOYEES IN R&D AND G&A



Corporate governance & risk management

As a company listed on NASDAQ OMX Copenhagen, Veloxis must be in compliance with Danish securities law and it is Veloxis' intent to be guided by the Corporate Governance Recommendations designated by NASDAQ OMX Copenhagen. NASDAQ OMX Copenhagen has on a comply or explain basis designated the Danish Recommendations on Corporate Governance (revised 2011) prepared by the Danish Committee on Corporate Governance. Veloxis' position and our compliance with these recommendations are summaried below and the full reporting of Veloxis' governance practice in accordance with the Danish Financial Statements Act, section 107b can be found on our webpage http://www.veloxis.com/investors/corporate governance.cfm

Practices of the Board of Directors

The Articles of Association stipulate that the Board of Directors is elected by the Company's shareholders at the annual general meeting and members are elected for one-year terms. Members may stand for re-election for successive terms. The Board of Directors shall consist of not less than three and no more than nine members elected by the Company's shareholders at the general meeting. The Board of Directors has established a compensation committee and an audit committee.

In 2011, the Board met physically five times. Four meetings were attended by all board members; one of the members had to be excused from attending meetings during the year. In addition the Board had four meetings held as conference calls; three meetings were attended by all board members; one of the members had to be excused from attending meetings during the year. Further the Audit Committee met physically four times during 2011, and the Compensation Committee had two meetings held as conference calls during the year.

Danish recommendations on corporate governance

1. THE ROLE OF THE SHAREHOLDERS AND THEIR INTERACTION WITH THE MANAGEMENT OF THE COMPANY.
Veloxis complies with these recommendations.

2. THE ROLE OF STAKEHOLDERS AND THEIR IMPORTANCE TO THE COMPANY AND THE COMPANY'S CORPORATE SOCIAL RESPONSIBILITY.
Veloxis complies with these recommendations.

3. OPENNESS AND TRANSPARENCY.
Veloxis complies with these recommendations.

4. THE TASKS AND RESPONSIBILITIES OF THE SUPREME AND THE CENTRAL GOVERNING BODIES (BOARD OF DIRECTORS).
Veloxis complies with these recommendations, with the following exceptions:

4.1 OVERALL TASKS AND RESPONSIBILITIES.
Veloxis support equal opportunities for both sexes and annually discuss the company's activities to ensure diversity. Veloxis is a small company and do not intend to formalize objectives for the time being.

5 COMPOSITION AND ORGANIZATION OF THE SUPREME GOVERNING BODY (BOARD OF DIRECTORS).
Veloxis complies with these recommendations, with the following exceptions:

5.10 USE OF SUPERVISORY BOARD COMMITTEES.
Veloxis complies with this recommendation except the Board has decided not to establish a nominating committee given that these tasks are performed by the chairmanship.

6. REMUNERATION OF MEMBERS OF THE GOVERNING BODIES.
Veloxis complies with these recommendations, with the following exceptions.

6.1 CONTENT AND FORM OF THE REMUNERATION POLICY.
Veloxis provides the opportunity for granting warrants to board members. Veloxis believes that the ability to offer warrants as well as other forms of shares as incentive compensation is necessary to attract key people from within the industry (whether as board members, managers or employees).

6.2 DISCLOSURE OF REMUNERATION POLICY.
The total remuneration to each member of the Board and the executive management is not disclosed in the annual report. The total remuneration to the entire Board and the entire executive management, respectively, is disclosed together with an explanation of the components. It is the company's judgment that disclosure of the remuneration paid to each individual member of the Executive Management will not add additional valve for shareholders and other stakeholders.

7. FINANCIAL REPORTING.
Veloxis complies with these recommendations.

8. RISK MANAGEMENT AND INTERNAL CONTROL.
Veloxis complies with these recommendations.

9. AUDIT.
Veloxis complies with these recommendations.

Guidelines for incentive pay

BOARD MEMBERS
Members of the Board of Directors receive a fixed annual fee. The Chairman of the Board of Directors and the Chairman of the Audit Committee and Chairman of the Compensation Committee receive a supplement to the fixed annual fee.

In addition to the fixed annual fee, the members of the Board of Directors are annually granted a fixed number of warrants. The estimated present value of warrants granted in a given financial year may be up to 100 % of the fixed annual fee to the individual member of the Board of Directors. The estimated present value is calculated in accordance with the International Financial Reporting Standards (IFRS). The general terms and conditions applying to the grant, vesting, exercise, etc. of the warrants must be within the general terms and conditions applying if warrants are to be granted to members of the Executive Management, cf. below, and which also apply to other employees in the Company which has been granted warrants.

Upon election, each member of the Board of Directors may decide to exchange the fixed number of warrants for an additional annual fee.

EXECUTIVES
The Compensation Committee performs an annual review of the remuneration package paid to members of the Executive Management.

The remuneration paid to members of the Executive Management consists of a fixed and a variable part. The fixed pay consists of cash salary, pension contribution and other benefits.

As an element of the variable pay, members of the Executive Management may receive an annual bonus, subject to achievement of certain benchmarks. The bonus proportion varies among the members of the Executive Management, but cannot exceed 100 % of the fixed annual cash salary. The actual bonus paid to the members of the Executive Management is disclosed in the Annual Report at an aggregated level. At the date of adoption of these guidelines, the bonus benchmarks comprise primarily of the progress in the Company's development of its product candidates, but they may be changed by the Board of Directors. The remuneration paid to members of the Executive Management is disclosed on page 33.

Another element of the variable pay is made up of new warrants and is intended to ensure that the Executive Management's incentive correlates with creation of shareholder value. The estimated aggregated present value of new warrants granted in a given financial year to the members of the Executive Management may be up to 100 % of the aggregated fixed annual cash salary to the member of the Executive Management. The estimated present value is calculated in accordance with the International Financial Reporting Standards (IFRS). The grant of new warrants may or may not be subject to achievement of defined benchmarks. The exercise price of the new warrants cannot be less than the market price of the Company's stock at the date of grant. The new warrants may have a maximum term of up to 7 years and the exercise of the new warrants may be subject to a vesting period of up to 4 years. New warrants may be granted on such terms that the gain is taxed as share income while the costs of the grant are not tax deductible for the Company. The number of new warrants granted to members of the Executive Management is disclosed on page 34.

"VELOXIS IS DEDICATED TO CREATE CONTINUOUS IMPROVEMENTS IN OUR RELATIONSHIP WITH ALL OUR STAKEHOLDERS"

Corporate social responsibility

Veloxis' policies regarding corporate social responsibility comprise partly our working environment and partly business partners and suppliers. We do not expect to make material capital investments as a result of the planned initiatives within corporate social responsibility. Moreover, we do not expect that the activities will require significantly increased administrative resources compared with previously.

ENVIRONMENT
Veloxis is an emerging speciality pharmaceutical company without significant production facilities, and hence the Group's consumption of energy and other natural resources and its discharges of substances into the air and water are limited. Veloxis routinely works with chemical substances which place stringent demands for comprehensive environmental and safety efforts to minimize adverse effects on the environment and human health. The Group complies with applicable legal requirements, directives and international agreements in the area.

WORKING ENVIRONMENT
The objective of our working environment activities is to create continuous improvements in relation to the safety, health and workplace satisfaction of our employees. In order to ensure that Veloxis remains a safe workplace, we continuously monitor our performance:

- Assessment of absent due to the working environment.
- Assessment of incidents and nearby incidents related to working environment.
- Established a WESO (work environment safety organization) group which meet five times a year.
- Internal audit performed annually to ensure that all safety policies are adhered to.

Throughout the year only a few minor incidents have occurred and has been handled by the WESO organization as part of their work and oversight.

Further we are in the proces of establishing a whistleblower system that all employees can use anonymously to contact the audit committee if they experience non-compliance with Veloxis' policies and procedures.

BUSINESS PARTNERS AND SUPPLIERS
Veloxis' policy for business partners and suppliers is to work to promote good business conduct and reasonable environmental and social standards with those with whom we do business.

Our policy for business partners and suppliers is incorporated into our quality assurance system. When entering into agreements with external business partners and suppliers we ensure that we have a right to make control visits to our external business partners and suppliers to ensure that our requirements are met.

During the year we have performed 10 visits and audits at our most important partners and suppliers in U.S., EU, China and India, to ensure that all of our quality requirements were adhered to. The visits did not result in any material remarks.

This information forms the statutory report on corporate social responsibility according to the Danish Financial Statements Act, Section 99a.

Risk management

Veloxis is exposed to certain risks. Some of these may significantly affect our ability to execute our strategy. We categorize these as critical risks – and we have a program in place to ensure that we proactively identify, manage and mitigate them.

Contrary to the majority of biotechnology and pharma companies, Veloxis is less susceptible to development risks. Veloxis is currently working solely with drug substances already approved and being marketed by originator companies. This substantially decreases typical development risks such as lack of efficacy or unacceptable toxicological findings that normally account for more than 90% of the attrition rates in the pharmaceutical industry.

Veloxis is exposed to critical risks within such areas as research and development, commercialization, financial management, currency exposure, legal affairs and in relation to the financial reporting process. As required under the Danish Financial Statements Act, Section 107b, we have on our webpage http://www.veloxis.com/investors/corporate governance/risk management.cfm described our risk management processes in greater details and how we manage with these risks.

Shareholder information

Veloxis strives to maintain an open and continuous dialogue with existing and potential shareholders, stakeholders and the general public. The Company aims for a high degree of openness and effective communication, respecting the principle of equal treatment of all market players. Veloxis publishes quarterly reports on the Company's development, including relevant financial information. In addition, Veloxis publishes details about the Company where such information is considered important to the pricing of its shares.

Veloxis has during 2011 had several meetings with existing and potential shareholders, which includes meetings in several places in Europe as well as on both the East and West Coast in the U.S.

ABOUT OUR SHARES
Veloxis' shares were admitted to trading and official listing on the NASDAQ OMX Copenhagen on 13 November 2006 after our IPO of 12.65 million new shares. The symbol is "VELO" and the securities identification code (ISIN) is DK0060048148. Veloxis is included in the SmallCap segment of the Danish companies on the NASDAQ OMX Copenhagen.

SHARE CAPITAL
As of 31 December 2011 Veloxis had a registered share capital of DKK 452,542,480 with a nominal value of DKK 1 per share. Please see note 10 on page 39 for a more detailed description. Veloxis has only one share class and all shares have equal voting rights.

The Board of Directors is in the period up until April 2015 authorized, at one or more times, to increase the Company's share capital with up to nominal DKK 27,370,086. Further, the Board of Directors is authorized, until the annual general meeting in 2012 to arrange for the Company to acquire its own shares up to a nominal value of 10% of the nominal share capital. The purchase price of such shares may not differ by more than 10% from the price quoted on the NASDAQ OMX Copenhagen at the time of purchase.

OWNERSHIP STRUCTURE
As of 31 December 2011, a total of 4,422 of Veloxis' shareholders were registered in the shareholder register. A decrease from 4,481 shareholders as per 31 December 2010. Veloxis invites all shareholders to register in the Company's shareholder register.

The following shareholders have reported ownership of 5% or more of the Company's shares:

- LFI A/S 30.9% (100% owned by the Lundbeck Foundation), Denmark, municipality of Gentofte
- Novo A/S 28.0% (100% owned by the Novo Nordisk Foundation), Denmark, municipality of Gentofte
- Alta Partners 6.3% (Alta BioPharma Partners III, L.P., Alta -Bio-Pharma III GmbH & Co. Beteiligungs KG and Alta -Embarcadero BioPharma Partners III, LLC), U.S.

COMPANY ANNOUNCEMENTS DURING 2011

During 2011 the company issued 25 company announcements. These can be found on Veloxis' website http://www.veloxis.com/investors/press releases.cfm

FINANCIAL CALENDAR 2012

7 MARCH, 2012
Annual report 2011

18 APRIL, 2012 (1 PM)
Annual General Meeting Venue:
Søhuset, Venlighedsvej 10,
2970 Hørsholm, Denmark

15 MAY, 2012
Interim report for the first three months of 2012

22 AUGUST, 2012
Interim report for the first six months of 2012

14 NOVEMBER, 2012
Interim report for the first nine months of 2012

IR CONTACT

JOHNNY STILOU
SVP, CFO
Phone: +45 21 227 227
Email: jst@veloxis.com

JOHN WEINBERG
SVP, Commercial Operations & IR
Phone: +1 732 321 3208
Email: jdw@veloxis.com

Board of Directors & Management

Board of Directors

KIM BJØRNSTRUP
Chairman
Member, Compensation Committee
Board member since 2011
Born 1958
Independent board member
Competences:
International Pharmaceutical experience
Directorships:
Assistance Personale Service A/S
Xeltis AG

THOMAS DYRBERG
Deputy Chairman
Chairman, Compensation Committee
Board member since 2003
Born 1954
Independent board member
Competences:
International Pharmaceutical experience
Senior Partner, Novo A/S
Directorships:
Lux Biosciences Inc
Ophthotech Corp
Allocure Inc

KURT ANKER NIELSEN
Chairman, Audit Committee
Board member since 2006
Born 1945
Independent board member
Competences:
Financial expert
Directorships:
Dalhoff Larsen & Horneman A/S
Novo Nordisk A/S
Novozymes A/S
Novo Nordisk Foundation
Vestas Wind Systems A/S
Collstrup's Mindelegat

ANDERS GÖTZSCHE
Member, Audit Committee
Board member since 2008
Born 1967
Independent board member
Competences:
Financial expert
EVP & CFO, H. Lundbeck A/S

METTE KIRSTINE AGGER
Member, Compensation Committee
Board member since 2010
Born 1964
Independent board member
Competences:
International Pharmaceutical experience
Managing Partner, Lundbeckfond Ventures
Directorships:
Harboes Bryggeri A/S
Statens Serum Institute
Epitherapeutics ApS

ED PENHOET
Board member since 2011
Born 1940
Independent board member
Competences:
International Pharmaceutical experience
Partner, Alta Partners
Directorships:
ChemoCentryx
Immune Design
Metabolex
Scynexis
ZymoGenetics

Executive Management

WILLIAM J. POLVINO
President & CEO
Employed since 2009
Born 1960

PETER G. NIELSEN
Executive Vice President
Employed since 2007
Born 1954

Senior Management

EDWARD E. KOVAL
SVP, Business Development & Strategic Corporate Development
Employed since 2010
Born 1962

TIMOTHY C. MELKUS
SVP, Development Operations
Employed since 2010
Born 1959

JOHN D. WEINBERG
SVP, Commercial Operations & Investor Relations
Employed since 2010
Born 1967

ANJA LESCHLY
VP, HR & Communication
Employed since 2008
Born 1972

JOHNNY STILOU
SVP & CFO
Employed since 2008
Born 1967

Executive Management's and Board of Directors' statement on the Annual Report

The Executive Management and the Board of Directors have considered and adopted the Annual Report of Veloxis Pharmaceuticals A/S for the financial year 2011.

The Annual Report is prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for the annual reports of listed companies.

We consider the applied accounting policies to be appropriate and, in our opinion, the Annual Report presents fairly, in all material aspects, the assets and liabilities, financial position, results of the operation and cash flow of the Group and the Parent Company. 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 and the Parent company, together with a description of the material risks and uncertainties the Group and the Parent company faces.

The Annual Report will be submitted to the annual general meeting for approval.

Hørsholm, 7 March, 2012

EXECUTIVE MANAGEMENT

William J. Polvino
(President and CEO)

Peter G Nielsen
(Executive Vice President)

BOARD OF DIRECTORS

Kim Björnstrup
(Chairman)

Thomas Dyrberg
(Deputy Chairman)

Kurt Anker Nielsen

Anders Götzsche

Mette Kirstine Agger

Ed Penhoet

Independent auditor's report

To the Shareholders of Veloxis Pharmaceuticals A/S

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

We have audited the Consolidated Financial Statements and the Parent Company Financial Statements of Veloxis Pharmaceuticals A/S for the financial year 1 January to 31 December 2011, which comprise income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The Consolidated Financial Statements and the Parent Company Financial Statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

Management is responsible for the preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies, and for such internal control as Management determines is necessary to enable the preparation of Consolidated Financial Statements and Parent Company Financial Statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the Consolidated Financial Statements and the Parent Company Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Consolidated Financial Statements and the Parent Company Financial Statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Consolidated Financial Statements and the Parent Company Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements and the Parent Company Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Consolidated Financial Statements and Parent Company Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Consolidated Financial Statements and the Parent Company Financial Statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The audit has not resulted in any qualification.

OPINION

In our opinion, the Consolidated Financial Statements and the Parent Company Financial Statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2011 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2011 in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements for listed companies.

STATEMENT ON MANAGEMENT'S REVIEW

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Consolidated Financial Statements and the Parent Company Financial Statements. On this basis, in our opinion, the information provided in Management's Review is consistent with the Consolidated Financial Statements and the Parent Company Financial Statements.

Copenhagen, 7 March, 2012
PricewaterhouseCoopers
Statsautoriseret Revisionspartnerselskab

Torben Jensen
State Authorised Public Accountant

Henrik Jensen
State Authorised Public Accountant

FINANCIAL STATEMENTS

Income statement

For the period 1 January – 31 December

		CONSOLIDATED		PARENT	
(DKK'000)	**Note**	**2011**	**2010**	**2011**	**2010**
Revenue		-	1,496	-	1,496
Research and development costs	3.4	(222,053)	(210,426)	(221,966)	(208,607)
Administrative expenses	3.4	(47,814)	(52,198)	(49,105)	(54,454)
One-off restructuring cost	4	-	(10,894)	-	(10,894)
Operating loss		**(269,867)**	**(272,022)**	**(271,071)**	**(272,459)**
Financial income	5	33,238	3,635	33,336	3,770
Financial expenses	6	(17,190)	(4,394)	(17,190)	(4,394)
Loss before tax		**(253,819)**	**(272,781)**	**(254,925)**	**(273,083)**
Tax for the year	7	1,193	(1,425)	-	-
Net loss for the year		**(252,626)**	**(274,206)**	**(254,925)**	**(273,083)**
Basic and diluted EPS		(0.56)	(2.84)	(0.56)	(2.82)
Weighted average number of shares		452,542,480	96,707,708	452,542,480	96,707,708

The Board of Directors proposes the net loss for the year to be carried forward to next year

Statement of comprehensive income

For the period 1 January – 31 December

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Net loss for the period	**(252,626)**	**(274,206)**	**(254,925)**	**(273,083)**
Other comprehensive income:				
Currency translation differences	(163)	136	-	-
Other comprehensive income for the period	**(163)**	**136**	**-**	**-**
Total comprehensive income for the period	**(252,789)**	**(274,070)**	**(254,925)**	**(273,083)**

Balance sheet

Assets at 31 December

		CONSOLIDATED		PARENT	
(DKK'000)	**Note**	**2011**	**2010**	**2011**	**2010**
Patent rights and software	8	2,563	1,938	2,563	1,938
Intangible assets		**2,563**	**1,938**	**2,563**	**1,938**
Property, plant and equipment	8	8,967	11,950	8,938	11,902
Leasehold improvements	8	3,880	5,858	3,608	5,636
Tangible fixed assets		**12,847**	**17,808**	**12,546**	**17,538**
Equity interest in subsidiary	9	-	-	2,592	2,592
Financial fixed assets		**-**	**-**	**2,592**	**2,592**
Non-current assets		**15,410**	**19,746**	**17,701**	**22,068**
Other receivables		5,480	8,590	5,482	8,034
Prepayments		2,310	3,051	2,310	2,710
Receivables		**7,790**	**11,641**	**7,792**	**10,744**
Securities		166,797	-	166,797	-
Cash		130,930	531,519	128,658	528,705
Cash and cash equivalents		**297,727**	**531,519**	**295,455**	**528,705**
Current assets		**305,517**	**543,160**	**303,247**	**539,449**
Assets		**320,927**	**562,906**	**320,948**	**561,517**

Balance sheet

Equity and liabilities at 31 December

		CONSOLIDATED		PARENT	
(DKK'000)	**Note**	**2011**	**2010**	**2011**	**2010**
Share capital	10	452,543	452,543	452,543	452,543
Share premium		-	43,601	-	47,513
Translation reserves		1,931	2,094	-	-
Retained earnings/loss		(198,574)	-	(196,961)	-
Equity		**255,900**	**498,238**	**255,582**	**500,056**
Finance leases	13	3,715	8,532	3,715	8,532
Non-current liabilities		**3,715**	**8,532**	**3,715**	**8,532**
Finance leases	13	4,612	5,742	4,612	5,742
Trade payables		28,263	23,528	28,263	23,163
Debt to subsidiary		-	-	7,693	1,961
Other payables		28,437	26,866	21,083	22,063
Current liabilities		**61,312**	**56,136**	**61,651**	**52,929**
Liabilities		**65,027**	**64,668**	**65,366**	**61,461**
Equity and liabilities		**320,927**	**562,906**	**320,948**	**561,517**
Financial risks	11				
Warrants	12				
Other Commitments	14				
Related parties	15				
Fees to auditors	17				

Cash flow statement

For the period 1 January – 31 December

		CONSOLIDATED		PARENT	
(DKK'000)	**Note**	**2011**	**2010**	**2011**	**2010**
Operating loss		**(269,867)**	**(272,022)**	**(271,071)**	**(272,459)**
Share-based payment	4	10,451	9,810	10,451	9,810
Depreciation and amortization	3	7,320	9,957	7,171	9,769
Changes in working capital	16	13,094	14,835	10,252	13,452
Cash flow from operating activities before interest		**(239,002)**	**(237,420)**	**(243,197)**	**(239,428)**
Interest received		5,418	1,689	5,516	1,824
Interest paid		(2,246)	(992)	(2,246)	(992)
Corporate tax paid	7	1,193	(1,425)	-	-
Cash flow from operating activities		**(234,637)**	**(238,148)**	**(239,927)**	**(238,596)**
Purchase of property, plant and equipment		(2,981)	(2,583)	(2,804)	(2,292)
Investments in securities		(406,128)		(406,128)	
Sale of securities		239,331		239,331	
Cash transfer to restricted security deposit		-	(75)	-	-
Payable to / receivable from subsidiary		-	-	5,732	(937)
Cash flow from investing activities		**(169,778)**	**(2,658)**	**(163,869)**	**(3,229)**
Installments on bank borrowings and finance lease		(5,948)	(5,203)	(5,948)	(5,203)
Proceeds from issuance of shares, net		-	445,217	-	445,217
Cash flow from financing activities		**(5,948)**	**440,014**	**(5,948)**	**440,014**
Increase / (decrease) in cash and cash equivalents		**(410,363)**	**199,208**	**(409,744)**	**198,189**
Cash and cash equivalents at beginning of period		531,519	332,066	528,705	331,915
Exchange gains/(losses) on cash and cash equivalent		9,774	(1,193)	9,697	(1,399)
Cash at end of period		**130,930**	**530,081**	**128,658**	**528,705**
Cash and cash equivalents at end of period comprise:					
Restricted bank deposit		-	1,438	-	-
Securities		166,797	-	166,797	
Deposit on demand and cash		130,930	530,081	128,658	528,705
		297,727	**531,519**	**295,455**	**528,705**

Statement of changes in equity

Consolidated

	Number of Shares	Share Capital DKK'000	Share Premium DKK'000	Translation Reserves DKK'000	Retained Earnings DKK'000	Total DKK'000
Equity as of 1 January 2010	**56,567,810**	**56,568**	**258,755**	**1,958**	**-**	**317,281**
Total comprehensive income				136	(274,206)	(274,070)
Issuance of shares	395,974,670	395,975	79,195			475,170
Share-based payment					9,810	9,810
Costs related to capital increases			(29,953)			(29,953)
Transfer of retained earnings			(264,396)		264,396	-
Equity as of 31 December 2010	**452,542,480**	**452,543**	**43,601**	**2,094**	**-**	**498,238**
Total comprehensive income				(163)	(252,626)	(252,789)
Share-based payment					10,451	10,451
Transfer of retained earnings			(43,601)		43,601	-
Equity as of 31 December 2011	**452,542,480**	**452,543**	**-**	**1,931**	**(198,574)**	**255,900**

Parent company

	Number of Shares	Share Capital DKK'000	Share Premium DKK'000	Translation Reserves DKK'000	Retained Earnings DKK'000	Total DKK'000
Equity as of 1 January 2010	**56,567,810**	**56,568**	**261,544**	**-**	**-**	**318,112**
Total comprehensive income					(273,083)	(273,083)
Issuance of shares	395,974,670	395,975	79,195			475,170
Share-based payment			-		9,810	9,810
Costs related to capital increases			(29,953)			(29,953)
Transfer of retained earnings			(263,273)		263,273	-
Equity as of 31 December 2010	**452,542,480**	**452,543**	**47,513**	**-**	**-**	**500,056**
Total comprehensive income					(254,925)	(254,925)
Share-based payment					10,451	10,451
Transfer of retained earnings			(47,513)		47,513	-
Equity as of 31 December 2011	**452,542,480**	**452,543**	**-**	**-**	**(196,961)**	**255,582**

Notes

Note 1. Summary of significant accounting policies

BASIS OF PRESENTATION

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and adopted by the EU, and additional Danish disclosure requirements for annual reports of listed companies. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The financial statements are presented in Danish Kroner (DKK), which is the functional and presentation currency of the Parent Company.

CHANGE OF ACCOUNTING POLICIES INCLUDING PRESENTATION AND IMPLEMENTATION OF ACCOUNTING STANDARDS

The accounting policies applied by Veloxis including presentation are unchanged compared to last year.

Veloxis has implemented the accounting standards adopted by the IASB and the EU and any amendments as well as the interpretations coming into force in financial year 2011. This applies to accounting standards IAS 24, IAS 32 and interpretations IFRIC 14, IFRIC 19 as well as the 2010 annual improvements of existing IFRS.

The implementation of these standards etc. has not had any impact on Veloxis.

MOST RECENTLY ADOPTED ACCOUNTING STANDARDS (IFRS) AND INTERPRETATIONS (IFRIC)

At the end of February 2012 the IASB issued the following new accounting standards and interpretations which are assessed to be relevant to Veloxis. The mentioned standards and interpretations have not been adopted by the EU.

- IFRS 9 – number of financial asset categories is reduced to two: amortized cost or fair value.

The standards and interpretations issued by the IASB which are irrelevant to Veloxis are IFRS 1, IFRS 7, IFRS 10, IFRS 11, IFRS 12, IFRS 13, IAS 1, IAS 12, IAS 19, IAS 27, IAS 28 and IFRIC 20. These standards and interpretations have not been adopted by the EU.

Veloxis expects to implement the new standards and interpretations when they become mandatory.

CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include Veloxis Pharmaceuticals A/S (the Parent Company) and subsidiaries in which the Parent Company directly or indirectly exercises a controlling interest through shareholding or otherwise. Accordingly, the consolidated financial statements include Veloxis Pharmaceuticals A/S and Veloxis Pharmaceuticals, Inc. (collectively referred to as the Veloxis Pharmaceuticals group).

The group's consolidated financial statements have been prepared on the basis of the financial statements of the Parent Company and the subsidiary – prepared under the group's accounting policies – by combining similar accounting items on a line-by-line basis. On consolidation, intercompany income and expenses, intercompany receivables and payables, and unrealized gains and losses on transactions between the consolidated companies are eliminated.

The recorded value of the equity interests in the consolidated subsidiary is eliminated with the proportionate share of the subsidiary's equity. The subsidiary is consolidated from the date when control is transferred to the group.

The income statement for the foreign subsidiary is translated into the group's reporting currency at the year's weighted average exchange rate and the balance sheet is translated at the exchange rate in effect at the balance sheet date. Exchange rate differences arising from the translation of the foreign subsidiary's shareholders' equity at the beginning of the year, and exchange rate differences arising as a result of the foreign subsidiary's income statement being translated at average exchange rates, are recorded in translation reserves in shareholders' equity.

FOREIGN CURRENCY

Transactions in foreign currencies are translated at the exchange rates in effect at the date of the transaction.

Exchange rate gains and losses arising between the transaction date and the settlement date are recognized in the income statement as financial items.

Unsettled monetary assets and liabilities in foreign currencies are translated at the exchange rates in effect at the balance sheet date. Exchange rate gains and losses arising between the transaction date and the balance sheet date are recognized in the income statement as financial items.

INCOME STATEMENT

REVENUES

Revenues comprise milestone payments, royalties and services rendered from research and development and commercialization agreements. Revenue is recognized when it is probable that future economic benefits will flow to the Company and these benefits can be measured reliably. Further, revenue recognition requires that all significant risks and rewards of ownership of the goods or services included in the transaction have been transferred to the buyer, and that Veloxis retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods or services sold.

Revenues are stated less of VAT, charges and discounts.

RESEARCH AND DEVELOPMENT COSTS

Research and development costs comprise license costs, manufacturing costs, pre-clinical and clinical trial costs, salaries and other staff costs including pensions, and other costs including cost of premises, depreciation and amortization related to research and development activities.

Research costs are recognized in the income statement in the period to which they relate. Development costs are recognized in the income statement when incurred if the criteria for capitalization have not been met.

A development project involves a single product candidate undergoing a high number of tests to illustrate its safety profile and effect on human beings prior to obtaining the necessary approval from the appropriate authorities. Considering the general risk related to the development of pharmaceutical products, management has concluded that the future economic benefits associated with the individual development projects cannot be estimated with sufficient certainty until the project has been finalized and the necessary market approval of the final product has been obtained. As a consequence all development costs are recognized in the income statement in the period to which they relate.

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses comprise salaries and other staff costs including pensions, office supplies, cost of premises, and depreciation and amortization related to administrative activities.

General and administrative expenses are recognized in the income statement in the period to which they relate.

ONE-OFF RESTRUCTURING COST

The line “One-off restructuring cost” includes major restructuring costs, mainly salary to former employees and is shown separately to facilitate the comparability of income statement and to provide a better picture of the operational result.

SHARE-BASED PAYMENT

Veloxis has established equity-settled share-based payment plans (warrants). The employee services received in exchange for the grant of the warrants or shares are recognized as an expense and allocated over the vesting period. The amount is determined as the fair value of the equity instruments granted. The total amount recognized over the vesting period corresponds to the fair value of the warrants or shares that actually vest. The fair value is determined at the grant date and is not adjusted subsequently.

On each balance sheet date, Veloxis reassesses its estimates of the number of warrants expected to be exercised. Veloxis recognizes any impact of such reassessment of the original estimates in the income statement (catch up) with a corresponding adjustment in equity over the remaining vesting period. Prior-year adjustments are recognized in the income statement in the adjustment year.

FINANCIAL ITEMS

Financial income and expenses include interest, dividend, gains and losses related to securities and transactions denominated in foreign currencies and amortization of finance lease obligations.

Interest income and expenses are accrued with basis in the principal and the nominal interest rate.

Gain and losses on securitis are measured based on sales price minus original cost price.

Dividend from equity interests in subsidiaries is recognized in the income statement of the Parent company in the financial income, when final right to the dividend has been acquired, it is the time to the approval at the general meeting.

CORPORATE TAX

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the income for the year, and recognized directly in equity by the portion attributable to transactions recognized directly in equity. Current tax payable or receivable is recognized in the balance sheet as tax calculated on the taxable income for the year adjusted for prepaid tax.

Deferred tax is recognized and measured under the liability method on all temporary differences between the carrying amount and tax value of assets and liabilities. The tax value of the assets is calculated based on the planned use of each asset.

Notes

Deferred tax is calculated in accordance with the tax regulations and tax rates that are expected to be in effect, considering the laws in force at the balance sheet date, when the deferred tax is estimated to crystallize as current tax. Changes in deferred tax resulting from changed tax rates are recognized in the income statement.

Deferred tax assets, including the tax value of tax losses carried forward, are recognized in the balance sheet at their estimated realizable value, either as a set-off against deferred tax liabilities, if such set-off is permitted for tax purpose, or as net tax assets. Deferred tax assets which are not recognized in the balance sheet are disclosed in a note to the financial statements.

BALANCE SHEET

NON-CURRENT ASSETS

INTANGIBLE ASSETS

Intangible assets comprise acquired patent rights and software.

Patent rights and software are measured at cost less accumulated amortization and impairment losses. The amortization period is determined based on the expected economic and technical useful life, and amortization is recognized on a straight-line basis over the expected useful life as follows:
Patent rights: 20 years
Software: 3-5 years

TANGIBLE FIXED ASSETS

Tangible fixed assets comprise process plant and machinery, other fixtures and fittings, tools and equipment and leasehold improvements. Tangible fixed assets are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the carrying amount of the asset or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the assets will flow to the Company and the costs of the items can be measured reliably. All repair and maintenance costs are charged to the income statement during the financial periods in which they are incurred.

Depreciation of tangible fixed assets is calculated using the straight-line method to allocate the cost to the residual value of the assets over the expected useful life as follows:
Process plant and machinery: 7 years
Other fixtures and fittings, tools and equipment: 3-5 years
Leasehold improvements: 3-9 years

Depreciation, impairment losses and gains or losses on disposal of tangible fixed assets is recognized in the income statement as other (losses)/gains - net.

IMPAIRMENT OF LONG-LIVED ASSETS

The carrying amount of long-lived assets is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. If there are such indications, an impairment test is performed. An impairment loss is recognized for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is determined as the higher of an asset's net selling price and its value in use. Value in use is calculated as the net present value of future cash inflow generated from the asset. For the purposes of assessing impairment, assets are grouped at the lower levels for which there are separately identifiable cash flows (cash-generating units). For corporate assets the assessment is carried out at an entity level. Impairment losses are recognized in the income statement under the same line items as the related depreciation or amortization.

CURRENT ASSETS

TRADE RECEIVABLES

Trade receivables are measured in the balance sheet at the lower of amortized cost and net realizable value, which corresponds to the nominal value less provisions for bad debts. Provisions for bad debts are determined on the basis of an individual assessment of each receivable.

OTHER RECEIVABLES

Other receivables are measured at fair value on initial recognition and subsequently measured at amortized cost according to the effective interest method less provision for impairment. Impairment losses are based on an individual evaluation of each amount collectible.

PREPAYMENTS

Prepayments comprise incurred costs related to a future financial period. Prepayments are measured at nominal value.

SECURITIES

Securities, which are being regular monitored, consist of listed bonds, are measured and reported at fair value pursuant to the group's investment guidelines. Upon initial recognition securities are attributed to the category fair value with value adjustment through the profit and loss. The fair value is based on current market informations.

Investments and sale of bonds are measured at fair value at the trading day added direct costs at the purchase.

Recognition of financial assets stops, when the contractual rights are terminated or the company transfer all significant risks and return affiliated with the ownership.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents comprise cash and deposits with financial institutions. Cash and cash equivalents are measured at amortized cost.

SHAREHOLDERS' EQUITY
The share capital comprises the nominal amount of the Company's ordinary shares, each at a nominal value of DKK 1. All shares are fully paid.

The share premium reserve includes amounts paid as premium compared to the nominal value of the shares in connection with the Company's capital increases less external expenses which are directly attributable to the increases.

Translation reserves include exchange rate adjustments of equity investments in subsidiaries.

NON-CURRENT LIABILITIES
PROVISIONS
Provisions are recognized when the Company has an existing legal or constructive obligation as a result of events occurring prior to or on the balance sheet date, and it is probable that the utilization of economic resources will be required to settle the obligation. Provisions are measured at the amount expected to be paid.

FINANCE LEASES
Leases of property, plant and equipment where the Company substantially bears all the risks and rewards of ownership are classified as finance leases. Assets under finance leases are recognized in the balance sheet at the inception of the lease term at the lower of the fair value of the asset or the net present value of the future minimum lease payments. A liability equaling the asset is recognized in the balance sheet, allocated between non-current and current liabilities. Each lease payment is separated between an interest element, recognized as a financial expense, and a reduction of the lease liability.

Assets held under finance lease are depreciated over the shorter of the asset's useful life and the lease term.

OPERATING LEASE COMMITMENTS
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged on a straight-line basis to the income statement as research and development costs or as general and administrative expenses, depending on the use of the asset.

The total commitment under operating leases is disclosed in the notes to the financial statements.

CURRENT LIABILITIES
TRADE PAYABLES
Trade payables are measured at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

DEFERRED REVENUE
Deferred revenue reflects the part of revenue which has not been recognized as income immediately on receipt of payment and which concerns agreements with multiple components which cannot be separated. Deferred revenue is measured at the amount received.

OTHER LIABILITIES
Other liabilities are measured in the balance sheet at amortized cost, which is considered to be equal to the fair value due to the short-term nature of the liabilities.

DERIVATIVE FINANCIAL INSTRUMENTS
Veloxis does not have derivative financial instruments.

EQUITY INTERESTS IN SUBSIDIARIES
In the separate financial statements of the Parent Company, equity interests in subsidiaries are recognized and measured at cost. Equity interests in foreign currencies are translated to the reporting currency by use of historical exchange rates prevailing at the time of investment.

CASH FLOW STATEMENT
The cash flow statement is presented using the indirect method with basis in operating loss and shows cash flow from operating, investing and financing activities as well as the cash and cash equivalents at the beginning and end of each financial year.

Cash flows from operating activities are calculated as the operating profit/loss adjusted for non-cash operating items such as share-based payment, depreciation, amortization and impairment losses, working capital changes and financial income and expenses received or paid.

Cash flows from investing activities comprise cash flows from purchase and sale of intangible assets and property, plant and equipment.

Cash flows from financing activities comprise cash flows from issuance of shares net of costs, raising and repayment of non-current loans including installments on finance lease liabilities.

Cash and cash equivalents comprise cash at hand and deposits with financial institutions.

Notes

The cash flow statement cannot be derived solely from the financial statements.

SEGMENT REPORTING
The group is managed and operated as one business unit. No separate business areas or separate business units have been identified in relation to product candidates or geographical markets. Accordingly, Veloxis' management has concluded that it is not relevant to disclose segment information on business segments or geographical markets.

FINANCIAL RATIOS
Financial ratios have been calculated in accordance with the recommendations of the Association of Danish Financial Analysts.

BASIC EPS
Basic Earnings per share (EPS) is calculated as the net income/ loss from continuing operations for the period divided by the weighted average number of ordinary shares outstanding.

DILUTED EPS
Diluted earnings per share is calculated as the net income/ loss from continuing operations for the period divided by the weighted average number of ordinary shares outstanding adjusted for the dilutive effect of share equivalents.

As the income statement shows a net loss, no adjustment has been made for the dilutive effect.

$$\text{Assets/Equity} = \frac{\text{Total assets}}{\text{Equity}}$$

Note 2. Critical accounting estimates and judgments

In preparing financial statements under IFRS, certain provisions in the standards require management's judgments. Such judgments are considered important to understand the accounting policies and Veloxis' compliance with the standards. The following summarizes the areas involving higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements.

REVENUE RECOGNITION
IAS 18, "Revenues" prescribes the criteria to be fulfilled for revenue being recognizable. Evaluating the criteria for revenue recognition with respect to Veloxis' research and development and commercialization agreements requires management's judgment to ensure that all criteria have been fulfilled prior to recognizing any amount of revenue. All the Company's revenue generating transactions are analyzed by management to ensure recognition in accordance with IFRS.

Revenue recognized for the year ended 31 December 2011 amounts to DKK 0.

INTERNALLY GENERATED INTANGIBLE ASSETS
IAS 38, "Intangible Assets" prescribes that intangible assets arising from development projects must be recognized in the balance sheet if the criteria for capitalization are met. That means (1) that the development project is clearly defined and identifiable; (2) that technological feasibility, adequate resources to complete and a market for the product or an internal use of the project can be documented; and (3) that the Company's management has the intent to produce and market the product or use it internally.

Such an intangible asset shall be recognized if it can be documented that the future income from the development project will exceed the aggregate cost of development, production, sale and administration of the product.

Management believes that future income from the development projects cannot be determined with sufficient certainty until the development activities have been completed and the necessary approvals have been obtained. Accordingly, management has decided not to recognize such internally generated intangible assets at this time.

Internally generated intangible assets as of 31 December 2011 amounts to DKK 0.

JOINT VENTURES / COLLABORATION AGREEMENTS
Collaboration agreements within the Company's industry are often structured so that each party contributes its respective skills in the various phases of a development project. No joint control exists for such collaborations and the parties do not have any financial obligations on behalf of each other. Accordingly, the collaborations are not considered to be joint ventures as defined in IAS 31, "Financial Reporting of Interests in Joint ventures".

Except for the above areas, assumptions and estimates are not considered to be critical to the financial statements. No estimates or judgments have been made involving a material risk of significant adjustments of the assets or liabilities at the balance sheet date.

Note 3. Depreciation and amortization

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Patent rights and software	102	97	102	97
Property, plant and equipment	5,061	7,734	5,041	7,654
Leasehold improvements	2,157	2,126	2,028	2,018
Total	**7,320**	**9,957**	**7,171**	**9,769**
Allocated by function:				
Research and development costs	5,718	7,655	5,739	7,607
General and administrative expenses	1,602	2,302	1,432	2,162
Total	**7,320**	**9,957**	**7,171**	**9,769**

Note 4. Staff costs

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Wages and salaries	55,286	63,495	48,235	54,425
Pension contributions	3,384	3,516	3,049	3,350
Other social security costs	1,773	1,068	280	30
Share-based payment	10,451	9,810	4,831	9,810
Total	**70,894**	**77,889**	**56,395**	**67,615**
Allocated by function:				
Research and development costs	49,494	45,306	39,585	37,612
General and administrative expenses	21,400	21,689	16,810	19,109
One-off restructuring cost	0	10,894	0	10,894
Total	**70,894**	**77,889**	**56,395**	**67,615**
Average number of employees (FTEs)	52	59	42	52
Remuneration of board of directors, and executive management:				
Board of directors				
Cash remuneration	1,300	900	1,300	900
Share-based payment	105	359	105	359
	1,405	**1,259**	**1,405**	**1,259**
Executive management				
Gross salary	4,195	4,182	4,195	4,182
Bonus	1,633	2,815	1,633	2,815
Pension contributions	251	250	251	250
Share-based payment	3,150	2,217	3,150	2,217
	9,229	**9,464**	**9,229**	**9,464**

Notes

Note 4. Staff costs – continued

The current Executive Management consists of William J. Polvino and Peter G. Nielsen, who both have been with Veloxis throughout 2011.

Members of the Board of Directors receive a fixed annual fee of DKK 150,000. The Chairman of the Board of Directors receives a supplement of DKK 300,000 to the fixed fee and the Chairman of respectively the Audit Committee and the Compensation Committee receives a supplement of DKK 75,000 to the fixed annual fee.

In addition to the fixed annual fee, the members of the Board of Directors are annually granted a fixed number of 50,000 warrants. The Chairman of the Board of Directors is granted additional 100,000 warrants.

Upon election, each member of the Board of Directors may decide to exchange the fixed number of warrants for an additional annual fee equivalent to DKK 1 per warrant.

The severance/notice period for the Executive Management, varies from 6 to 12 months. Change of control clauses can add an additional 6 months of severance.

Veloxis' and the group's pension schemes are defined contribution schemes and Veloxis has no additional payment obligations.

Veloxis has implemented a company-wide (including management) remuneration policy with a bonus element including both a cash element and a warrant based element. Hence a certain percentage of each employee's remuneration is dependent on the employee and the company specified goals and objectives agreed upon at the beginning of each year. Further Veloxis has established a long term incentive plan for specific employees which includes up to three installments of warrants grant which equal up to a total of 12 month base salary for the employees involved based on Black Scholes values provided that certain milestones related to LCP-Tacro are meet before the end of 2013. The warrants will be granted in accordance with Veloxis' articles of association and the exercise price will be equal to market price at the time of the grant.

Veloxis has implemented Incentive Guidelines, which has been adopted by the General Assembly and are in further detailed described on page 16 and on Veloxis´ homepage www.veloxis.com/investors.

The line "One-off restructuring cost" includes major restructuring costs, mainly salary to former employees.

Board of Directors and Executive Management's holdings of shares and warrants

	As per 31 December 2011		As per 31 December 2010	
	Shares	Warrants	Shares	Warrants
Board of directors				
Kurt Anker Nielsen	184,000	-	184,000	-
Thomas Dyrberg	123,200	141,593	123,200	91,593
Anders Götzche	-	-	-	-
Mette Kirstine Agger	1,288	50,000	1,288	-
Kim Björnstrup	-	150,000	-	-
Ed Penhoet	-	133,142	-	133,142
Executive management				
William J. Polvino	160,000	6,690,920	160,000	5,247,054
Peter G. Nielsen	51,000	2,421,525	51,000	2,281,016

Note 5. Financial income

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Financial income from securities and realised/unrealised capital gains on securities measured at the fair value through the income statement	8,213	-	8,213	-
Interest income	676	1,689	672	1,683
Interest income from group companies	-	-	102	141
Exchange rate gains	24,349	1,946	24,349	1,946
Total	**33,238**	**3,635**	**33,336**	**3,770**

Note 6. Financial expenses

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Financial expenses from securities	1,556	-	1,556	-
Interest expenses	5	20	5	20
Interest on finance leases	685	972	685	972
Exchange rate losses	14,944	3,402	14,944	3,402
Total	**17,190**	**4,394**	**17,190**	**4,394**

Note 7. Tax and deferred tax

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Income tax for the year can be explained as follows:				
Income / (loss) for the year before tax	(253,819)	(272,781)	(254,925)	(273,083)
Computed tax on income / (loss) for the year	(63,349)	(67,995)	(63,731)	(68,271)
Change in tax losses carried forward not capitalized	60,411	65,460	60,793	65,736
Change in other deferred tax assets not capitalized	318	1,066	318	1,066
Tax on equity postings	-	(990)	-	(990)
Other permanent adjustments	2,620	2,459	2,620	2,459
Income tax for the year	**0**	**0**	**0**	**0**
Tax rate	**25%**	**25%**	**25%**	**25%**
Calculated deferred tax asset	338,345	277,617	338,630	277,519
Write down to assessed value	(338,345)	(277,617)	(338,630)	(277,519)
Carrying amount	**0**	**0**	**0**	**0**
The components of the deferred tax asset is as follows:				
Intangible assets	168	143	168	143
Property, plant and equipment	4,679	3,410	4,679	3,410
Leasehold improvements	(883)	(1,390)	(883)	(1,390)
Finance leases	2,081	3,568	2,081	3,568
Accrued liabiltiies	93	89	93	89
Tax losses carried forward	332,207	271,797	332,492	271,699
Total	**338,345**	**277,617**	**338,630**	**277,519**

The deferred tax asset has been written down, as it is uncertain whether or not the tax asset will be realized in future earnings.

The deferred tax asset can be carried forward without limitations.

Note 8. Intangible & tangible fixed assets

CONSOLIDATED	PATENT RIGHTS & SOFTWARE		PROPERTY, PLANT & EQUIPMENT		LEASEHOLD IMPROVEMENTS	
(DKK'000)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Cost at 1 January	2,410	1,235	49,794	49,774	14,015	13,521
Additions	727	1,175	2,077	936	177	472
Disposals	-	-	-	(937)	(315)	-
Exchange adjustment	-	-	1	21	1	22
Cost at 31 December	**3,137**	**2,410**	**51,872**	**49,794**	**13,878**	**14,015**
Amortization / Depreciation at 1 January	(472)	(375)	(37,844)	(31,021)	(8,157)	(6,015)
Amortization / Depreciation	(102)	(97)	(5,061)	(7,734)	(2,157)	(2,126)
Amortization / Depreciation on disposals	-	-	-	925	315	-
Exchange adjustment	-	-	-	(14)	1	(16)
Amortization / Depreciation at 31 December	**(574)**	**(472)**	**(42,905)**	**(37,844)**	**(9,998)**	**(8,157)**
Net book value at 31 December	**2,563**	**1,938**	**8,967**	**11,950**	**3,880**	**5,858**
Carrying amount of assets held under finance leases included above	-	-	29	2,137	3,574	5,583

PARENT	PATENT RIGHTS & SOFTWARE		PROPERTY, PLANT & EQUIPMENT		LEASEHOLD IMPROVEMENTS	
(DKK'000)	**2011**	**2010**	**2011**	**2010**	**2011**	**2010**
Cost at 1 January	2,410	1,235	49,477	49,527	13,466	13,236
Additions	727	1,175	2,077	887	-	230
Disposals	-	-	-	(937)	-	-
Cost at 31 December	**3,137**	**2,410**	**51,554**	**49,477**	**13,466**	**13,466**
Amortization / Depreciation at 1 January	(472)	(375)	(37,575)	(30,846)	(7,830)	(5,812)
Amortization / Depreciation	(102)	(97)	(5,041)	(7,654)	(2,028)	(2,018)
Amortization / Depreciation on disposals	-	-	-	925	-	-
Amortization / Depreciation at 31 December	**(574)**	**(472)**	**(42,616)**	**(37,575)**	**(9,858)**	**(7,830)**
Net book value at 31 December	**2,563**	**1,938**	**8,938**	**11,902**	**3,608**	**5,636**
Carrying amount of assets held under finance leases included above	-	-	29	2,137	3,574	5,583

In all material respects, intangible and tangible fixed assets are located in Denmark.

Note 9. Investment in subsidiary

	PARENT	
(DKK'000)	**2011**	**2010**
Cost at 1 January	2,592	2,592
Additions	-	-
Cost at 31 December	**2,592**	**2,592**

Veloxis Pharmaceuticals, Inc. was established as a wholly owned subsidiary as of 2 January 2007. This subsidiary is domiciled in New Jersey, U.S. and is primarily focused on clinical activities in the U.S. and Canada on behalf of the Parent Company.

Note 10. Share capital

On 31 December 2011 the total number of outstanding shares was 452,542,480. Each share has a nominal value of DKK 1 and one vote.

Changes in share capital from 2006 to 2011

The table below sets forth the changes in our issued share capital since 2006:

Date	Transaction	Share Capital	Note	Share classes after capital increase		Share price in DKK pre bonus shares	Share price in DKK post bonus shares
23 January 2006	Cash contribution	4,429,954	(1)	1,520,088	A-shares		
				1,125,844	B-shares		
				1,274,471	C-shares		
				509,551	D-shares	31.54	7.8850
27 July 2006	Issuance of 3 bonus shares per share	17,719,816		6,080,352	A-shares		
				4,503,376	B-shares		
				5,097,884	C-shares		
				2,038,204	D-shares	N/A	N/A
27 July 2006	Reclassification of share classes	17,719,816	(2)	17,719,816	shares	N/A	N/A
13 November 2006	Cash contribution	11,000,000	(3)	28,719,816	shares	-	44.00
23 November 2006	Cash contribution	1,650,000	(4)	30,369,816	shares	-	44.00
12 March 2007	Cash contribution	144,232	(5)	30,514,048	shares	-	3.79
10 September 2007	Cash contribution	1,256,657	(6)	31,770,705	shares	-	6.78
14 Marts 2008	Cash contribution	334,469	(7)	32,105,174	shares	-	6.76
17 April 2008	Cash contribution	23,987,771	(8)	56,092,945	shares	-	17.00
16 September 2008	Cash contribution	194,562	(9)	56,287,507	shares	-	9.40
26 March 2009	Cash contribution	150,813	(10)	56,438,320	shares	-	6.46
9 September 2009	Cash contribution	129,490	(11)	56,567,810	shares	-	6.48
25 November 2010	Cash contribution	395,974,670	(12)	452,542,480	shares	-	1.20

Notes:

(1) Issuance of 1,385 A-shares in connection with subscription through the exercise of employee warrants.
(2) Reclassification of share classes resolved by the general meeting conditional upon completion of the IPO.
(3) Issuance of 11 million shares in connection with the initial public offering on 13 November 2006.
(4) Exercise of over-allotment option, leading to the issuance of an additional 1.65 million shares.
(5) Issuance of 144,232 shares in connection with subscription through the exercise of employee warrants.
(6) Issuance of 1,256,657 shares in connection with subscription through the exercise of employee warrants.
(7) Issuance of 334,469 shares in connection with subscription through the exercise of employee warrants.
(8) Issuance of 23,987,771 shares in connection with rights issue on 17 April 2008.
(9) Issuance of 194,562 shares in connection with subscription through the exercise of employee warrants.
(10) Issuance of 150,813 shares in connection with subscription through the exercise of employee warrants.
(11) Issuance of 129,490 shares in connection with subscription through the exercise of employee warrants.
(12) Issuance of 395,974,670 shares in connection with rights issue on 29 October 2010.

Note 11. Financial risks

Interest rate risk

Veloxis has an investment policy with the purpose of preserving the Company's capital without significantly increasing the risks. Accordingly, the Company seeks to limit any risks related to the interest rate and the fair value of its investments. The Company is primarily exposed to interest rate risk ascribable to its cash and securities position and to its finance lease arrangements with respect to tangible fixed assets. Based on the cash and securities position and the lease liability at the end of 2011, a 1% change in the interest rate will impact net financial income of approximately DKK 3 million. Please refer to note 13 for further analysis of the interest on the finance leases.

Capital structure

During 2011, the Company's excess cash has been placed in short-term deposits with a major Danish bank and short term Danish government and mortgage bonds, thereby reducing the fair value risk. The cash position at year end and the average interest rate is presented in the following table:

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Securities	166,797	0	166,797	0
Cash	130,930	531,519	128,658	528,705
Cash and cash equivalents	297,727	531,519	295,455	528,705
Average variable interest rate	0.95%	0.66%	0.96%	0.66%

Management continues to focus on securing sufficient funds for the operations. The outlook for 2012 expects an end year cash position in the range of DKK 40-80 million. Management is focused on securing additional funds beyond 2012 by either partner agreements, debt or equity, or a mix thereof.

Credit risk

The credit terms on the Company's receivables are considered to be at market conditions, and the Company has not encountered any losses as a result of credit risk during the years presented. As regards cash deposits, the Company's bank has a credit rating of A2 according to Moody's. The securities portfolio consists of short term Danish government and mortgage bonds with a limited credit risk. The credit risk ascribable to the Company's receivables is considered low as such receivables arise from collaboration agreements with large pharmaceutical companies.

Liquidity risk

The Company is exposed to liquidity risk arising from finance lease obligations (see note 13) and short-term payables.

Note 11. Financial risks – continued

Currency exposure

Veloxis is subject to currency risk, as the Company incurs income and expenses in a number of different currencies, mainly USD. Changes in exchange rates of such foreign currencies towards the Company's functional currency may affect the results and cash position.

Veloxis currently hedge USD exposure equal to twelve months of USD based operations by purchasing USD currency in advance.

The Company's net position (monetary items) in foreign currencies is stated below:

	CONSOLIDATED		PARENT	
	2011	**2010**	**2011**	**2010**
USD'000	15,074	(1,233)	13,340	(2,019)
EUR'000	(127)	65	(127)	65
GBP'000	(220)	(110)	(220)	(110)
CAD'000	(164)	(824)	(164)	(824)

All net positions are current.

The carrying amount approximately equals the fair value. Changes in currencies may affect future income and expenses in such foreign currencies, and may have a significant impact on the Company's operating results and cash flows. The Company is primarily exposed to such risk from currency fluctuations between USD and DKK. A 10% change in the USD exchange rate will impact operating result with approximately DKK 8 million.

Fair value hierarchy for financial instruments measured at fair value

Veloxis' securities, which consist of listed bonds, are measured at fair value in the balance sheet. Classification of these securities can be attributed to level 1 as the fair value is based on quoted prices in active markets for identical assets.

Financial instruments by category

Veloxis' financial assets mainly belong to the category loans and receivables. However, Veloxis' securities belong to the category assets measured at fair value with value adjustment through the profit and loss.

Veloxis' financial liabilities belong to the category amortized cost.

Note 12. Warrants

Veloxis has established warrant programs for board members, members of executive management, employees, consultants and advisors. All warrants have been issued by the Company's shareholders or by the board of directors pursuant to valid authorizations in Veloxis' articles of association.

Vesting conditions

Warrants issued during the period 2003 to 2005 and since May 2008 vest in general at 1/36 per month from the date of grant. However, some warrants are not subject to vesting conditions, but vest in full at the time of grant.

Warrants issued during the period 2006 to April 2008 generally vest at 1/48 per month from the date of grant. However, some warrants are not subject to vesting conditions but vest in full at the time of grant.

Warrants granted from May 2008 to employees in affiliates and warrants granted prior to 1 July 2004 cease to vest upon termination of the employment relationship regardless of the reason for such termination. Warrants granted after 1 July 2004 to employees employed in the parent company cease to vest from the date of termination in the event that (i) a warrant holder resigns without this being due to the Company's breach of contract, or (ii) if Veloxis terminates the employment relationship where the employee has given the Company good reason to do so. The warrant holder will, however, be entitled to exercise vested warrants in the first coming exercise period after termination.

Exercise of warrants issued to board members, consultants and other advisors are conditional upon the warrant holder being connected to Veloxis on the date of exercise. However, if the warrant holder's position has been terminated without this being attributable to the warrant holder's actions or omissions, the warrant holder shall be entitled to exercise vested warrants in the pre-determined exercise periods.

Exercise periods

Vested warrants may generally be exercised during four three-week periods following publication of Veloxis' preliminary annual report and Veloxis' quarterly interim reports.

Warrant activity

The following table specifies the warrant activity during 2011:

	EMPLOYEES	EXECUTIVE MANAGEMENT	BOARD OF DIRECTORS	OTHER EXTERNAL	TOTAL	WEIGHTED AVERAGE EXERCISE PRICE DKK
Outstanding as of 1 January 2010	3,359,707	757,572	350,667	69,659	4,537,605	20.44
Granted in the year	12,179,834	5,440,080	120,000	-	17,739,914	1.39
Cancelled in the year	(1,178,995)	-	(125,201)	(22,175)	(1,326,371)	10.03
Adjustments following dilution rules	4,832,927	1,330,418	404,792	55,639	6,623,776	-
Outstanding as of 31 December 2010	**19,193,473**	**7,528,070**	**750,258**	**103,123**	**27,574,924**	**3.42**
Granted in the year	2,830,916	1,584,375	250,000	-	4,665,291	1.15
Cancelled in the year	(2,038,035)	-	(171,282)	-	(2,209,317)	3.94
Expired in the year	(63,235)	-	-	(81,969)	(145,204)	2.90
Outstanding as of 31 December 2011	**19,923,119**	**9,112,445**	**828,976**	**21,154**	**29,885,694**	**3.03**
Weighted average exercise price DKK	**3.26**	**2.14**	**7.20**	**13.76**	**3.03**	

In total, as of 31 December 2011, a total of 29,885,694 warrants were outstanding with a weighted average exercise price of DKK 3.03. 14,265,825 of these warrants had vested as of 31 December 2011. For comparison, as of 31 December 2010, a total of 27,574,924 warrants were outstanding with a weighted average exercise price of DKK 3.42.

Note 12. Warrants – continued

Warrant compensation costs

Warrant compensation costs are calculated at the date of grant by use of the Black-Scholes valuation model with the following assumptions: (i) a volatility of 52%, determined as the average of the stock price volatility based on Veloxis' historical share prices since its Initial Public Offering in November 2006; (ii) no payment of dividends; (iii) a risk free interest rate equaling the interest rate on a 5-year government bond on the date of grant; and (iv) a life of the warrants determined as the average of the date of becoming exercisable and the date of expiry.

Warrant compensation costs are recognized in the income statement over the vesting period of the warrants granted.

During 2011, a total of DKK 10.5 million was recognized as share-based compensation compared to DKK 9.8 million in 2010.

The warrant compensation costs for 2011 were allocated to research and development costs at DKK 6.0 million and to general and administrative expenses at DKK 4.5 million.

Value of outstanding warrants

The aggregate value of warrants granted in 2011 has been calculated at DKK 1.6 million. The aggregate value of outstanding warrants has been calculated at DKK 7.3 million using the Black Scholes Option Pricing model on the assumptions of (i) a share price of DKK 0.83 per share, the closing price as of 31 December 2011, (ii) a volatility of 52%, (iii) no payment of dividends, and (iv) a risk free interest rate of 0.62% annually.

The following table specifies the weighted average exercise price and the weighted average life of outstanding warrants:

YEAR OF GRANT	NUMBER OF GRANTED WARRANTS	NUMBER OF OUT-STANDING WARRANTS	WEIGHTED AVERAGE EXERCISE PRICE (DKK)	WEIGHTED AVERAGE EXERCISE PERIOD (MONTHS)
2003	2,704,443	1	2.79	0.00
2004	3,054,087	33,648	2.98	0.00
2005	2,051,873	685,543	7.87	8.08
2006	6,010,556	930,084	14.33	19.11
2007	1,860,171	604,554	20.43	29.42
2008	5,903,297	1,576,127	11.13	41.65
2009	3,599,093	2,689,743	4.04	55.16
2010	20,389,417	18,700,703	1.37	70.99
2011	4,665,291	4,665,291	1.15	77.17
31 December 2011	**50,238,228**	**29,885,694**	**3.03**	**65.00**

Note 13. Finance leases

Veloxis has finance lease commitments regarding tangible fixed assets. The debt for these commitments is recognized in the balance sheet.

The future minimum payments and the net present value are stated below:

FUTURE MINIMUM PAYMENTS	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Within 1 year	4,848	6,374	4,848	6,374
From 1 to 5 years	3,910	8,964	3,910	8,964
After 5 years	-	-	-	-
Total	**8,758**	**15,338**	**8,758**	**15,338**
Financing components	(431)	(1,064)	(431)	(1,064)
Total	**8,327**	**14,274**	**8,327**	**14,274**
NPV for the finance lease commitments				
Within 1 year	4,612	5,742	4,612	5,742
From 1 to 5 years	3,715	8,532	3,715	8,532
After 5 years	-	-	-	-
Total	**8,327**	**14,274**	**8,327**	**14,274**

Veloxis has the right to purchase the assets held under finance leases on expiration of the lease agreements. A weighted average internal interest of 5.98% (in the interval 4.54% to 6.47%) has been applied for recognition. The carrying amount of the finance lease commitment is in all material respects equal to the fair value.

All financial lease obligations together with trade payables recognized in the balance sheet all fall under the category “other financial liabilities”.

Note 14. Other commitments

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Operating lease commitments regarding offices	20,835	25,849	19,672	24,031
Operating lease commitments regarding property, plant and equipment	579	807	579	807
Total operating lease commitments	**21,414**	**26,656**	**20,251**	**24,838**
Total operating lease payments fall due:				
Within 1 year	7,334	7,185	6,636	6,504
From 1 to 5 years	14,080	19,471	13,615	18,334
After 5 years	-	-	-	-
Total	**21,414**	**26,656**	**20,251**	**24,838**
Expensed operating lease payments	7,342	6,677	6,644	6,450

Note 15. Related parties

Members of the Executive Management and Board of Directors
The members of the Executive Management and Board of Directors are considered related parties following their positions in the Company.

The Executive Management and the Board of Directors have received remuneration from Veloxis, including warrants, as described in note 4 and note 12 to the financial statements.

Previous the Company has entered into a consultancy agreement with one of the former Board members, Dr. Gérard Soula. During 2011, the Company has paid consultancy fees totaling DKK 146 thousand (2010: DKK 573 thousand) to Dr. Soula and reimbursed travel expenses. Veloxis had no outstanding balances with Dr. Soula as at 31 December 2011.

Veloxis has in addition previously entered into a special assignment agreement with the former Chairman of the Board Paul Edick. During 2011, Veloxis has paid special assignment fees totaling DKK 486 thousand (2010: DKK 794 thousand (covers both consultancy as well as special assignment fees)) to Paul Edick and reimbursed travel expenses. Veloxis had no outstanding balances with Paul Edick as at 31 December 2011.

Veloxis Pharmaceuticals, Inc.
In the separate financial statements of the Parent Company, Veloxis Pharmaceuticals, Inc. is considered a related party, as this company is a wholly owned subsidiary of Veloxis Pharmaceuticals A/S.

During 2011, the subsidiary has performed clinical and managerial activities on behalf of the Parent Company, which has been remunerated in accordance with the service agreements between the companies. Total services amount to DKK 21,301 thousand for the year 2011 (2010: DKK 22,008 thousand). Further, the Parent Company has funded the activities of the subsidiary, thereby generating interest income of DKK 102 thousand for the period 1 January to 31 December 2011 (2010: DKK 141 thousand).

At 31 December 2011, the Parent Company had a net payable to Veloxis Pharmaceuticals, Inc. totaling DKK 7,693 thousand (2010: DKK 1,961 thousand).

Major shareholders
Prior to the publication of the Offering Circular in 2010, LFI a/s and Novo A/S had undertaken to the Company to subscribe for Offer Shares not subscribed for by exercise of Preemptive Rights and for that LFI a/s and Novo A/S would receive a subscription commission equal to 2.5% of their full undertaking.

Veloxis has in 2011 paid DKK 2,493 thousand as subscription commission respectively to LFI a/s and Novo A/S.

Other related parties
Other related parties may exist as the members of Veloxis´ Board of Directors and Executive Management hold positions as Board members in other companies, and as the shareholders of Veloxis may also be shareholders of other companies. Except for the companies listed above, Veloxis has not identified any such parties as related parties and no transactions have been identified as related party transactions as we are not aware of such relationships.

Note 16. Changes in working capital

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
Trade receivables	-	302	-	302
Other receivables	3,110	(4,200)	2,552	(3,631)
Prepayments	741	10,978	400	11,005
Trade payables	4,735	3,734	5,100	3,390
Deferred revenue	-	(120)	-	(120)
Other payables	1,571	4,270	(980)	2,552
Exchange gains/(losses)	2,937	(129)	3,180	(46)
Total	**13,094**	**14,835**	**10,252**	**13,452**

Note 17. Fees to auditors appointed by the annual general meeting

	CONSOLIDATED		PARENT	
(DKK'000)	**2011**	**2010**	**2011**	**2010**
PricewaterhouseCoopers				
Audit	300	300	300	300
Tax services	38	229	38	229
Other assurance engagements	59	1,830	59	1,830
Other services	82	90	82	90
Total	**479**	**2,449**	**479**	**2,449**

VELOXIS
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