OctoPlus

2011

PHARMACEUTICAL
INNOVATORS

Annual Report

Pharmaceutical Innovators

OCTOPLUS AT A GLANCE

OctoPlus is a specialty pharmaceutical company focused on the formulation development and cGMP manufacturing of controlled release and other complex injectable therapeutics. As a formulation development specialist, OctoPlus is a leading provider of advanced drug formulation and manufacturing services to the pharmaceutical and biotechnology industries, with an impressive track record in the development of difficult-to-formulate pharmaceuticals.

OctoPlus offers a platform of proprietary biodegradable polymers for the controlled release and extended release of injectable pharmaceutical products, in particular proteins and peptides. The most advanced product utilizing the company's technology is Locteron®, a controlled release formulation of alpha interferon for which Phase II b clinical development was completed by OctoPlus' licensee Biolex. In addition to Locteron, the Company is building a pipeline of follow-on client sponsored products.

In 2011 OctoPlus realized € 7.7 million in revenues. OctoPlus is listed on Euronext Amsterdam by NYSE Euronext under the symbol OCTO.

Annual Report 2011

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Key figures

	2007	2008	2009	2010	2011
INCOME STATEMENT					
Revenues	5,194	16,923	19,046	8,329	7,702
Operating costs	20,446	21,246	20,846	13,550	13,138
Operating result	(15,252)	(4,323)	(1,800)	(5,221)	**(5,436)**
Interest	77	(1,886)	(1,157)	(981)	(880)
Result for the period	(15,175)	(6,209)	(2,957)	(6,202)	**(6,316)**
EBITDA	(14,130)	(2,716)	970	(2,447)	(3,287)
CASH FLOW					
Operating	(10,753)	(4,037)	(2,795)	(2,960)	(3,650)
Investing	(6,277)	(6,698)	(1,456)	(58)	(92)
Financing	(8)	7,338	8,446	2,412	2,638
Total	(17,038)	(3,397)	4,195	(606)	**(1,104)**
BALANCE SHEET AT YEAR-END					
Equity	6,667	575	11,343	8,935	6,486
Total assets	19,829	30,138	29,741	25,347	22,853
Cash position [1]	2,515	(882)	3,313	2,707	1,603
EMPLOYEES AT YEAR-END					
Headcount	170	144	132	95	111
FTE	157	131	122	88	104
PER SHARE					
Number of shares at year-end ('000)	16,207	16,207	33,435	36,779	44,779
Earnings per share [2]	(0.94)	(0.38)	(0.10)	(0.19)	(0.17)

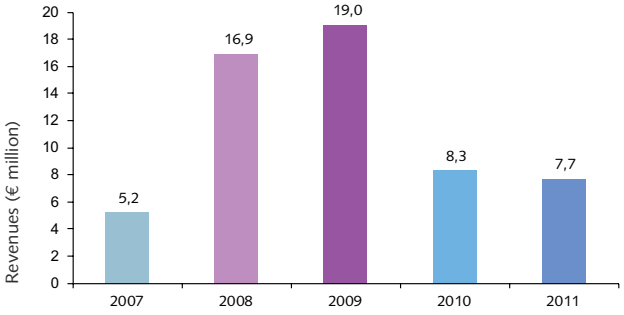
[1] Cash, cash equivalents, bank deposits and overdrafts

[2] Based on the average number of shares during the year

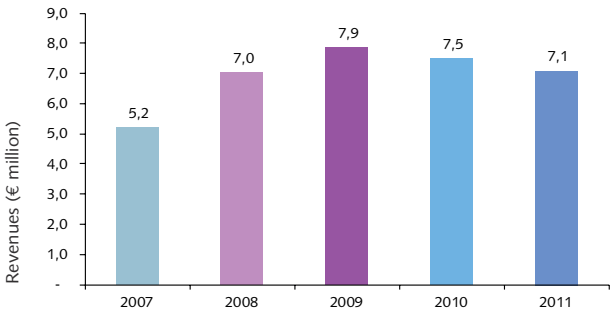
Highlights

- 42 projects for 36 clients in 2011 working on various compounds
- 1 drug delivery evaluation project was progressed into pre-clinical development
- 3 drug delivery evaluation projects signed in 2011
- 7 new drug development and manufacturing contracts initiated in 2011

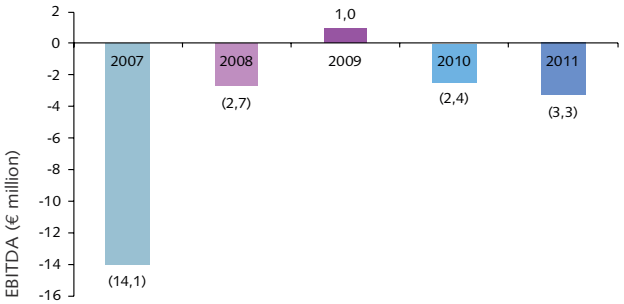
REVENUES



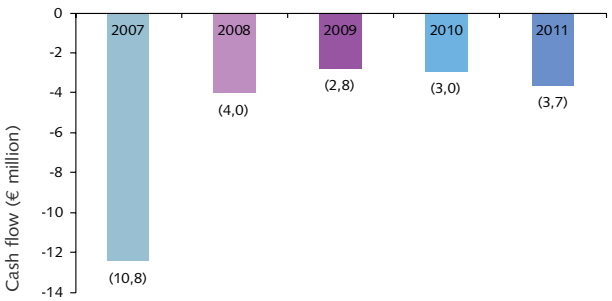
CORE BUSINESS (NON LOCTERON) REVENUES



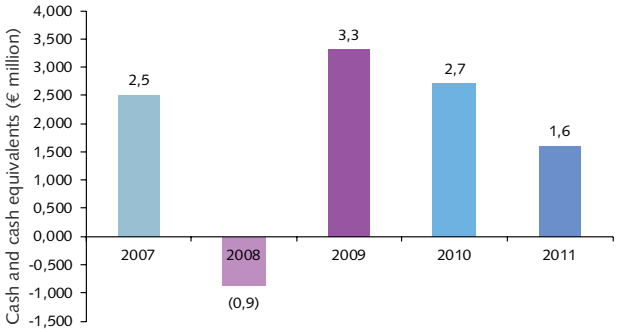
EBITDA



CASH FLOW FROM OPERATING ACTIVITIES



CASH AND CASH EQUIVALENTS AT 31 DECEMBER



Glossary of terms

CONTROLLED RELEASE: long-acting, for example during two weeks instead of one week, due to the use of slowly degrading polymers such as the PolyActive technology

API: active pharmaceutical ingredient, the medicinal component of a drug that acts on the cause of a disease

POLYACTIVE®: proprietary technology of slowly degrading polymers used by OctoPlus to develop long-acting therapeutics for clients

LOCTERON®: a long-acting formulation of interferon alpha based on the PolyActive technology, developed by OctoPlus and its partner Biolex for the treatment of chronic hepatitis C

BIOLEX: OctoPlus' license partner for Locteron, who is in charge of Locteron's clinical and commercial development

TREATMENT NAÏVE PATIENTS: patients who have never been treated for their disease

TREATMENT EXPERIENCED PATIENTS: patients who have been treated before and for whom the treatment was not effective

FORMULATION DEVELOPMENT: the science of developing a prototype for a drug that is stable and suitable to be administered to patients

PROCESS DEVELOPMENT: the scale-up of a drug formulation in order to be able to produce large quantities of the drug

ANALYTICAL DEVELOPMENT: the development of analytical methods to be able to test various characteristics of the formulation, including quality, stability and concentration

MANUFACTURING: production of the final product by producing and filling the formulation into vials and preparing them for shipment to the client

Message from the CEO

After my first year as CEO, I am looking back at a very exciting year. Although many of our clients, and therefore also our business was negatively impacted by the current economic environment, I feel that over the past year we have made great strides in strengthening and further professionalizing our organization.

Thanks to the efforts and dedication of our people, our organization has been strengthened in virtually every major functional area including operations, formulation development and business development. I am confident that these efforts and our increased focus will show themselves in the business results over the years to come.

We are building a reputation as the service provider of choice for the development of complex formulations of injectable pharmaceuticals and controlled release formulations. Our scope of activities covers a rather broad range of formulation development services with a particular focus on the formulation of complex injectable drugs. We develop both formulations for completely new active pharmaceutical ingredients and for existing drugs. The majority of our work is focused on biologicals such as proteins and antibodies but in some cases we are also requested to help develop formulations for synthetic small molecules that can only be administrated by injection.

Controlled release of injectable products is an exciting field: it covers many therapeutic areas from infectious diseases to eye and heart disorders and many more. The formulations we develop either allow for easy administration by injection or improve the delivery profile so that the active ingredient gets released at exactly the right place and pace.

Our business benefits from two positive trends in the market. First, a general trend by both pharmaceutical and biotechnology companies towards outsourcing specialized activities such as formulation development. And secondly, the trend that pharmaceutical research continues to shift from orally active small molecules to larger molecules such as peptides, proteins and monoclonal antibodies that are only active after injection. Both trends increase the demand for our work.

FOUR STRATEGIC ACTIVITIES

Over the past year, we have further focused our efforts on four key strategic areas:

- **Fee-for-service:** we strive to be the recognized leader in the field of complex formulations, such as protein and liposomal formulations
- **Locteron:** our most advanced controlled release product based on our PolyActive technology is Locteron, a controlled release formulation of interferon alpha, which was licensed to Biolex Therapeutics in 2008
- **Controlled release for difficult-to-reach areas:** we use our formulation development expertise combined with our proprietary technology to build a product portfolio of client-funded controlled release products. Projects include controlled release delivery of proteins and peptide drugs into the eye and joints
- **Specialty generics:** another area where we use our expertise is in the development of specialty generics, which are generic versions of complex controlled release products that are coming off patent.

Depending on the use of proprietary know-how or technologies or the inclusion of risk sharing arrangements, our projects can range from pure fee-for-service work to arrangements where we participate in the long term commercial success of the product through milestone payments, royalties or manufacturing revenue.

The commercialization of Locteron remains an important value driver for OctoPlus. After a commercial partner has been found the Phase III clinical studies will start. In parallel, we have been optimizing and scaling up the manufacturing process for Locteron to prepare for the next clinical phase. We are eligible to receive a major milestone payment

upon the start of the treatment of the first patient in the Phase III clinical study.

During 2011, we started three additional drug delivery technology evaluation projects. Our evaluation study for drug delivery into the eye with ESBATech, a Novartis company LLC progressed into a full development agreement in February 2011. This project is currently progressing as planned. It is our objective to progress additional feasibility projects into full development and license agreements. Similar to Locteron, we may in the future receive development and manufacturing revenues, milestones and royalties from these projects.

During 2011, we expanded our efforts into a new area, specialty generics. Specialty generics, or generic copies of long-acting injectable drugs, are a perfect fit for our expertise in the development, scale-up and cGMP manufacturing of complex injectable formulations.

ACCELERATING MEDICINE

The economic climate has made 2011 a rather challenging year for us, which is reflected in lower revenues. As a result of our focused efforts, we have stabilized our revenue stream and are moving towards substantial growth during 2012. We have worked hard to improve efficiency and operational excellence within our organization, and we expect to see the benefits of these efforts in the course of 2012 and beyond.

Moving into 2012, we aim to build on all four of our strategic activities. We will focus on fulfilling our role in large projects such as Locteron and strengthening our efforts in specialty generics as we view this as an attractive opportunity where we enjoy a significant competitive advantage. We will continue to leverage our proprietary technologies to develop controlled release formulations for our clients and to support our fee-for service customers with our know-how and expertise to progress their products in an expeditious and cost effective manner.

It is our objective to create an operationally cash-balanced business in the medium term, whereby the fee-for-service business generates the cash flow to support our infrastructure and provide the funds for co-investments and risk-sharing in projects such as specialty generics where we can capture upside potential for our shareholders. For the short term, we aim to generate at least 20% organic growth in revenues during 2012, contributing to our overall strategy to build a company that is operationally cash-balanced, allowing a sustainable business with a large upside.

In summary, thanks to the intense dedication, energy and efforts of our people we have significantly strengthened and focused our organization over the past year. We look forward to 2012 being a year where we regain growth while contributing to the advancement of medicine.

Jan Hendrik Egberts
Chief Executive Officer
OctoPlus N.V.

Leiden, the Netherlands, 27 April 2012

Commercial applications

of controlled release technology

Injectable therapeutics often have a short activity in the body: after injection the therapeutic circulates, but the human body is very effective in eliminating foreign molecules. Depending on the rate of elimination, injectable therapeutics may be active in the body for only a few minutes or up to several hours. One way to extend the effect of an active molecule in the body is to encapsulate it in a polymer based controlled release system. The technology that is most often used for controlled release formulations is based on the use of PLGA, poly(lacid-co-glycolicacid), a polymer that can be used for the development of microspheres and nanoparticles. These tiny particles release the drug slowly into the blood stream, thereby ensuring a longer lasting therapeutic activity. Depending on the characteristics of the polymer and size and shape of these particles, the release can be tailored to cover days, weeks or in some cases even months.

PLGA has several disadvantages though, which leave room for valuable improvements in drug delivery performance. One of the major disadvantages of PLGA is that it often leads to burst release after injection. The explanation for this phenomenon is that during the production process, the drug molecules are not evenly dispersed within the particle or the particles are of uneven size. Both phenomena cause an uneven release of the drug into the blood stream. OctoPlus has developed a proprietary next-generation drug delivery technology which is called PolyActive®. It offers several advantages over the older PLGA technology, including a reduced burst release upon injection, suitability for the delivery of biopharmaceutical large molecule drugs and flexible release profiles that can be specifically tailored to meet our client's needs.

Our clients typically provide us with a compound that requires a controlled release or long-acting formulation, and we are asked to develop and produce a suitable formulation for them. Depending on our client's requirements, they may choose PolyActive, PLGA, or another type of controlled release technology. We have worked on controlled release formulations targeted at several different ailments, including hepatitis C, eye and heart disorders. Especially the use of controlled release in the eye is an obvious application of our technology where we can reduce the frequency of required injections, which is obviously highly desirable in the eye. We look forward to continue to work with our clients in developing these next-generation therapeutics.

SPECIALTY GENERICS

Several blockbuster injectable controlled release drugs are coming off patent in the coming years, which opens the way for the development of

DRUG	FOR TREATMENT OF	ANNUAL SALES IN 2010 (US$)
Risperdal Consta (risperidone)	Schizophrenia	1.5 billion
Lupron depot (leuprolide)	Prostate cancer	1.5 billion
Octreotide LAR (octreotide)	Acromegaly and cancer	1.3 billion
Goserelin (zoladex)	Prostate cancer	1.1 billion
Decapeptyl / Trelstar (triptorelin)	Cancer	Information not available
ZypAdhera (olanzapine)	Schizophrenia	Information not available

competitive copycat products that do not infringe upon existing patents, so called 'specialty generics'. Most of these products are based on older PLGA technologies that were in use when these products were initially developed about two decades ago. The table above shows a few blockbuster drugs that soon come off patent based on this technology.

Development and manufacturing of these specialty generics is complex: it requires state-of-the-art equipment and in-depth knowledge on developing, manufacturing and lyophilizing microspheres. At OctoPlus we have the expertise and infrastructure available to execute this work and have gained extensive experience working on these types of formulations for more than 15 years.

Many generic pharmaceutical companies have expressed interest to enter the multi-billion markets for these specialty generics, but they typically lack the complex developing, scale-up and cGMP manufacturing skills required to develop these products. We see an attractive commercial opportunity for these types of products. Our development efforts for specialty generics can either be compensated through a fee-for-service arrangement or by co-investing with our own resources which allows us to increase our participation in the commercial upside of these products in the form of royalties, milestones and manufacturing revenue upon commercialization. We will work to progress these projects in 2012.

Hepatitis C treatments

recent developments and the differences between genotypes

Our most advanced controlled release product is a long-acting interferon alpha treatment for chronic hepatitis C, called Locteron. Many companies are doing research into the treatment of hepatitis C and the results of this research may change the future of hepatitis C therapy.

GENOTYPES

The hepatitis C virus (HCV) exists in up to ten different variants, called genotypes, which are identified by numbers. In addition to the major genotypes, there are over 50 subtypes within those genotypes. These subtypes are identified by a lowercase letter, such as 1a, 1b etc. Genotype 1a is the most common type: in the United States approximately 57% of hepatitis C patients have been infected with the 1a genotype. Genotype 1b can be found in about 17% of US patients, and genotypes 2 and 3 are the next most common strains. Genotype 4 is more common in the Middle East and Africa.

Genotypes determine to a large extent the efficacy and outcome of treatment. The hepatitis C virus induces a chronic infection in 50%-80% of infected persons. Approximately 20-50% of these patients respond poorly to therapy. Genotype 1a is the most difficult to treat: only approximately 50% of patients with this genotype are cured with the current standard of care.

ADD-ON THERAPY

Many new direct antiviral compounds are in development for the treatment of hepatitis C. In May 2011, the U.S. Food and Drug Administration approved two new drugs: Victrelis by Merck and Incivek by Vertex Pharmaceuticals. Both drugs block an enzyme that plays a critical role in the reproduction of the virus. They are used in combination with the current standard of care (interferon alpha plus ribavirin) and have shown potential to increase cure rates to 70% in both treatment naïve as well as treatment experienced patients. Moreover, Incivek may shorten the treatment duration from 48 weeks to 24 weeks for certain patient groups.

Incivek is expected to be part of a new standard of care regimen, combined with ribavirin and interferon alpha. Therefore, even though the therapy duration

is expected to be significantly reduced in the future, usage of interferon alpha is expected to expand as more patients are eligible for treatment and better therapy will attract patients that until now elected not to seek treatment.

INTERFERON-FREE THERAPY

A recent development is the fact that several companies are exploring combinations of direct antiviral compounds that do not require interferon injections and can be given as orally active pills only, so-called all-oral therapy or interferon-free therapy. Until now scientific articles have only demonstrated preliminary success with interferon-free treatment in relatively small Phase II clinical studies and primarily in genotype 2 and 3 patients. The true commercial potential of all-oral therapies will depend on their efficacy in the most frequently occurring genotype 1 patients and only if their safety and efficacy profile holds up in larger Phase III studies. Many experts expect that side effects will emerge in these Phase lll trials. To date, no all-oral regimens have been approved and no final proof has been established in larger clinical studies to indicate that an all-oral therapy would be clinically or commercially feasible for the majority of HCV genotypes. In particular for the most difficult to treat genotype 1a.

We, but also many financial analysts, do not foresee a major change in the standard of care including the use of interferon alpha for the majority of hepatitis C cases and for years to come. In particular, when Locteron becomes available with most likely significantly fewer side effects than currently marketed pegylated interferons. In a way Locteron is likely to eliminate the most important argument in favor of all-oral treatment regimens, namely the desire to eliminate side effects of pegylated interferon.
In short, we expect interferon to remain an important element in the treatment of hepatitis C for the majority of patients and for many years to come.

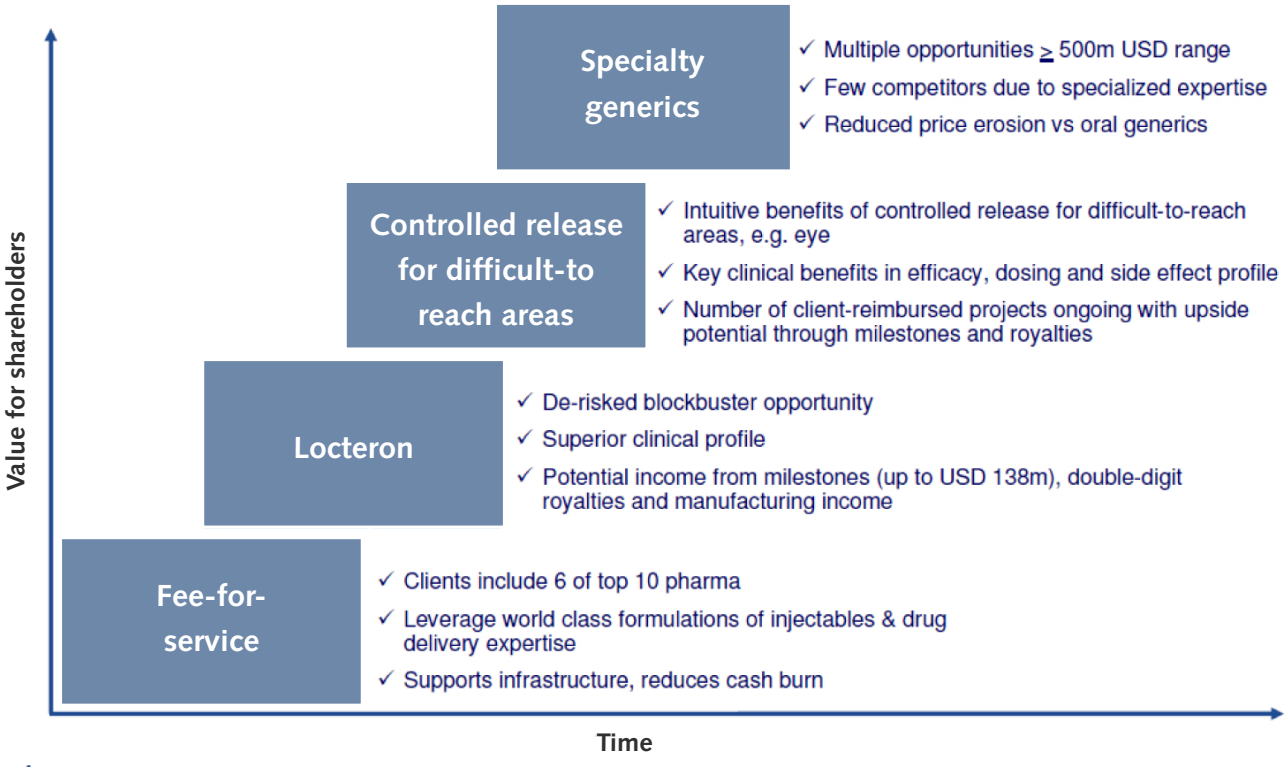
1 Our activities

During the past 16 years OctoPlus has been active in formulation development from pre-clinical to early commercial product launch. We have provided our services to more than 170 clients to progress their products into clinical studies and onto the market. Our clients are both small biotechnology companies and larger pharmaceutical companies worldwide. We focus on building long-term relationships with our clients, during which they return to us when they are ready to enter the next clinical phase or when they start developing their next product.

Our expertise in formulation development and drug delivery has arguably made us the specialist of choice for complex pharmaceutical development challenges. By incorporating our proprietary technology in the controlled release formulations we develop, we can participate in the commercial upside of the products we develop through the use of milestone payments and royalties.

The most advanced product based on our PolyActive technology is Locteron. Other areas where we apply our technology relate to parts of the body that are difficult to reach with conventional approaches such as the eyes or into joints. Also in the category of specialty generics we see major added value in the use of our technology. More information on the specialty generics market can be found in the "commercial applications of controlled release technology" chapter.

Our activities can be categorized in four strategic areas, according to the image below:



SERVICE PROVIDER TO PHARMA AND BIOTECH

Our role in service projects varies: some of our clients are biotech companies with little experience, expertise or equipment for formulation development or manufacturing. For these clients we perform the full spectrum of formulation development, analysis, scale-up, validation and cGMP production. Other clients are big pharmaceutical companies that do have formulation development expertise in-house, but need us to solve a particular challenge or to provide them with additional resources. In all cases, we try to serve the client as best we can and to create a long-term collaborative relationship.

In most of our fee-for-service projects we primarily use the expertise and know-how of our researchers. In our technology evaluation projects on the other hand, we also use our proprietary drug delivery technologies, such as PolyActive. As a result our technology evaluation projects have the potential to create more long term upside potential for OctoPlus as they may lead to substantial milestone payments and royalties under a license agreement.

CONFIDENTIALITY

Some of our new projects are of a material value to us and we therefore announce them with a press release. We always try to publish as much relevant information about new projects as possible. However, for competitive reasons many clients seek to avoid publicity and decline to release their company name or their compound. They do not want their competitors to know the kind of products they are developing or the development stage that their product candidate has reached. We understand and respect this, which is why many of our press releases do not disclose the client's name.

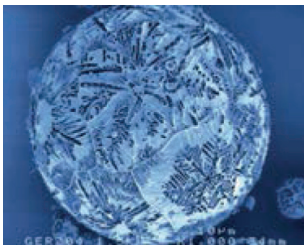
MARKET AND COMPETITION

Many biotechnology and pharmaceutical companies outsource the formulation development of injectables. The market for this activity is fragmented with more than 40 companies in Europe and more than 50 in the U.S. that offer their services in this area. All of these companies consider themselves Contract Development or Manufacturing Organizations. Virtually every service provider offers a different set of services: some are specialized in certain administration routes, or activities, some offer production services, others do not. We are one of a very select group of European service providers that are fully integrated, we specialize both in the formulation development of injectable products but we also offer cGMP manufacturing services for our clients. Other service providers who offer similar services in a different range are for example Recipharm (Sweden), Aptuit (USA), Evotec (Germany), Patheon (USA) and Hospira and One 2 One (both USA).

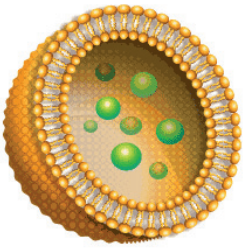
Only a few companies are active in both the development and manufacturing of controlled release technologies for injectable products. Our key competitors include Flamel, SurModics (now Evonik Degussa Corporation) and Alkermes. Our PolyActive technology is the only next-generation controlled release technology that has both advanced to successful Phase IIb studies for drug delivery but that also has been used for many years in man in orthopedic applications. It is our strategy to leverage our positive clinical data with PolyActive to other controlled release injectable products. This will potentially provide us with milestone payments and royalty streams from additional products.

WHAT ARE COMPLEX FORMULATIONS?

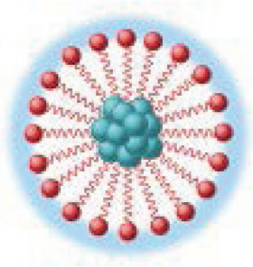
Most patients and doctors prefer the convenience of oral tablets. However, many therapeutics cannot be administrated as a tablet as they are often either being digested in the stomach before they can get absorbed or they cannot be absorbed at all into the body. For this reason, such pharmaceuticals need to be administered as an injection. These types of pharmaceuticals are often difficult to formulate and produce: they need to be stable and remain active for long periods of time. Also such pharmaceuticals are frequently rapidly metabolized or excreted requiring either the use of frequent injections – which patients and doctors do not prefer, or the use of controlled release modalities. This latter approach allows the drug to be released more slowly into the body and hence to be injected less frequently. It is easy to imagine that it takes a lot of expertise, experience and sophisticated equipment to develop and produce such injectables. At OctoPlus we have more than 16 years of experience in developing such products. Companies from all over the world come to us to help them solve their formulation development challenges. The images below show some examples of the type of formulations we make.



Inulin based formulations



Liposome based formulations



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OctoPlus
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2 Executive Board report

COMPOSITION OF THE EXECUTIVE BOARD

JAN HENDRIK EGBERTS – CHIEF EXECUTIVE OFFICER (CEO) – AGE 53

Appointment term | 2011 - 2015

Jan Hendrik Egberts, M.D. has over 20 years of experience in the pharmaceutical sector. He graduated from Erasmus University Medical School in the Netherlands and he pursued the clinical part of his training at Harvard Medical School. He obtained his MBA from Stanford and started his business career in clinical research at Organon Teknika in Belgium. He worked for four years as a strategic consultant at McKinsey & Company, and from 1994 onwards held business development and general management positions of increasing responsibility in the USA at Merck and Johnson & Johnson. In 2000, he initiated the leveraged buy out of Johnson & Johnson Barrier business and the subsequent merger with Mölnlycke Health Care which was ultimately divested to Regent Medical. He became CEO of Novadel Pharmaceuticals, Inc. in 2005. Subsequently, Dr. Egberts served as Senior Advisor in healthcare private equity investments for 3i, the private equity firm. He has also gained experience in a number of non-executive positions. Dr. Egberts was appointed as a Member of the Executive Board at the Annual General Meeting of Shareholders in 2011.

SUSAN SWARTE – CHIEF FINANCIAL OFFICER (CFO) – AGE 43

Appointment term | 2010 - 2014

Susan Swarte obtained a Master's degree in Business Economics from Erasmus University Rotterdam and she is a Registered Controller. She has over 17 years of experience in financial and strategic management. She worked at Unilever and Numico (now Danone), two large, international and publicly listed companies, where she has been responsible for financial, logistic and reporting aspects. At Numico she professionalized the finance function in China, was Senior Business Controller at the Division Baby Food and before joining OctoPlus she was responsible for all financial aspects of the export business of Danone Baby Nutrition as Finance Director, Global Export. Mrs. Swarte was appointed as a Member of the Executive Board at the Annual General Meeting of Shareholders in 2010.

GERBEN MOOLHUIZEN – CHIEF BUSINESS OFFICER (CBO) – AGE 45

Appointment term | 2008 - 2014

Gerben Moolhuizen obtained a Master's Degree in Medical Biology from Utrecht University in 1991, studied at Tohoku University, Sendai, Japan and received an MBA from the Erasmus University of Rotterdam School of Management. He then joined Pharming Group N.V. where he held positions in Business Development, eventually becoming Director Business Development. In 1999, Mr. Moolhuizen joined ASD B.V. as Vice-President, Business Development. He joined OctoPlus in 2001, as Senior Manager, Business Development. He became Chief Business Officer in January 2006 and was appointed to the Executive Board by the Annual General Meeting of Shareholders in 2008.

Report of the Executive Board

Market research indicates that approximately 25% of all biopharmaceutical drug development is outsourced. This percentage would translate into an overall outsourcing market size of roughly $20 billion. However, the segment we are active in only comprises about 8-10% of this market. This market is expected to grow at an annual rate of roughly 8-10%. Prevailing market forces, in particular the increased focus on efficiency, effectiveness and efficient use of capital are expected to result in increased levels of outsourcing over the next decade. This trend applies to the entire biopharmaceutical R&D value chain. In short, the development of (new) drug products is expected to shift from R&D to O&D (Outsource and Development).

Although the overall level of outsourced development and manufacturing activity is projected to grow, competition is increasing which negatively impacts pricing. Service providers are actively trying to expand and have shown a willingness to cut prices and margins to gain additional market share.

The Pharmaceutical Technology Outsourcing Survey indicates that there is a positive trend towards outsourcing pharmaceutical development. This trend is expected to continue over the next few years. The survey also suggests that the acceptance of outsourcing seems to be growing: 37% of respondents from biopharmaceutical companies indicated that their spend on outsourced services is growing faster than their total spend. However, gaining new business is impacted by the weak general economic and business environment, as well as the challenging funding for early-stage companies. Also cost cutting in major pharmaceutical companies in response to patent expirations is putting further pressure on the demand for our services. A final challenge is that the period from first contact with a client to the receipt of significant development or manufacturing income is typically at least 6 months but is often in excess of one year.

In order to address the challenges facing us, we focused on improving our responsiveness, quality and efficiency in 2011. By responding more adequately to the requests of both existing and new customers we have been able to strengthen our business development pipeline for our services. As a result of these efforts, we secured three additional evaluation projects and have signed additional contracts for development and manufacturing services with seven new customers. Also many existing clients expanded their activities with us. We expect this positive trend to continue during 2012 and beyond.

During 2011, we expanded our strategic portfolio to four activity areas. Controlled release for difficult-to-reach parts of the body is a new area of great strategic importance for us. The project for ESBA-Tech, a Novartis company LLC, that converted into a full development project early in the year has been a major element of this new activity. We continue to investigate other difficult-to-reach areas of the body where we can add value through drug delivery, such as drug delivery into the joints and other difficult to reach organs.

Business developments

In the area of formulation development and manufacturing we signed several new contracts. Some of the more material new contracts were announced with a press release. Smaller contracts are typically not announced with a press release. It is our objective to be as transparent as possible about the clients we work for, but for competitive reasons many companies refuse the use of their name in a press release. Still, we can proudly announce the fact that we can count 6 out of the top-10 pharmaceutical companies among our clients but also that we work with a large portfolio of both small and large biotech companies worldwide.

We see a continued trend from both pharmaceutical and biotechnology companies towards outsourcing their development activities in general and their development activities in particular. As a specialized service provider, we work with our clients to build long-term relationship so that they return to us when they need development support for their next injectable drug candidate.

REVENUES

During 2011 we signed seven new service contracts and expanded many of our on-going partnerships. In 2011, non-Locteron revenues amounted to € 7.1 million (2010: € 7.5 million) and Locteron revenue amounted to € 0.6 million (2010: € 0.8 million). Non-Locteron revenues include the revenues from drug delivery technology evaluation projects and were based on work carried out for 36 clients on 42 projects, covering a wide range of therapeutic areas, virtually all focused on injectables. Locteron revenues generated 8% of last year's revenues (2010: 10%).

LOCTERON

The clinically most advanced product incorporating our controlled release technology is Locteron, a controlled release formulation of interferon alpha for the treatment of hepatitis C. We manufacture Locteron by formulating our proprietary PolyActive microspheres with Biolex' interferon alpha in the Leiden cGMP facility. We are reimbursed by Biolex for these development and manufacturing activities. For detailed information about the future of hepatitis C treatment, we refer to the chapter "Hepatitis C treatments: recent developments and the differences between genotypes".

In March 2011 Biolex presented final results of the Phase IIb clinical studies with Locteron at the International Liver Meeting in Berlin, Germany. The results confirmed that Locteron shows a statistically significant reduction of the number of flu-like adverse events in two independent reporting methods. These studies also showed a reduction in the number of depressive symptoms patients experienced, a well known and debilitating side effect of pegylated interferon. The study showed equivalent efficacy compared to the standard of care.

Biolex is engaged in partnering discussions with potential commercial partners for Locteron. Once a partner has been secured, final preparations and the manufacturing of clinical supplies for Phase III clinical studies will commence. We have been optimizing and scaling up the manufacturing process for Locteron in order to be ready to initiate the Phase III manufacturing. Partnering is a time-consuming process because it requires in-depth due diligence, extensive discussions about the product and the future of the hepatitis C market and finally detailed discussions about deal terms. New developments in the hepatitis C market have triggered discussions about the need for interferon in future hepatitis C therapy. These developments are discussed in detail in the chapter "Hepatitis C treatments: recent developments and the differences between genotypes". We believe that interferon alpha will continue to play an important role in the future treatment of most patients with hepatitis C. This due to the fact that there are no indications that all-oral treatment will be able to cure the large genotype 1a segment, the anticipated about ten times higher price point for all-orals versus current treatments and the currently unconvincing safety information for emerging interferon-free regimens versus the current standard of care.

CONTROLLED RELEASE FOR DIFFICULT-TO-REACH AREAS

Revenues from drug delivery projects increased significantly in 2011. In these projects we develop controlled release formulations that optimize the pharmacokinetic delivery profile of the therapeutic agents of our partners by combining their active pharmaceutical ingredients with our proprietary delivery technologies.

One therapeutic target where we have expanded our efforts this year is the delivery of pharmaceuticals into the eye (ophthalmology). Our project with ESBATech, a Novartis company LLC, has progressed into full development, including additional preclinical studies. Ophthalmology is a rapidly growing therapeutic area with a strong and obvious need to reduce the injection frequency of drugs that are administered directly into the eye. Another therapeutic target where we have applied our controlled release technology is in the treatment of heart disease. Together with the renowned Thorax Center at the Erasmus University in Rotterdam, we have developed a delivery modality that allows the targeted delivery of a growth factor into the heart for the

treatment of tissue damage after a heart attack. This project is focused on improving long-term survival and reducing tissue damage for patients experiencing a myocardial infarction. Initial results generated in an animal model were encouraging. We are currently exploring how to further develop our technology for this indication.

Our activities for these drug delivery projects are typically reimbursed on a fee for service basis. Our partners may decide to continue developing their product candidate requiring our ongoing support for further scale up and cGMP manufacturing of the product or terminate further development in case the animal or patient data are negative. Typically, each phase of the project last 6 to 12 months. In case we apply our proprietary technologies such as PolyActive to the final product we can potentially capture additional value upon commercialization in the form of royalties or milestones.

SPECIALTY GENERICS

Another area where we apply our expertise in difficult injectable formulations is in the development of specialty generics. These projects are the generic versions of complex controlled release products that are approaching patent expiration. We see an expanding role for our Company as a service and technology provider specialized in difficult formulations. This can either be on a fee-for-service basis where we get directly reimbursed by our partners for our efforts or by co-investing with our partners in the development of these products. This latter approach allows us to participate in the long-term commercial upside of these projects in the form of royalties, milestones and manufacturing revenue. These projects will progress during 2012.

INTELLECTUAL PROPERTY

At the end of 2011, OctoPlus' patent portfolio consisted of 214 granted patents and 42 patent applications. These patents can be divided into 23 patent families, of which 6 relate to OctoDEX and OctoVAX™, 14 to PolyActive and 3 to other technologies and products, including OP-145. During 2011, OctoPlus obtained 9 patents on products and technologies, and 10 patents were applied for.

OP-145

Our other proprietary clinical-stage product candidate is OP-145, a novel peptide for the treatment of mucosal infections caused by both gram-positive and gram-negative bacteria. The product has an innovative mechanism of action that neutralizes bacterial toxins and restores the host's defense mechanism. The product was developed for the treatment of chronic middle ear infections (chronic otitis media). Clinical proof of concept was achieved in a Phase II clinical study. We have reached agreement with several parties who are interested to further develop OP-145 for various indications.

Organization

On 31 December 2011, we employed 111 people, who were all located in the Netherlands (2010: 95). During 2011, 39 people joined and 23 people left OctoPlus. On 31 December 2011 we also employed 2 people through temporary employment agencies.

Financial developments

Consolidated revenues decreased with 8% from € 8.3 million in 2010 to € 7.7 million in 2011. Revenue from technology evaluation contracts increased significantly, primarily as a result of development work performed for ESBATech, a Novartis company LLC. Locteron revenues decreased from € 0.8 million in 2010 to € 0.6 million in 2011. Due to the difficult economic climate, the lead time from initial interest by the customer to signature of the project plan and execution of the work has increased significantly compared to previous years. This change has resulted in a reduction in service revenue compared to 2010. During the last few months of 2011, we have signed a significant number of new contracts. The

impact on 2011 revenues of these new signatures has been limited but we expect that these contracts will materially contribute to our 2012 revenues. Income from subsidies diminished in 2011 (2010: € 0.3 million) as our subsidized project ended last year.

Total operating costs (excluding interest) decreased with 3% from € 13.6 million in 2010 to € 13.1 million in 2011. Wages and salaries increased to € 7.0 million (2010: € 6.4 million) as a result of an increased headcount of billable positions in formulation, process development and analytical method development. We have performed more development work in 2011 compared to 2010 which required more people in this area. Depreciation and amortization charges decreased to € 2.1 million (2010: € 2.8 million). The decrease is explained by the fact that we did not record any impairment charges during 2011 (2010: € 0.3 million impairment charges) and certain fixed assets became fully depreciated, with only limited investments made over the last few years. Other operating costs decreased to € 4.0 million (2010: € 4.4 million) mainly as a result of further cutting discretionary expenditures. Interest costs relate to our financial leases decreased to € 0.9 million (2010: € 1.0 million). As a result, the net loss before taxes slightly increased to € 6.3 million (2010: € 6.2 million).

In October 2011 OctoPlus raised € 4.0 million in gross proceeds (€ 3.6 million net proceeds) which we have used for working capital purposes and, insofar possible within the available cash balance, to retain upside by co-investing along with our clients in selected high-value projects in the area of specialty generics.

Consolidated operating cash flow amounted to € 3.7 million negative (2010: € 3.0 million negative) mainly as a result of our net loss. With our new laboratory and manufacturing facilities up and running for just a few years, investments in plant and equipment were only minimal and amounted to € 0.1 million (2010: € 0.1 million). Repayment of regular finance lease liabilities amounted to € 1.0 million (2010: € 1.0 million). Combined with the share issue, the 2011 net cash flow amounted to € 1.1 million negative (2010: € 0.6 million negative). Per year end 2011, OctoPlus had a positive net cash and cash equivalents balance of € 1.6 million (2010: € 2.7 million).
In April 2012, the Company has secured € 3.0 million additional financing (Note 30). The secured financing is partly dependent on approval of the AGM to issue new shares (€ 1.9 million).

Outlook 2012

Our prime focus is to build our business into an operationally cash flow balanced company in the medium term. The recent difficult economic climate also affected our clients which has made both 2010 and 2011 challenging years for us, which is reflected in lower revenues. We feel that our focus during 2011 on improved efficiency and effectiveness in virtually all key functions of our organization will allow us to move towards revenue growth during 2012. We expect to meet the increased demand from our customers by increasing the utilization of our expanded facilities in Leiden and making some further modest investments, predominantly in equipment. We target to generate more than 20% organic growth in revenues during 2012, contributing to our goal to become a sustainable cash flow balanced business with a large upside in the medium term. Over the past year we worked very hard to improve efficiency and operational excellence within our organization, and we expect to start capturing the benefits of these efforts this year and the years thereafter. The organizational improvements have also aligned us for optimal performance in the Locteron project, where we have optimized our large scale manufacturing process. As soon as a commercial partner has been found, we will be able to start the preparations and manufacturing for Phase III clinical supplies.

	OBJECTIVE 2011	ACHIEVEMENT 2011	OBJECTIVE 2012
Sustainable business model	Further progression towards a cash generative business in the medium term	Revenues stabilized in a difficult economic climate and costs further reduced	Grow revenue by 20% Create an operationally cash balanced business in the medium term
Drug delivery technology	Acquire additional evaluation contracts	3 drug delivery evaluation contracts signed, ESBATech/Alcon/ Novartis delivery technology feasibility successfully completed and full development project on track	Further expand and leverage our drug platform
OP-145	Conclude in 2011	Reached agreement with collaboration partners who will progress the product	
Specialty generics		First specialty generics projects initiated, promising pre-clinical data in first project generated	Further progress current specialty generics projects

Risk management and internal control

The Executive Board is responsible for designing, implementing and operating our internal risk control structure in order to manage in an effective and efficient manner the risks we are exposed to. The principal objective of the OctoPlus business model is to become a sustainable operationally cash flow balanced company in the medium term by strict cost control and expanding our revenue base. Our internal risk control structure needs to assist OctoPlus in achieving this objective.

OctoPlus' internal risk control structure consists of:

POLICIES, PRINCIPLES AND PROCEDURES

OctoPlus' procedures are formalized in Standard Operating Procedures (SOP's). These SOP's are reviewed at periodic intervals and amended where necessary. The Code of Conduct which includes the Internal Code on Inside Information and the Whistleblower's policy is published on the intranet. The personnel handbook contains guidelines relevant for all employees and is regularly updated. The authorization levels within OctoPlus are sufficient and simple, taking into account the size of the company.

BUDGETING PROCESS

The corporate strategic plan is converted into an annual budget. Regular forecasts are prepared based on the latest information with regards to revenues, costs and cash. Actual financial results are measured against budget and forecast on a monthly basis. Financial and non-financial key performance indicators (KPI's) have been identified. A comprehensive management report is prepared on a monthly basis. This management report includes both financial and non-financial information as well as KPI's. The management report is distributed to and discussed with line management. Furthermore a number of real-time on-line reports is available to management for the most important business indicators relating to project acquisition and productivity performance. These real-time reports are used extensively by line management to monitor performance against plans and take corrective measures where required. As a result there is a great awareness of the past and expected performance of the Company, which leads to timely action and follow-up.

ORGANIZATIONAL STRUCTURE

A simplified organizational structure with clear roles and (budget) responsibilities throughout the organization is in place. On a monthly basis, the actual financial results are monitored against the budgets and corrective measures are taken at departmental level to control costs.

AUDIT COMMITTEE

The Audit Committee independently monitors the process of risk management on the basis of the supervisory role fulfilled by the Supervisory Board. The Audit Committee focuses on the quality of internal and external reporting, on the effectiveness of internal controls and on the functioning of the external auditor. The Chief Executive Officer, the Chief Financial Officer, the Financial Controller and the external auditor are generally invited to attend these meetings.

EXTERNAL AUDITOR

The external auditor carries out the procedures and activities related to the issuance of the auditor's opinion to the financial statements. The external auditor takes into consideration the systems that are intended to ensure reliable reporting. The external auditor reports any significant matters relating to internal control measures that have been identified during the audit of the financial statements. The observations made by the external auditor are discussed in the Audit Committee.

RISK CONTROL MATRIX

During 2011 we have further improved existing internal controls in the area of project administration and we have formalized the existing internal control framework. The internal control framework covers 6 core processes and 40 key controls. In 2012 we will focus on the alignment of the risk assessment at a high level and the internal control framework on a detailed level.

Risk factors

An integral part of the internal risk management process is the identification of risks that could prevent us from reaching our objectives. To identify and prioritize these risks we perform a Corporate Risk Assessment with the Executive Board and Management Team. The outcomes are being discussed in the Management Team, the Audit Committee and the Supervisory Board and were taken into account in the risk factors described below.

The risks we face are not limited to the risks listed below. Some risks are not yet known to us and some of the risks that we currently do not believe to be material to our operations could prove to be material at a later date. All of these risks can materially affect our business, financial condition and results of operations.

Strategic risks

CONCENTRATION OF SALES

Our customer base currently comprises approximately 40 clients who award us with work on a contract-by-contract basis. The process of establishing collaborative relationships with customers is difficult, time-consuming and involves significant uncertainty. Our customers may resolve, on relatively short notice, to suspend or terminate the development activities that we conduct on their behalf for reasons beyond our control, such as budgetary limits, changing priorities, regulatory failure or lack of funding and other reasons beyond our control. We have experienced such project suspensions or terminations with significant customers in the past. The loss, modification or delay of a large contract or of multiple contracts, or the inability to secure new contracts, could have a material adverse effect on our operating results. In order to avoid a concentration of sales it is our objective to develop a balanced portfolio of customers, in terms of size and length of each project. In 2011 we have started working for 8 new customers with projects of varying magnitude to keep a balanced portfolio of projects in terms of size.

DEPENDENCE ON LOCTERON

In 2008 and 2009, our collaboration contract with Biolex for the development and manufacturing of Locteron contributed close to 60% of our total consolidated revenues in those years. In 2010, the supply of clinical trial material for Phase IIb studies for Locteron was completed and as a result the contribution of Biolex to our total consolidated revenues in 2010 and 2011 was reduced to 10% or less (in 2011) of our total consolidated revenues. Next to accounts receivables from Biolex (for details see Note 11 in the consolidated financial statements), we have an equity stake in Biolex at an amount of € 1.3 million (for details see Note 3.1 (c) in the consolidated financial statements). Biolex has completed the Phase IIb studies in 2011 and is in the process of securing a commercial partner for Locteron. If Biolex is unable to make Locteron commercially available, we will not generate revenues from milestones and royalties. By expanding our customer base outside of Biolex and reducing our cost base, we have become less dependent on the revenues from Locteron.

Operational risks

COMPLEX SERVICES

The formulation and manufacturing services that we offer can be highly complex. From time to time, issues may arise in the formulation laboratory or manufacturing facility, in both cases for a variety of reasons including equipment malfunction, failure to follow specific protocols and procedures, issues with raw materials, employee turnover and environmental factors. Such issues could affect the formulation success, the production of a particular batch or series

of batches. This could, among other things, lead to increased costs, lost revenues, damage to customer relations, reimbursement to customers for lost active pharmaceutical ingredients, time and expense spent investigating the cause. We are mitigating this risk by hiring experienced employees, cross-fertilizing experience and knowledge under our staff and by continuing to educate staff on cGMP procedures.

FIXED DEVELOPMENT AND MANUFACTURING CAPACITY

The amount that the pharmaceutical and biotechnology industries spend on formulation development and manufacturing for clinical studies and commercial use and in particular how much they spend on outsourcing such activities may have a large impact on our revenues and profitability. As a result, we may experience overcapacity in terms of development resources and manufacturing resources which could affect our profitability as the costs related to these resources are largely fixed in the medium term. By creating a balanced customer portfolio, building long-term relationships with customers for multiple products and through our pricing strategy we are actively balancing the utilization of our development and manufacturing capacity.

QUALIFIED PERSONNEL

Recruiting and retaining qualified personnel is critical to our success. We may not be able to attract and retain qualified personnel on acceptable terms given the competition among pharmaceutical and biotechnology companies, universities and research institutions for similar personnel. Several measures have been implemented to retain and motivate current personnel, such as the issuance of stock options to all personnel in 2010, the development of specific retention and training programs and the implementation of a more simplified organization which allows a more open and direct dialogue between various levels and different functions within the organization.

PRODUCT LIABILITY EXPOSURE

We are exposed to liability risks from performing formulation development and manufacturing services for third parties. We have a quality system in place to ensure that these services are delivered in an appropriate manner. In our service contracts we include a paragraph which limits our liability. Also we have liability insurance, which we currently believe is adequate to cover liabilities we may incur.

Financial risks

RISK OF NOT ESTABLISHING A CASH BALANCED BUSINESS MODEL

We have incurred losses since 2002 and had an accumulated deficit of € 55.3 million on 31 December 2011. We believe that we will be able to create a balanced cash flow in the medium term. With the change in business model, through strict cost control and a focus on building a balanced revenues portfolio we have reduced the risk of continuing losses.

FINANCING RISK

Additional funds may not be available to us when we need them on terms that are acceptable to us. In case of a share issuance shareholders' ownership interest will be diluted. Under our current strategy, we strive for a cash flow balanced organization in the medium term through strict cost control and building a balanced revenues portfolio. As a result of our internal controls and the continuous progression of our customer base, we have and will continue to decrease the financing risk by reducing the need for additional funds.

RISK OF NOT BEING ABLE TO UTILIZE OUR CREDIT FACILITY

We have a credit facility in place with ABN Amro Bank N.V. for which covenants are in place. In case

we do not meet these covenants at semi-annual test moments, we might lose the availability of this credit facility. As a result of our internal controls and the continuous progression of our customer base, we have and will continue to decrease this risk.

INTEREST RATE RISK

We aim to contain income statement volatility and, at the same time, minimize our financing costs. This is primarily achieved through minimizing the use of our credit facility and reducing the interest costs involved in the credit facility, whenever possible. More than 98% of our interest costs relate to finance leases where the interest rates have been fixed at the start of the contract. As a result our income statement volatility resulting from fluctuations in interest rates is low.

CURRENCY RISK

A significant number of our customers is located outside the Euro-zone. We minimize our exposure to exchange rate risks by invoicing our customers in Euro. The potential milestone payments which have been agreed with Biolex, will be paid in US dollars. We will take appropriate action to mitigate any impact of exchange rate risks as soon as the payment of any milestone becomes certain.

CREDIT RISK

Our customer base is mixed in terms of size and industry. Some of our customers are small biotechnology companies that are equity funded and have not been profitable. In 2011, only 2 customers generated more than 10% of our total revenues (23.0% and 10.3% respectively). We have policies in place that require each customer to pay collateral prior to the start of a project in order to mitigate the credit risk. In addition to that, we have a proactive receivables collection policy in place.

FINANCIAL REPORTING RISKS AND COMPLIANCE RISKS

As in any other company, there is a risk of errors in our financial reporting. To prevent this risk from occurring, we have reporting and accounting procedures, results analysis and external auditing in place to limit the risk of unfair or incorrect representation of financial reporting. Our Internal Code of Conduct stipulates that staff should comply with all applicable laws and regulations. Complementary to other reporting lines, a whistleblower's procedure enables staff to report alleged irregularities of a general, operational and financial nature without jeopardizing their legal status. During 2011, we have received no such reports.

FINANCIAL INSTRUMENTS RISK

In the years presented in these financial statements, the Group did not purchase or hold any derivative financial instruments or available-for-sale financial assets. The financial instrument risk related to these types of instruments is therefore minimal.

LEGISLATION AND REGULATION RISK

The pharmaceutical industry in which OctoPlus operates needs to comply to strict rules and regulations, in particular related to cGMP manufacturing. The rules relevant to OctoPlus are established and monitored by the European Medicines Evaluation Agency (the 'EMEA'), the US Food and Drug Administration (the 'FDA') and Dutch regulatory authorities. Rules and regulations might change and this might have consequences for OctoPlus. OctoPlus intends to adhere to the relevant quality standards.

Corporate social responsibility

We strive to be a company that carries out its work fairly and honestly. OctoPlus aims to be a trustworthy member of our society and to honor our responsibilities towards our employees and towards the environment. We adhere to a number of behavioral standards that are expressed in a set of general principles comprising our Code of Conduct. The Code of Conduct covers principles such as investing in growth and finding a good balance between short-term and long-term interests. Also, our Code of Conduct describes that we strive to treat all confidential information within OctoPlus with the utmost respect and that we try to prevent insider trading or other misuse of confidential information inside and outside of the Company.

IMPACT ON PEOPLE AND THE ENVIRONMENT

As a pharmaceutical company, we are very much aware of the fact that the products we produce in our manufacturing facility are ultimately intended to be administered to patients and volunteers. We work according to strict regulations and pay utmost attention to executing our work according to the highest applicable standards. Our manufacturing facility operates under a European cGMP license and is regularly audited internally, by the regulatory authorities and by our customers to reconfirm time and time again that we perform according to specific pharmaceutical rules and regulations. In addition to striving to produce a final product of the highest quality, we have internal standard operating procedures to ensure that our personnel and the environment are protected from any adverse effects that could arise from working with the chemicals and laboratory equipment we use.

OctoPlus considers safety a number one priority and has a proactive approach in order to prevent work-related injuries and resulting absenteeism. We have established a Health, Safety & Environment (HSE) committee which aims to optimize and execute HSE policies and to assess potential risks. In 2011 the size of the committee has been reduced in order to be more efficient, and currently consists of four key members from different departments in the Company. The chairman of the emergency response team is part of the HSE committee. The emergency response team is responsible amongst others, for performing first aid, fight small fires and to manage an evacuation. The emergency response team is trained on a regular basis to ensure that it is able to respond in the soonest manner whenever required. The team consisted of 12 people at the end of 2011 and we plan to further increase the team in 2012.

The HSE-committee has worked on the following projects in 2011:

- Developing and implementing an incident reporting tool
- Organization of a company-wide HSE training divided in managerial and work floor training (several sessions), which will be given in 2012
- Development and further improvement of company-wide safety documentation, including safety risk assessments (general and project specific)
- Increasing safety awareness by safety rounds and internal safety auditing.

OctoPlus promotes using public transportation as a means to travel to work and transportation by train as the preferred modality for short-distance business trips. In line with this philosophy, we do not provide company cars to any of our personnel.

HUMAN RESOURCES

OctoPlus employs a diversified pool of people, both in age, gender and nationality. Since its inception, OctoPlus' personnel have comprised more or less equal numbers of men and women. For the management levels, almost half of the managers are female. 38% of employees have a scientific background, which consists of an academic degree or a Ph.D. The average OctoPlus' employee is 38 years old.

The table below shows that most of our employees are between 30 and 39 years old.

	MALE	FEMALE	TOTAL
Age < 30 years	9	5	14
Age 30-39 years	24	27	51
Age 40-49 years	21	16	37
Age > 50 years	7	2	9
Average age	39	38	38.5
Average length of service	4.0	4.1	4.1

The average length of service for OctoPlus employees at the end of 2011 is 4.1 years (2010: 4.4 years). In 2011 absenteeism due to sickness was significantly reduced to 3.4%, compared to 5.9% in 2010. OctoPlus is a gender diversified company where 45% of the employees are female. Because 59% of our employees are aged below 40, many of our employees are young parents. To support their situation, working part time is an accepted practice for both men and women at OctoPlus, as you can see in the table below.

	MALE	FEMALE	TOTAL
Headcount	61	50	111
Full time	50	24	74
Part time	11	26	37
FTE %	97%	90%	94%
FTE	59	45	104

Both management as well as the scientific background of our employees are similarly gender diversified.

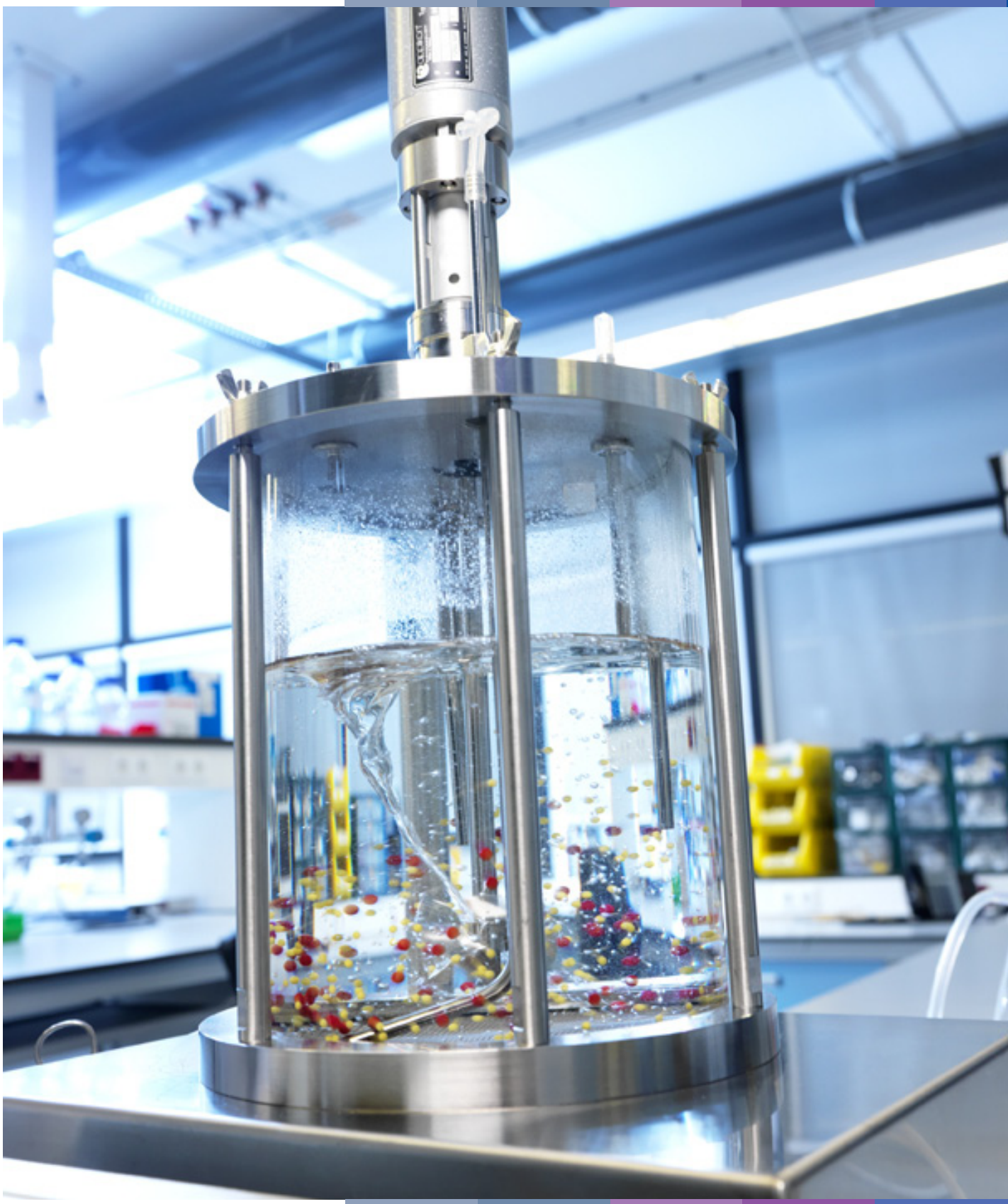
	MALE	FEMALE	TOTAL
Management	11	10	21
Non-management	50	40	90
Scientific background	22	20	42
Other	39	30	69

WORKS COUNCIL

The Works Council represents the employees in working with the Executive Board and the Supervisory Board, ensuring that the interests of all stakeholders in the business are addressed. The Work Council has the following mission: to achieve a strong, healthy and successful organization by representing the interest of all employees at OctoPlus in cooperation with the Executive board and Supervisory Board.

The Works Council consists of 7 members who are elected from the staff of the Company. In 2011 the composition of the Works Council changed, because some members resigned. New members and a new vice chairman were appointed. The Council implements and monitors specific policies and procedures in the fields of Finance, Human Resources, Health Safety & Environment, Communication and Organization. The council meets at least every two weeks and discusses ongoing company business.

Throughout 2011, the Works Council held regular meetings with the CEO, CFO and Manager HR, during which constructive discussions of Company business took place. The Works Council worked closely with management on subjects regarding organization and remuneration policies. The Works Council represented the views and best interests of the employees during discussions with senior management, which led to a joint vision. The Council approved a new appraisal system, new job descriptions, the calibration of salary scales and the use of evaluation camera's in the production facility. In addition, the Council started several initiatives, including an employee satisfaction survey.



3 Information for shareholders and investors

GENERAL

OctoPlus is listed on Euronext Amsterdam by NYSE Euronext since 4 October 2006. We currently have 44.8 million ordinary shares outstanding.

OctoPlus is included in the Next Biotech index, which comprises the 25 biotech companies listed on NYSE Euronext's European markets. The graph below shows the share price performance of the OctoPlus share versus the index in 2010 and 2011.

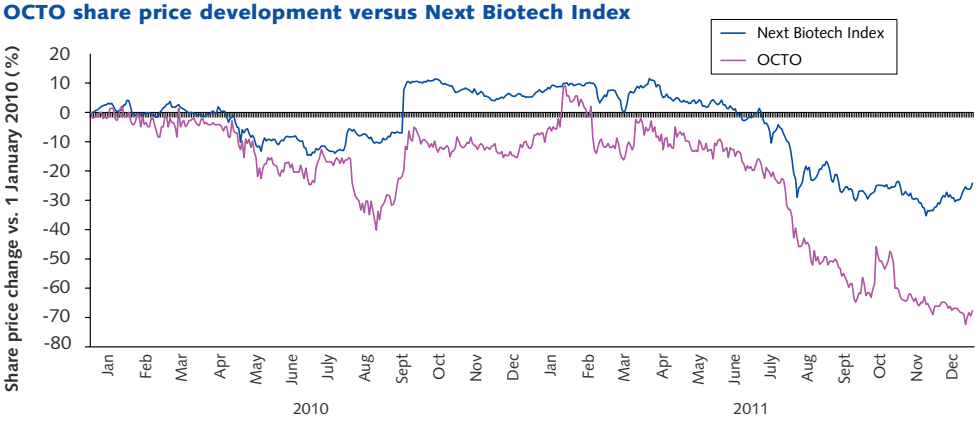
MAJOR SHAREHOLDERS

OctoPlus has identified the following major shareholders according to the legal statements on the AFM website per 31 December 2011.

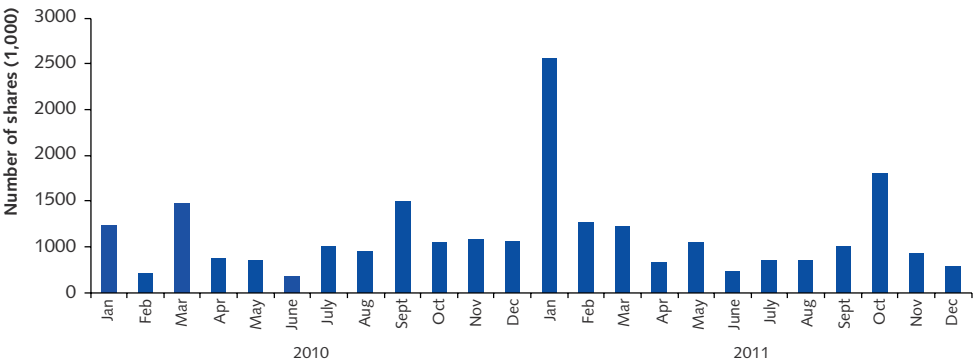
SHAREHOLDER	%	DATE OF NOTIFICATION
Life Sciences Partners (the Netherlands)	14.9%	21 December 2010
Signet Healthcare Partners (USA)	14.4%	23 December 2010
Glaxo Smithkline plc (USA)	9.7%	31 October 2011
J.J.M. Holthuis (the Netherlands)	9.5%	31 December 2009
Innoven Partenaires S.A. (France)	9.3%	25 February 2009
A. Strating (the Netherlands)	5.7%	21 January 2011

The percentage of shares held by these shareholders to date may have changed within their 5% boundaries. Only changes in share holdings that bring a shareholder to a different 5% range need to be published by the shareholder.

OCTO share price development versus Next Biotech Index



Number of shares traded per month



4 Supervisory Board report

COMPOSITION OF THE SUPERVISORY BOARD

HANS STELLINGSMA – CHAIRMAN – AGE 55
Appointment term | 2001 - 2014 (resigned April 2012)
Nationality | Dutch
Mr. Stellingsma obtained a Master's Degree from Utrecht University and a postgraduate degree (M.Phil.) from Glasgow University. He attended the Advanced Management Program at Harvard Business School. He has held numerous senior positions at a range of businesses in the Netherlands. In particular, he has served as a Managing Director at Microsoft's Dutch subsidiary and as Senior Vice President at KPN N.V. between 1993 and 1996. From 1996 to 1998, he was a member of the managing board of Origin N.V. and then he became the Chief Executive Officer of Content N.V. He was also the Managing Partner at Arthur D. Little in the Netherlands and a Senior Partner with Monitor, both global strategy consulting firms (1999 – 2004). Currently, Mr. Stellingsma is self-employed and serves on the supervisory boards of MTel B.V., De Sleutels van Zijl en Vliet and Twinning Holding B.V.

RENÉ KUIJTEN – VICE-CHAIRMAN – AGE 47
Appointment term | 2005 - 2012
Nationality | Dutch
Mr. Kuijten obtained his Medical Doctor Degree from Utrecht University, having obtained additional training at Harvard Medical School and the Mayo Clinics. He completed his Ph.D. at the University of Pennsylvania, where he published, among others, in the New England Journal of Medicine and Cancer Research. He received research awards from the World Health Organization and the International Union Against Cancer, and was honored with the Talma Eijkman Prize and the U-Gene Research Award for his scientific endeavors. He received an MBA from INSEAD in Fontainebleau, France. From 1992 to 2000, Mr. Kuijten was a Senior Consultant at McKinsey & Company, where he was co-leader of the European Pharmaceuticals and Healthcare Practice. He joined Life Sciences Partners (LSP) in 2001 as a General Partner. On behalf of LSP, he serves or has served on the supervisory boards or as a non-executive director of KuDOS Ltd., DNage B.V., Kreatech Holding B.V., Hybrigenics S.A., BMEYE, Nexstim and Syntaxin. Mr. Kuijten is currently board member of the NVP (Nederlandse Vereniging van Participatiemaatschappijen), member of the Dutch Life Sciences and Health Steering Committee (Regiegroep LSH), member of the NGI Valorisation Advisory Board, and chairman of the Stichting Steun Emma Kinderziekenhuis.

FRANS EELKMAN ROODA – AGE 59
Appointment term | 2008 - 2012
Nationality | Dutch
Mr. Eelkman Rooda obtained a Master's Degree in Econometrics from Erasmus University Rotterdam and a Master's Degree in Business Administration from the Amos Tuck School (Dartmouth College, USA). In 1977, he started his career with Esso Nederland B.V. and was subsequently employed by Esso Europe Inc. in London. After that, he was a management consultant at McKinsey and Company from 1982 to 1997 (serving as Principal from 1991 to 1996), interrupted from 1987 to 1989 by a position at Algemene Bank Nederland (ABN) N.V. From 1997 to 2008, he was Chief Financial Officer of OPG Groep N.V. From 2008 until June 2011, Mr. Eelkman Rooda was Chief Financial Officer of Wessanen N.V. He is also a member of the supervisory board of De Lage Landen International B.V.

JAMES GALE – AGE 62

Appointment term | 2009 - 2013

Nationality | American (United States of America)

Mr. Gale obtained a Master's Degree in Business Administration from Chicago Booth School of Business. In 1977 he started his career with E.F. Hutton & Co and Home Insurance Co. Prior to co-founding Signet Healthcare Partners in 1998, he was head of principal investment activities and head of investment banking for Gruntal & Co. Mr. Gale is a board member of AlpexPharma SA (chairman), Cedarburg Pharmaceuticals Inc., Paladin Laboratories Inc., IGI Labs, Inc., Pfenex, Inc. and SpePharm Holding B.V. During the past five years, Mr. Gale held board positions at Avantium Holding B.V., Cydex Pharmaceuticals Inc. (chairman), Relm Wireless Corp., Indevus Pharmaceuticals, Inc., Molecular Medicine Biosciences and Abrika Pharmaceuticals, Inc. Mr. Gale resigned from the board of Indevus Pharmaceuticals, Inc. upon the completion of the sale to Endo Pharmaceuticals Inc.

NANCY DE RUITER – AGE 38

Appointment term | 2010 - 2014 (resigned January 2012)

Nationality | Dutch

Mrs. De Ruiter has a scientific background and holds a Ph.D. in Medical Biology from the Universities of Utrecht and San Diego. She has held several Supervisory Board positions, including at Kreatech and at De Ruiter Seeds.

Report of the Supervisory Board

With the appointment of Jan Egberts as CEO of the Company in December 2010, a new impulse was given to the implementation of the strategic ambition of the company. The Executive Board paid special attention to operational excellence in the area of new business acquisition and the execution of projects where customer satisfaction, speed and quality were the main objectives. We are very proud of the progression of the first technology evaluation project into pre-clinical development, which was announced in February 2011, further validating the importance of PolyActive as a controlled release technology platform. We also look forward to the progression of the specialty generics projects, which is an area where we expect that OctoPlus is able to create value for both patients and shareholders.

The Supervisory Board discussed a wide range of subjects during its meetings with the Executive Board in 2011. Regular items on the agenda included the Company's financial performance, its budget and forecasts, and its business, including the research & development portfolio, intellectual property matters and operational updates. The Supervisory Board also discussed the Company's strategy and its risks, its goals and objectives and its strategic collaborations. Also discussed were the competitive position of the Company, the conversion of customer leads into contracts and revenue and the efficiency of the infrastructure of the organization. The process and objective of the private placement which was executed in October 2011, has been subject of discussion in the latter part of 2011 on multiple occasions.

The Supervisory Board held five physical meetings and 11 conference calls. In addition, the Executive Board kept the Supervisory Board informed of results and business developments by way of written updates. The attendance of the meetings was 84% on average. Most scheduled meetings took place in the presence of the Executive Board. On some occasions the combined meetings were followed by meetings of the Supervisory Board in closed session. During the closed sessions, the Supervisory Board discussed the performance of the members of the Executive Board and its own performance as a Board.

The Supervisory Board consisted of five members during 2011:

NAME (YEAR OF BIRTH)	POSITION	CITIZENSHIP	INITIAL APPOINTMENT	EXPIRATION	TERM
Hans Stellingsma (1956)	Chair	the Netherlands	2001	2014	3rd
René Kuijten (1964)	Vice-chair	the Netherlands	2005	2012	2nd
Frans Eelkman Rooda (1952)	Member	the Netherlands	2008	2012	1st
James Gale (1950)	Member	United States of America	2009	2013	1st
Nancy de Ruiter (1973)	Member	the Netherlands	2010	2014	1st

Pursuant to our Supervisory Board regulations, the Company strives to have not more than one member of the Supervisory Board who is a direct shareholder or an employee of a direct shareholder, holding more than 10% of the outstanding share capital in OctoPlus. Although our goal is to adhere to these regulations, currently two members of the Supervisory Board, Mr. Gale and Mr. Kuijten, cannot be considered independent as they are employed by Signet Healthcare Partners and Life Sciences Partners respectively, both of which hold more than a 10% share in OctoPlus. Signet Healthcare Partners and Life Sciences Partners both have a long-term interest in the Company and were willing to back this up by making senior partners with relevant knowledge and experience available to the Company. The Supervisory Board considers that Messrs. Gale and Kuijten fit the profile of the Supervisory Board and their contributions outweigh any perceived disadvantage of non-independence.

As announced on 25 January 2012, the Supervisory Board proposes to appoint Mr. Van Reet, Ph.D. as chairman of the Supervisory Board at the AGM in June 2012. Mr. van Reet has more than 30 years experience in pharmaceutical research and development. He was president of the Janssen Research Foundation Worldwide and Managing Director of Janssen Pharmaceutica N.V., Managing Director of Janssen Biotech N.V. and Member of the Johnson & Johnson Pharma Group Operating Committee. He was co-founder and Chairman of Movetis N.V. and is Chairman of the Board of Actogenix N.V. and Okapi Sciences N.V., Board Member of Thrombogenics N.V., Biocartis S.A., Therasolve and VIB (the Flemish Institute for Biotechnology). Mr. Van Reet is founder and CEO of VIZIPhar Biosciences.

As announced on 16 April 2012, the Supervisory Board proposes to appoint Mrs. Moukheibir MA MBA. as member of the Supervisory Board at the AGM in June 2012. Mrs. Moukheibir was CFO of Movetis, a Belgian specialty pharmaceutical company from 2008 to 2010, for which she led the IPO on Euronext Brussels and subsequently the acquisition by Shire. Previously, she was Director Capital Markets at Zeltia (from 2001 to 2007), a Spanish biopharma and consumer chemicals group, where she led financial strategy. Before joining Zeltia, she was Executive Director Investment Banking with Salomon Smith Barney and Morgan Stanley (from 1997 to 2000). Mrs. Moukheibir is currently Senior Advisor Finance and member of the Executive Board of Innate Pharma S.A. and is responsible for financial strategy.

We announced on 25 January 2012 that Mrs. Nancy de Ruiter has resigned from the Board early 2012. We also announced on 16 April 2012 that Mr. Hans Stellingsma resigned from the Board on April 15. At the AGM in 2012 the Supervisory Board will propose to appoint Mr. Kuijten for his 3rd term. Mr. Eelkman Rooda has indicated that he is not available for re-appointment following the completion of his present term and will therefore step down from the Supervisory Board after the AGM in June.

The remuneration of the members of the Supervisory Board is determined by the Annual General Meeting of Shareholders. The annual remuneration of a member of the Supervisory Board is € 25. The chairman receives € 31 per annum. In addition, € 5 remuneration is received by a member for each Supervisory Board committee participated in. No loans or other financial commitments were made to any member of the Supervisory Board on behalf of OctoPlus.

The Supervisory Board declares that all of its members were critical and independent of one another as well as of the Executive Board.

In accordance with best practice provision II.3.4 and III.6.3 of the Dutch Corporate Governance Code and per article 16.3 of the Supervisory Board Regulations, Mr. Gale, Mr. Kuijten and Mrs. de Ruiter were not involved in the decision making process related to the private placement of shares in October 2011 because they participated in the private placement (Mrs. De Ruiter) or are employees of participants in the private placement (Signet Healthcare Partners and Life Sciences Partners).

The Annual General Meeting of Shareholders was held on 20 May 2011, during which the following agenda items were discussed: the Executive Board report on 2010 performance and the strategy going forward, the 2010 financial statements, the appropriation of the 2010 result, the appointment of the external auditor for the year 2011, the appointment of Mr. Egberts to the Executive Board, the amendment of the Articles of Association and the designation of the Executive Board as the authorized body to issue and acquire shares in the company. The external auditor and our Company lawyer were also present at this meeting.

The Supervisory Board has appointed from among its members an Audit Committee and a Remuneration and Nominating Committee.

The Audit Committee assists the Supervisory Board in monitoring systems of internal controls, the integrity of the financial reporting process and the contents of the financial statements and reports. The Audit Committee also advises the Supervisory Board in assessing and mitigating the business and financial risks. In 2011 the Audit Committee paid attention to the internal control systems and internal control findings by the external auditor, external and internal reporting, follow-up on the risk assessment, the audit plan to be executed by the external auditor and the financing of the Company.

The Remuneration and Nominating Committee advises the Supervisory Board on the remuneration of the members of the Executive Board and monitors OctoPlus' remuneration policy, which among others covers bonus plans for the Executive Board. The Remuneration and Nominating Committee furthermore advises on the selection criteria and appointment procedures for members of the Executive Board and Supervisory Board. It also assesses the performance of individual members of the Executive Board and Supervisory Board.

A representation of the Supervisory Board met with the Works Council in 2011.

In accordance with our Articles of Association, the Consolidated Financial Statements of 2011, which have been prepared by the Executive Board and audited by our external auditor Deloitte Accountants B.V., and the Report of the Executive Board, as contained elsewhere in the 2011 Annual Report, have been submitted to us. We concur with the contents of the Consolidated Financial Statements, the Report of the Executive Board and the proposed result appropriation as outlined in the Consolidated Financial Statements. We recommend that the Annual General Meeting of Shareholders approves these Consolidated Financial Statements and that the members of the Executive Board be granted discharge from their management duties and the members of the Supervisory Board from their supervision thereof.

The Supervisory Board wishes to thank all of OctoPlus' staff for the efforts made and expresses its gratitude for their loyalty and dedication during the year 2011. OctoPlus is ready for its 2012 objectives, most importantly creating an operationally cash balanced business in the medium term, accelerating the expansion and leveraging of the drug delivery technology platform and a further progression of the current specialty generics projects.

Remuneration report

The Supervisory Board establishes the remuneration of the individual members of the Executive Board, taking into account our remuneration policy, provided that arrangements in the form of shares or options to subscribe for shares are subject to approval of the General Meeting of Shareholders. Such a proposal must include the number of shares or rights to subscribe for shares that may be granted to the members of the Executive Board and which criteria apply to a grant or modification.

The remuneration policy is in line with market practice and aims to attract, motivate and retain qualified and expert management with the skills required to manage a listed life sciences company. Remuneration of the members of the Executive Board consists of a fixed salary as well as variable components. One of the goals behind the policy is to achieve a strong link between executive remuneration and the Company's performance. Consequently, the remuneration package includes a (significant) variable part in the form of an annual cash incentive and a long-term incentive consisting of stock options. The performance targets are predominantly linked to OctoPlus' long-term strategy and are designed to balance short-term performance with the long-term objective of creating sustainable value for the Company.

EXECUTIVE BOARD REMUNERATION

Annually, the Supervisory Board reviews whether or not the base salary of the Executive Board should be adjusted, taking into account internal as well as external factors, including OctoPlus' competitive environment. Per June 2011 the base salary of Mrs. Swarte was adjusted from € 155 to € 175 to bring it in line with the base salary of the Chief Business Officer. The base salary of the other Executive Board members was not adjusted during 2011. Early 2012, it was decided to increase Mr. Egberts´ annual base salary from € 360 to € 375 per 1 January 2012.

As presented below, the 2011 remuneration of the current members of the Executive Board amounted to € 1.2 million (2010: € 0.5 million) and consists of a base salary, bonus, pension compensation and other benefits. The other benefits consist of the legal employer's contribution to health insurance, commuting allowance and option costs. The total actual Executive Board remuneration in 2010 amounted

Remuneration of OctoPlus' Executive Board

	BASE SALARY	BONUS	PENSION	OTHER[2]	TOTAL 2011	TOTAL 2010
J.H. Egberts, CEO[1]	360	144	-	142	646	52
S.M. Swarte, CFO	166	25	9	49	249	226
G. Moolhuizen, CBO	175	26	9	53	263	259
Total	**701**	**195**	**18**	**244**	**1,158**	**537**

[1] On 1 December 2010, the Company's new Chief Executive Officer ("CEO"), Mr. Egberts, started working for OctoPlus. On 20 May 2011, the AGM approved the proposal by the Supervisory Board to appoint Mr. Egberts as new CEO of the Company.

[2] Included under 'Other' are option costs for Mr. Egberts (€ 140, 2010, € 10), Mrs. Swarte (€ 45, 2010, € 30) and Mr. Moolhuizen (€ 45, 2010, € 36).

to € 1.0 million as it also included € 0.5 million remuneration for Mr. Sturge, the former CEO of OctoPlus.

The short-term and long-term incentives are linked to specific and measurable targets, which are approved by the Supervisory Board. The targets are linked to financial (e.g. revenues, cash flow), operational (e.g. productivity, employee retention, safety) and business objectives (e.g. number of feasibility projects and conversion into full development contracts) and are revised annually. Specific targets are not disclosed, as these are commercially sensitive.

The magnitude of the short term incentives is linked to the base salary and amounts to a maximum of 60% of the base salary for Mr. Egberts and a maximum of 50% of the base salary for Mrs. Swarte and Mr. Moolhuizen. The Supervisory Board has analyzed the consequences of the achievement of the maximum possible bonus for each of the Executive Board members and the impact on the individual remuneration package and the financial position of OctoPlus prior to the establishment of these maximum percentages. The annual assessment of the achievement of targets is performed by the Remuneration Committee and resulted in a short-term incentive for Mr. Egberts of € 144, for Mrs. Swarte of € 25 and for Mr. Moolhuizen of € 26.

The long-term incentives consist of options, which are granted unconditionally and conditionally. The granted conditional options will become unconditional and will subsequently vest in accordance with OctoPlus' employee stock option plan. The long-term incentives are linked to performance and are approved by the Supervisory Board. The specific milestones are not disclosed, as these are commercially sensitive.

The Supervisory Board has discretionary power to grant options under the employee stock option plan. The Supervisory Board determines the criteria for the granting of options, as well as the exercise price. The exercise period of the options shall not start earlier than 36 months and not exceed 60 months following the date of the grant becoming unconditional. The granting of options to members of the Executive Board can be made subject to the condition precedent that the General Meeting of Shareholders gives its approval to such granting of options.

In March 2010, the Supervisory Board granted conditional and unconditional options to acquire shares to Mrs. Swarte and Mr. Moolhuizen. The exercise price of all unconditional options granted was set at € 1.41 per share (which is the 31 December 2009 OctoPlus closing share price). The exercise price of the option grants conditional on Mrs. Swarte's and Mr. Moolhuizen's 2011, 2012 and 2013 performance is equal to the closing share price on the first day of the year that the performance is measured. At the appointment of Mr. Egberts in December 2010, the Supervisory Board granted conditional and unconditional options to acquire shares at an exercise price of € 1.27 per share (which is the closing price for the shares on 31 December 2010) to Mr. Egberts.

The number of conditional options each person will receive depends on their performance during the period 2010-2012 for Mrs. Swarte and Mr. Moolhuizen and the period 2011-2013 for Mr. Egberts, with one-third of the conditional options related to each of the three years. Any conditional options not granted to Mrs. Swarte and Mr. Moolhuizen based upon their 2010, 2011 and 2012 performance may be granted in 2013 based on their performance in that year. Each conditional option granted can be exercised in the period between 36 months and 60 months after the date of unconditional grant. In case of a merger or an acquisition, all options granted and all options conditional to Mr. Egberts' performance in the year of merger or acquisition will immediately vest. In case of follow-on financing rounds, Mr. Egberts will receive additional options so that the potential pro rata participation of Mr. Egberts remains unchanged.

Number of options at 31 December 2011

	UNCONDITIONAL		CONDITIONAL			
	2010	2011	2011	2012	2013	TOTAL
J.H. Egberts, CEO	850,000	184,888	121,752	121,752	121,751	1,400,143
S.M. Swarte, CFO	167,000	11,133	55,667	55,666	44,534	334,000
G. Moolhuizen, CBO	167,000	11,133	55,667	55,666	44,534	334,000
Total	**1,184,000**	**207,154**	**233,086**	**233,084**	**210,819**	**2,068,143**

As a result of the October 2011 financing round and the anti-dilution clause in his option contract, the Supervisory Board granted Mr. Egberts 184,888 unconditional and 65,255 conditional options on the 6th of December 2011 with an exercise price of € 1.27. Unconditional options in an amount of 51.411 that were granted to Mr. Moolhuizen in 2006 have expired. On 24 February 2011, Mrs. Swarte and Mr. Moolhuizen have both been granted 11,133 unconditional options from the conditional option pool granted in 2010, based on their performance in 2010. The exercise price of these options is € 1,41 (being the closing price on 31 December 2009). These options can be exercised from 25 February 2014 until 24 February 2016. The remaining 44,534 options for both Mrs. Swarte and 44,534 options for Mr. Moolhuizen of the 2010 conditional option pool can be granted by the Supervisory Board to Mrs. Swarte and Mr. Moolhuizen upon their performance in the year 2013.

The maximum number of conditional and unconditional options to acquire shares for Mr. Egberts, Mrs. Swarte and Mr. Moolhuizen as per 31 December 2011 can be found below.

Movements in the number of options outstanding during 2011

	OPTION GRANTS	1 JANUARY 2011	GRANTED	EXERCISED	FORFEITED OR LAPSED	31 DECEMBER 2011	AVERAGE EXERCISE PRICE
J.H. Egberts, CEO	Unconditional	850,000	184,888	–	–	1,034,888	1.27
	Conditional	300,000	65,255	–	–	365,255	1.27
S.M. Swarte, CFO	Unconditional	167,000	11,133	–	–	178,133	1.41
	Conditional	167,000	-11,133	–	–	155,867	t.b.d.
G. Moolhuizen, CBO	Unconditional	218,411	11,133	–	51,411	178,133	1.41
	Conditional	167,000	-11,133	–	–	155,867	t.b.d.

In accordance with the option plan that was initiated in 2010, on 21 February 2012 Mr. Egberts was granted 125.752 unconditional options, Mrs. Swarte was granted 27.834 unconditional options and Mr. Moolhuizen was granted 16,700 unconditional options respectively from the conditional option pool 2011 based on their performance in 2011. The exercise price of these options is € 1.27 (closing price on 31 December 2010). These options can be exercised from 22 February 2015 until 21 February 2017. The remaining 27,833 options for Mrs. Swarte and 38,967 options for Mr. Moolhuizen of the conditional option pool 2011 can be granted by the Supervisory Board to Mrs. Swarte and Mr. Moolhuizen in 2014 upon their performance in 2013.

The employment agreements with each of the members of the Executive Board have an indefinite term and can be terminated subject to a notice period. The notice period for the employment agreements with Mrs. Swarte and Mr. Moolhuizen is two months for the employee and four months for OctoPlus. For Mr. Egberts the notice period is three months for the employee and six months for OctoPlus. All members of the Executive Board have been appointed by the General Meeting of Shareholders for a period of four years.

The employment agreements with each of the members of the Executive Board provide for severance payments in the event of termination. If OctoPlus terminates the employment agreement, the Company is obliged to pay a severance amount equal to 1.5 times the monthly salary per year of service, up to a maximum of a full year salary. Furthermore, if the employment agreement is terminated within six months after a change of control, the Executive Board members are entitled to a severance amount of 1.5 times the monthly salary per year of service inclusive of the average bonus payment received over the three years preceding the change of control, up to a maximum of a full year's salary including the average bonus payment received.

Of the Executive Board members, only Mr. Moolhuizen participates in OctoPlus' pension scheme which is a defined contribution plan. Mr. Egberts does not get any compensation for pension. Mrs. Swarte receives the equivalent of the employer's contribution to OctoPlus' pension scheme in cash.

SUPERVISORY BOARD REMUNERATION

The annual remuneration of a member of the Supervisory Board is € 25. The chairman receives € 31 per annum. In addition, € 5 remuneration is received by a member for each Supervisory Board committee participated in. Presented below is the 2011 remuneration of the members of the Supervisory Board. Remuneration of OctoPlus' Supervisory Board

	2011	2010
H. Stellingsma (chairman)	41	37
R. Kuijten	35	27
F. Eelkman Rooda	30	27
J. Gale	25	23
N.D. de Ruiter	30	17
	161	**131**

In 2010, all members of the Supervisory Board volunteered to reduce their remuneration by 10%. In addition, in 2011 Mr. Kuijten waived the remuneration for his second committee in 2010. This has been reflected in his 2010 remuneration.

5 Corporate governance

INTRODUCTION

OctoPlus fully supports the principles and best practice provisions of the Dutch Corporate Governance Code ('The Code'). OctoPlus recognizes the importance of good business stewardship (acting with integrity and being transparent) and good supervision. OctoPlus strives to implement a well-balanced corporate governance policy; being transparent and accountable with a pragmatic approach.

OctoPlus is a company with a statutory two-tier structure in which the executive and supervisory responsibilities are separated. The relevant statutory provisions have been incorporated into the Articles of Association. Two-tier companies have a Supervisory Board, which supervises the management of the Executive Board.

GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders ('AGM') is convened within 6 months after the end of each financial year. Every shareholder is entitled to attend, speak at and vote at that meeting. The rights of holders of OctoPlus shares rank pari passu with each other and each share entitles the relevant party to cast a single vote. Decisions of the General Meeting of Shareholders are taken by an absolute majority of votes cast, except where Dutch law provides for a qualified majority. The Articles of Association do not restrict the voting rights on shares. We are not aware of any contract under which the transfer of shares or exercise of voting rights on shares is prohibited or restricted.

Our Articles of Association designate the Executive Board, as the corporate body authorized to issue ordinary shares, and/or to limit or exclude pre-emptive rights in relation to an issuance of shares with the prior approval of our Supervisory Board. This designation may be extended, either by an amendment to the Articles of Association, or by a resolution of the General Meeting of Shareholders, for a period not exceeding five years in each case. A designation pursuant to a resolution of the General Meeting of Shareholders shall require the proposal of the Executive Board, which is subject to the prior approval of the Supervisory Board. The current designation was given by the General Meeting of Shareholders on 20 May 2011 for a period of 18 months until 20 November 2012 and is limited to 30% of the issued share capital.

The last AGM took place on 20 May 2011.

SUPERVISORY BOARD

The role of the Supervisory Board is to supervise the management of the Executive Board and the general course of affairs of OctoPlus and the business connected with it. The supervision of the Executive Board by the Supervisory Board shall include:

(a) Achievement of the Company's objectives
(b) Corporate strategy and risks inherent to the business activities
(c) Structure and operation of the internal risk management and control systems
(d) Financial reporting process
(e) Compliance with legislation and regulations

Where relevant, the supervision of the Supervisory Board is guided by corporate sustainability principles, such as but not limited to the interests of the different stakeholders of OctoPlus and the environment.

The Supervisory Board shall furthermore assist the Executive Board by providing advice. The responsibility for proper performance of its duties is vested in the Supervisory Board collectively. In performing their duties, the members of the Supervisory Board must be guided by the interests of OctoPlus and the business connected with it as a whole, taking into account the relevant interests of OctoPlus' stakeholders.

The Supervisory Board can only adopt resolutions by an absolute majority of the total number of votes to be cast in a meeting where the majority of the members of the Supervisory Board then in office are present or represented. Each member of the Supervisory Board is entitled to one vote.

The Supervisory Board shall consist of at least four members. In case of any vacancies or absence of one or more members of the Supervisory Board, or in case one or more members of the Supervisory Board are in another way prevented to perform their duties, the remaining member or members of the Supervisory Board are temporarily charged with the duties and responsibilities of the Supervisory Board. In principle, all Supervisory Board members, with the exception of not more than one person shall be independent from the Company. According to our Supervisory Board regulations, a Supervisory Board member is deemed not to be independent if the member has been an employee or member of the Executive Board, receives personal financial compensation from the Company, has had an important business relationship with the Company, is a member of the Executive Board of a company in which a member of the Executive Board is a Supervisory Board member, holds or is a representative of a legal entity that holds at least 10 percent of the shares in the Company's capital or has temporarily managed the Company during the previous twelve months. However, under circumstances, which are to be determined at the sole discretion of the Supervisory Board, the Supervisory Board may be comprised of more members being a person who is not independent from the Company. During 2010 two members of the Supervisory Board, Mr. René Kuijten and Mr. James Gale, were not independent in accordance with best practice provision III.2.1 and III.2.2 of the Code as they are representatives of companies with a share of more than 10% in OctoPlus. The Supervisory Board considers that Messrs. Gale and Kuijten fit the profile of the Supervisory Board and their contributions outweigh any perceived disadvantage of non-independence.

The members of the Supervisory Board are appointed and reappointed by the General Meeting of Shareholders, based on nominations put forward by the Supervisory Board. Supervisory Board members are appointed for a period of four years, unless provided otherwise in the resolution to appoint the Supervisory Board member concerned. A resigning Supervisory Board member may only be reappointed twice. All current members of the Supervisory Board have been appointed for a period of maximum four years. The members of the Supervisory Board will retire periodically in accordance with a rotation plan as drawn up by the Supervisory Board. The General Meeting of Shareholders may suspend or dismiss members of the Supervisory Directors at any time.

Pursuant to our Articles of Association, as long as Signet Healthcare Partners holds at least 10% of our total issued ordinary share capital, one member of the Supervisory Board shall be appointed from a nomination, drawn up by Signet Healthcare Partners. A nomination drawn up by Signet containing the names of at least two persons shall be binding, provided that the General Meeting of Shareholders may deprive such nomination of its binding character by a resolution adopted by a majority of not less than two thirds of the votes cast, representing more than half of the total issued share capital.

Under our Articles of Association, the General Meeting of Shareholders may suspend or dismiss Supervisory Board members at any time, provided that, as long as Signet Healthcare Partners holds at least 10% of our total issued ordinary share capital, any resolution to suspend or dismiss a member of the Supervisory Board, who is appointed from a nomination drawn up by Signet Healthcare Partners, may only be adopted with a majority of not less than two thirds of the votes cast, representing more than half of total issued share capital.

Currently the members of the Supervisory Board are (between brackets the initial year of nomination): Hans Stellingsma (2001), René Kuijten (2005), Frans Eelkman Rooda (2008), James Gale (2009). Mrs. de Ruiter resigned from the Supervisory Board on 25 January 2012. The Company also announced on 25 January 2012 that the Supervisory Board will propose to appoint Mr. Van Reet Ph.D. as the chairman of the Supervisory Board at the Company's next AGM in 2012. On 16 April 2012, the Company announced that the Supervisory Board will propose to

appoint Mrs. Moukheibir as a member of the Supervisory Board at the Company's next AGM in 2012.

The profiles of the members of the Supervisory Board are published on OctoPlus' website. The Supervisory Board is comprised of preferably independent, non-executive individuals. Potential members of the Supervisory Board are selected primarily based on their competencies, while also taking into account having a balanced mix of individuals from a background, experience, capability and diversity perspective (gender, age, and ethnicity). The Supervisory Board seeks to have the following qualities represented in the Supervisory Board: entrepreneurship, international business experience, experience as a Chief Financial Officer of a large, preferably Dutch public company, sound knowledge of Corporate Governance, knowledge of managing a (small and large) company in the life sciences business, experience in deal making between small companies and large pharmaceutical and biotechnology companies, basic knowledge about drug delivery, experience in marketing and sales, affinity with technology, strong business sense and a strategic and innovative mindset. A more detailed description of the profiles of the Supervisory Board members can be found on OctoPlus' website.

The General Meeting of Shareholders appoints the chairperson and the Supervisory Board appoints a vice-chairperson from amongst its members. The chairperson is primarily responsible for monitoring the proper functioning of the Supervisory Board and its Committees and shall be the main contact for the Executive Board. The chairperson is responsible for a good meeting procedure during the General Meeting of Shareholders in order to enable a meaningful discussion in the General Meeting of Shareholders. The vice-chairperson replaces the chairperson in his absence and is the primary contact for individual members of the Executive and Supervisory Board about the performance of the chairperson.

The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders. The remuneration is fixed and not linked to OctoPlus' profits. Since 2008, the annual remuneration is € 25 for a member, € 31 for a chairperson and an additional € 5 for the participation in a committee.

The Supervisory Board had five physical and 11 telephone meetings during 2011. In addition, the Executive Board kept the Supervisory Board informed of results and business developments by way of written updates. The attendance of the Supervisory Board meetings held in 2011 was 84% on average.

The Supervisory Board discussed a wide range of subjects during its meetings in 2011, including strategy, the issue of shares in October, risk assessment and risk management, cash management, business development, operational targets, financial results, budget 2012 and forecasts.

The Supervisory Board has appointed from among its members an Audit Committee and a Remuneration and Nominating Committee. The table below shows the members of the Audit and Remuneration and Nominating Committee on 31 December 2011.

	AUDIT COMMITTEE	REMUNERATION AND NOMINATING COMMITTEE
Chairperson	Frans Eelkman Rooda	Nancy de Ruiter
Member	Hans Stellingsma	Hans Stellingsma
Member	René Kuijten	René Kuijten

The Audit Committee assists the Supervisory Board in monitoring systems of internal controls, the integrity of the financial reporting process and the contents of the financial statements and reports. The Audit Committee also assists the Supervisory Board in assessing and mitigating the business and financial risks. The chairman of the Audit Committee, Mr. Frans Eelkman Rooda is former Chief Financial Officer of Wessanen NV and is considered a financial expert as intended in best practice provision III.3.2 of the Code. The Audit Committee should meet at least twice a year and shall also meet prior to each issuance of a press release containing financial figures. In 2011 the Audit Committee convened five times. In the discussions with the Executive Board and the external auditor attention was paid to financing of the company, internal and external reporting, the internal control systems and internal control findings by the external auditor, internal control framework, corporate governance subjects, the Enterprise Resource Planning system and the audit plan to be performed by the external auditor. The Audit Committee met prior to each issuance of a press release containing financial figures. In 2011 the Audit Committee met with the external auditor without the presence of members of the Executive Board on three occasions.

In 2011 the Remuneration and Nominating Committee held five meetings, either in person or via telephone meetings. Attention was paid to setting targets of the Executive Board and individual meetings with the Executive Board members to review their performance. The remuneration of the Executive Board is determined by the Supervisory Board and is described in detail in the Remuneration Report.

EXTERNAL AUDITOR

The external auditor is appointed by the General Meeting of Shareholders upon nomination by the Supervisory Board, for which purpose both the Audit Committee and the Executive Board give advice to the Supervisory Board.

EXECUTIVE BOARD

The role of the Executive Board is to manage OctoPlus and it has the responsibility to achieve the Company's aims, strategy and policy, and results. The Executive Board shall perform its activities under the supervision of the Supervisory Board. The Executive Board is accountable to the Supervisory Board and to the General Meeting of Shareholders. The Executive Board shall be guided by the interests of OctoPlus and its affiliated enterprise, taking into consideration the interests of the Company's stakeholders.

The Executive Board shall supply the Supervisory Board in due time with the information required for the performance of its duties. The Executive Board requires the approval of the Supervisory Board on a number of Executive Board resolutions, which are listed in the Executive Board regulations posted on OctoPlus' website.

The Executive Board and Supervisory Board shall ensure that each substantial change in the corporate governance structure of OctoPlus and in the compliance of the Company with the Corporate Governance Code is submitted to the General Meeting of Shareholders for discussion under a separate agenda item.

The Executive Board consists of at least one member. The number of Executive Board members is determined by the Supervisory Board. The members of the Executive Board are appointed by the General Meeting of Shareholders after a proposal by the Supervisory Board. Each member is appointed for a period of four years, unless the resolution to appoint the member states otherwise. Each member of the Executive Board can be suspended and dismissed at any time by the General Meeting of Shareholders. A member of the Executive Board can also be suspended by the Supervisory Board.

In 2011 the Executive Board consisted of three members: the Chief Executive Officer (CEO), the Chief Financial Officer (CFO) and the Chief Business Officer (CBO). Mr. Egberts was appointed to the Executive Board as CEO on 20 May 2011 by the Annual General Meeting of Shareholders. The other members of the Executive Board are Susan Swarte (CFO, appointed in 2010) and Gerben Moolhuizen

(CBO, appointed in 2008). The Executive Board meets every week with the Management Team. The Executive Board occasionally has separate meetings on an ad-hoc basis.

Each member has clearly defined roles and responsibilities. The Chief Executive Officer is responsible for the operational management of the Company. The duties of the Chief Executive Officer comprise, amongst others, preparation of and compliance with strategic and business plans, development of the business, maintaining investor and press relations, conducting corporate communications, human resources and quality assurance. The Chief Financial Officer is responsible for the financial management of the Company, in particular the relationship with the Audit Committee and the external auditor, supervision of the financial reports, preparation of and compliance with budgets and forecasts, drawing up Annual Accounts, the Company's internal control system, legal compliance and supporting the Chief Executive Officer in maintaining investor relations. The main responsibility of the Chief Business Officer is Business Development and Program Management.

The remuneration and contractual terms and conditions of employment of the members of the Executive Board shall be determined by the Supervisory Board and shall comply with the remuneration policy adopted by the General Meeting of Shareholders, provided that arrangements in the form of shares or rights to subscribe to shares are subject to the approval of the General Meeting of Shareholders.

The Management Team assists the Executive Board and consists of the Human Resource Manager, Operations Director, the Director Development and the Director Program Management, in addition to the three members of the Executive Board. The Management Team meets weekly and discusses all strategic and major operational matters on an equal footing.

SHARES AND SHARE CAPITAL

On 20 May 2011, the AGM approved an amendment of the authorized share capital from 40 million ordinary shares and 40 million preference shares, both with a nominal value of € 0.12 per share to 80 million ordinary shares with a nominal value of € 0.12 per share. The authorized capital of OctoPlus no longer contains any preference shares. The total authorized share capital did not change and amounts to € 9.6 million. As of 31 December 2011, 44,778,974 ordinary shares have been issued and are outstanding, representing a share capital of € 5.4 million.

According to the notifications on the AFM website as per 31 December 2011, there are six shareholders with an interest of more than 5% in OctoPlus. The interest of two of these shareholders is between 10% and 15% and the interest of the remaining four shareholders is between 5% and 10%.

The Articles of Association of OctoPlus delegate the authority to issue ordinary shares and to grant rights to subscribe for shares, and/or to limit or exclude pre-emptive rights in relation to an issuance of shares, to the Executive Board, with the prior approval of our Supervisory Board. This delegation may be extended, either by an amendment to the current Articles of Association, or by a resolution of the General Meeting of Shareholders, for a period not exceeding five years in each case. A delegation pursuant to a resolution of the General Meeting of Shareholders shall require the proposal of the Executive Board, which is subject to the prior approval of the Supervisory Board. The General Meeting of Shareholders has approved a designation for a period of 18 months until 20 November 2012 with a limitation of 30% of issued share capital. In October 2011, the Company issued 8 million shares, which is 22% of the issued share capital before the issuance.

The General Meeting of Shareholders has authorized the Executive Board, subject to Supervisory Board approval, to acquire a maximum of 10% of our issued ordinary shares for a period of 18 months from the General Meeting of Shareholders which was held on 20 May 2011, at a purchase price between the nominal value of the shares and 110% of the average price of our ordinary shares during five trading days before the repurchase.

The General Meeting of Shareholders may resolve to amend the Articles of Association, subject to a proposal by the Executive Board, which requires the approval of the Supervisory Board.

Under the current Option Plan, which has been adopted by the AGM, the Supervisory Board has discretionary power to grant options to our employees. The Company will not grant options to employees and members of the Executive Board, which if exercised, would represent more than 7.5% of our issued share capital.

The employment agreements with each of the members of the Executive Board provide for severance payments in the event of termination. If OctoPlus terminates the employment agreement for either of them, we are obliged to pay a severance amount equal to 1.5 times the monthly salary per year of service, up to a maximum of a full year salary. Furthermore, if the employment agreement is terminated within six months after a change of control, they are entitled to a severance amount of 1.5 times the monthly salary per year of service inclusive of the average bonus payment received over the three years preceding the change of control, up to a maximum of a full year's salary including the average bonus payment received. Change of control is defined as a takeover, merger or any other event in which there is a Change in Control over the Company, resulting in a substantial adverse change in the position, tasks and responsibilities of the Executive.

We are not a party to any material agreement, which becomes effective, or is being amended or terminated subject to a condition of a change of control following a public bid as defined in section 5:70 of the Act on the Financial Supervision.

CODE OF CONDUCT

OctoPlus endeavors to carry out its business fairly and honestly, at the same time taking into account the interests of all those who may in any way be affected by its activities. The Code of Conduct contains a set of general principles related to observing laws and regulations, environmental sustainability, having a diverse workforce which is promoted solely according to their capacities, skills and results, creating safe and good working conditions, supplying complete and truthful information, handling confidential information, avoiding insider trading, avoiding conflicts of interest, avoiding personal gain, promoting honest conduct and protecting company property.

The Code of Conduct explicitly refers to the 'Internal code on inside information' and the 'Whistleblowers' procedure', which form part of the Code of Conduct. The Code of Conduct, Internal code on inside information and the Whistleblower's procedure are published on the intranet and OctoPlus' website. OctoPlus expects its employees to refer to the Code of Conduct and all related documents on a regular basis, to ensure that they are kept up to date with its contents.

DEVIATIONS FROM CORPORATE GOVERNANCE CODE

Book 2 of the Dutch Civil Code in conjunction with a decree of 10 December 2009 (Bulletin of Acts and Decrees 545) requires listed companies to report an explanation in their annual reports why certain provisions of the Code, if any, are not applied by the company. The code can be found on www.commissiecorporategovernance.nl. OctoPlus' Corporate Governance is fully in line with the recommendations of the Code except for the following best practices, which are explained below:

II.2.4

If options are granted, they shall, in any event, not be exercised in the first three years after the date of granting. The number of options to be granted shall be dependent on the achievement of challenging targets specified beforehand.

As detailed in the section 'Remuneration report', the Supervisory Board granted Mr. Egberts, Mrs. Swarte and Mr. Moolhuizen a number of conditional and unconditional options in 2010. In addition, the Supervisory Board granted Mr. Egberts a number

of conditional and unconditional options in 2011 as a result of the anti-dilution clause in his 2010 option contract. The end of the vesting period for the anti-dilution options granted to Mr. Egberts in 2011 has been aligned with the end of the vesting period of the options initially granted to Mr. Egberts in 2010. As a result, the unconditional options granted in 2011 can be exercised two years after the grant date. None of the other options can be exercised within three years after unconditional grant. The unconditional options were granted by the Supervisory Board based upon the individual's past performance or as a sign-on bonus. This is a deviation from the Code, where unconditional options will only be granted when certain pre-defined, challenging, individual targets have been met. The Supervisory Board perceived that granting of these unconditional options to the Executive Board members was in the best interest of the Company and its stakeholders.

III.2.1
The supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.

Our Supervisory Board consists of five members. Two members are not independent as they are employed by Signet Healthcare Partners and Life Sciences Partners, both of which have more than 10% Shares in OctoPlus. Signet Healthcare Partners and Life Sciences Partners both have a long-term interest in the Company and were willing to back this up by making senior partners with relevant knowledge and experience available to the Company. The Supervisory Board considers that Mssrs. Gale and Kuijten fit the profile of the Supervisory Board and their contributions outweigh any perceived disadvantage of non-independence.

IV.3.1
Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of web casting or telephone lines. After the meetings, the presentations shall be posted on the company's website.

Considering our size, it would create an excessive burden to provide facilities that enable shareholders to follow in real time the meetings and presentations, referred to in the best practice provision. We will, however, ensure that presentations are posted on our website immediately after the meetings in question.

IV.3.13
The company shall formulate an outline policy on bilateral contacts with the shareholders and publish this policy on its website.

We will formulate an outline policy on bilateral contacts with the shareholders and publish this policy on our website in the near future.

V.3.1
The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognizance of the findings of the internal auditor.

We feel that our financial reporting will be sufficiently monitored by our audit committee and will, in view of our size, initially not appoint an internal auditor. The Audit Committee will evaluate the need for an internal auditor every year. Based on this evaluation will the Supervisory Board make a recommendation to the Executive Board whether or not to appoint an internal auditor.

DIRECTORS' RESPONSIBILITY STATEMENT

Dutch Corporate Governance Code

In line with the best practice provision II.1.4 of the Dutch Corporate Governance Code and bearing in mind the recommendations of the Monitoring Committee Corporate Governance Code, OctoPlus N.V. issues a declaration regarding the effectiveness of the system of internal controls on which the financial reporting is based. In 2011 the Executive Board assessed the effectiveness of the system of internal controls for financial reporting. During the investigation on which this assessment was based, no shortcomings were identified that might possibly have a material impact on the financial reporting. On the basis of this assessment and the risk analysis that was carried out, the Executive Board is of the opinion that the system of internal controls provides a reasonable degree of certainty that our financial reporting does not contain any inaccuracies of material importance. The Executive Board confirms that in their view the system of internal controls, focused on financial reporting, functioned effectively over the past year. There are no indications that the system of internal controls will not function effectively in 2012.

EU Transparency Directive

The members of the Executive Board, as required by section 5:25c, paragraph 2c of the Dutch Financial Markets Supervision Act (Wet op het Financieel Toezicht), confirm to the best of their knowledge that:

The annual financial statements for the year ended 31 December 2011 give a true and fair view of the assets, liabilities, financial position and comprehensive income of OctoPlus N.V. and its consolidated companies;

The Annual Report 2011 gives a true and fair view of the position of OctoPlus N.V. and its consolidated companies as per 31 December 2011 and the state of affairs during the year 2011 of OctoPlus N.V. and its consolidated companies;

The Annual Report 2011 describes the principal risks and uncertainties facing OctoPlus N.V. and its consolidated companies.

The Executive Board

Jan H. Egberts, Chief Executive Officer

Susan M. Swarte, Chief Financial Officer

Gerben Moolhuizen, Chief Business Officer

6 Consolidated financial statements

Consolidated statement of financial position

(In € x 1,000)

	Note	At 31 December 2011	At 31 December 2010
ASSETS			
Non-current assets			
INTANGIBLE ASSETS			
Goodwill	6	243	243
Patents	6	1,519	1,811
Other intangible assets	6	78	5
		1,840	2,059
PROPERTY, PLANT AND EQUIPMENT			
Buildings	7	6,475	6,903
Machines and installations	7	7,700	8,946
Other equipment	7	143	199
		14,318	16,048
Financial assets carried at cost	8	1,299	1,299
		17,457	19,406
Current assets			
Inventories	10	388	307
Trade receivables	11	2,357	1,735
Social securities and other taxes	11	161	208
Other receivables, prepayments and accrued income	11	887	978
Cash and cash equivalents	9	1,603	2,713
		5,396	5,941
TOTAL ASSETS		**22,853**	**25,347**
EQUITY			
Shareholders' equity	12	6,486	8,935
TOTAL GROUP EQUITY		**6,486**	**8,935**
LIABILITIES			
Non-current liabilities			
Finance lease liabilities	15	8,228	9,296
		8,228	9,296
Current liabilities			
Current portion of finance lease liabilities	15	1,115	1,020
Bank overdrafts	9,15	-	6
Trade payables	16	2,195	1,471
Social securities and other taxes	16	165	176
Other current liabilities	16	4,664	4,443
		8,139	7,116
TOTAL LIABILITIES		**16,367**	**16,412**
TOTAL EQUITY AND LIABILITIES		**22,853**	**25,347**

The notes on pages 58 to 90 are an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

(In € x 1,000)

	Note	Year ended 31 December 2011	2010
Service revenues	5,17	7,675	7,978
License and other revenues	5,17	27	86
Income from subsidies	5,18	-	265
TOTAL REVENUES		**7,702**	**8,329**
Cost of materials and work contracted out	19	875	1,090
Wages and salaries	20	7,008	6,394
Depreciation and amortization	6,7	2,149	2,774
Other costs	21	3,106	3,292
TOTAL OPERATING COSTS		**13,138**	**13,550**
OPERATING RESULT		**(5,436)**	**(5,221)**
Interest income	22	17	12
Interest costs	22	(897)	(993)
Result before corporate income taxes		**(6,316)**	**(6,202)**
Corporate income taxes	13	-	-
Result for the period		**(6,316)**	**(6,202)**
Other comprehensive income		-	-
Total comprehensive result for the period		**(6,316)**	**(6,202)**
Attributable to:			
Equity holders of the Company		**(6,316)**	**(6,202)**
Result per share for result attributable to the equity holders of the Company during the period			
(expressed in Euro per share)			
Basic	23	(0.17)	(0.19)
Diluted	23	(0.17)	(0.19)

The notes on pages 58 to 90 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(In € x 1,000)

	Note	Share capital	Share premium reserve	Other reserves	Accumulated deficit	Total equity
Balance at 1 January 2010		**4,012**	**49,686**	**754**	**(43,109)**	**11,343**
Result for the year		-	-	-	(6,202)	(6,202)
Other comprehensive income for the year		-	-	-	-	-
TOTAL COMPREHENSIVE RESULT FOR 2010		-	-	-	(6,202)	(6,202)
Employee share option scheme:						
– value of employee services	12	-	-	157	-	157
– options exercised, lapsed & forfeited	12	-	-	(134)	134	-
Issue of share capital – financing	12	401	3,544	-	-	3,945
Issue of share capital – costs	12	-	(308)	-	-	(308)
		401	3,236	23	134	3,794
Balance at 31 December 2010		**4,413**	**52,922**	**777**	**(49,177)**	**8,935**
Balance at 1 January 2011		**4,413**	**52,922**	**777**	**(49,177)**	**8,935**
Result for the year		-	-	-	(6,316)	(6,316)
Other comprehensive income for the year		-	-	-	-	-
TOTAL COMPREHENSIVE RESULT FOR 2011		**-**	**-**	**-**	**(6,316)**	**(6,316)**
Employee share option scheme:						
– value of employee services	12	-	-	289	-	289
– options exercised, lapsed & forfeited	12	-	-	(216)	216	-
Issue of share capital – financing	12	960	3,040	-	-	4,000
Issue of share capital – costs	12	-	(422)	-	-	(422)
		960	2,618	73	216	3,867
Balance at 31 December 2011		**5,373**	**55,540**	**850**	**(55,277)**	**6,486**

The notes on pages 58 to 90 are an integral part of these consolidated financial statements.

Consolidated statement of cash flows

(In € x 1,000)

	Note	Year ended 31 December 2011	2010
Cash flows from operating activities			
Result before corporate income taxes		(6,316)	(6,202)
Adjustments for:			
– Depreciation and amortization	6,7	2,149	2,774
– Share option expenses	20	289	157
– Interest costs	22	897	993
– Interest income	22	(17)	(12)
Changes in working capital:			
– Inventories		(81)	150
– Trade receivables		(622)	472
– Social securities and other taxes		36	209
– Other receivables, prepayments and accrued income		87	376
– Trade payables	2,25	585	(478)
– Other liabilities and accruals	2,25	222	(409)
Cash used in operations		(2,771)	(1,970)
Interest received		22	-
Interest paid		(901)	(990)
Net cash used in operating activities		(3,650)	(2,960)
Cash flows from investing activities			
Purchases of property, plant and equipment	2,7,25	(76)	(58)
Purchases of intangible assets	6	(16)	-
Net cash used in investing activities		(92)	(58)
Cash flows from financing activities			
Proceeds from issuance of shares	12	3,683	3,363
Repayment of finance lease liabilities		(1,045)	(951)
Net cash generated from financing activities		2,638	2,412
Cash, cash equivalents and bank overdrafts			
Net decrease during the year		(1,104)	(606)
Balance at beginning of the year		2,707	3,313
BALANCE AT END OF THE YEAR		**1,603**	**2,707**

The notes on pages 58 to 90 are an integral part of these consolidated financial statements.
The above illustrates the indirect method of reporting cash flows from operating activities.

Notes to the consolidated financial statements

1 GENERAL INFORMATION

1.1 CORPORATE INFORMATION

OctoPlus N.V. ('the Company' or 'OctoPlus', and 'the Group' including its subsidiaries) is a pharmaceutical company specialized in the controlled release, formulation and cGMP manufacture of injectable products. OctoPlus offers a platform of proprietary biodegradable polymers for the controlled release and extended release of injectable products, in particular proteins. The Company is a public limited liability company incorporated and domiciled in the Netherlands. The address of its registered office is Zernikedreef 12, 2333 CL Leiden, the Netherlands.

These consolidated financial statements are subject to approval by the Annual General Meeting of Shareholders ('AGM').

In accordance with section 402 of Part 9 of the Netherlands Civil Code a condensed income statement is included in the Company-only financial statements.

These financial statements of the Company have been approved for publication by the members of the Executive Board on 27 April 2012.

1.2 BASIS OF PREPARATION

The consolidated financial statements of OctoPlus N.V. for the financial year 2011 have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). All standards and all interpretations issued by the International Accounting Standards Board (the 'IASB') and the International Financial Reporting Interpretations Committee (the 'IFRIC') effective for 2011 have been adopted by the EU. The consolidated financial statements also comply with the financial reporting requirements included in Part 9 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements have been prepared under the historical cost convention. Furthermore, the consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires Management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

1.3 BASIS OF CONSOLIDATION

The Company is the holding company of a group of companies. The other consolidated group companies ('subsidiaries') at 31 December 2011 are:

- OctoShare B.V., 100%, having its legal seat in Leiden, the Netherlands;
- OctoPlus Development B.V., 100%, having its legal seat in Leiden, the Netherlands;
- OctoPlus Technologies B.V., 100%, having its legal seat in Leiden, the Netherlands;
- OctoPlus Sciences B.V., 100%, having its legal seat in Leiden, the Netherlands;
- OctoPlus PolyActive Sciences B.V., 100%, having its legal seat in Leiden, the Netherlands;
- Chienna B.V., 100%, having its legal seat in Bilthoven, the Netherlands;

Intercompany transactions, balances and unrealized gains on transactions between group companies are eliminated. Unrealized losses between group companies are also eliminated, however, these are considered to be an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Subsidiaries
Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Acquisitions of businesses are accounted for by the Group using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred. Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired (also after re-assessment), the difference is recognised directly in the income statement, as bargain purchase gain.

1.4 NEW AND REVISED ACCOUNTING STANDARDS

The following amendments to existing standards and interpretations were issued by the IASB in 2011:
- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards';
- Amendments to IFRS 3 'Business Combinations';
- Amendments to IFRS 7 'Financial Instruments';
- Amendments to IAS 1 'Presentation of Financial Statements';
- Amendments to IAS 24 'Related Party Disclosures';
- Amendments to IAS 27 'Consolidated and Separate Financial Statements';
- Amendments to IAS 32 'Financial Instruments: Presentation';
- Amendments to IAS 34 'Interim Financial Reporting';
- Amendments to IFRIC 13 'Customer Loyalty Programmes';
- IFRIC 14 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction';
- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments'.

These amendments to existing standards and interpretations did not have a material effect on the Company's financial statements.

EARLY ADOPTION OF IFRS STANDARDS AND INTERPRETATIONS THAT WERE IN ISSUE BUT NOT YET EFFECTIVE FOR REPORTING PERIODS BEGINNING ON 1 JANUARY 2011

The IFRS standards and interpretations that were in issue but not yet effective for reporting periods beginning on 1 January 2011 were not yet adopted. The Company anticipates that the adoption of these Standards and Interpretations will not have a material effect on the financial statements of the Group in future periods.

EARLY ADOPTION OF IFRS STANDARDS AND INTERPRETATIONS THAT WERE NOT YET ENDORSED

BY THE EU FOR REPORTING PERIODS BEGINNING ON 1 JANUARY 2011

The IFRS standards (IFRS 10, 11, 12 and 13) and interpretations (IAS 19R) that were in issue but not yet endorsed by the EU for reporting periods beginning on 1 January 2011 were not yet adopted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been applied consistently in the years presented, unless stated otherwise.

2.1 INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. If the cost of an acquisition is less than the fair value of the net assets of the subsidiary acquired (also after re-assessment), the difference is recognized directly in the income statement.

Separately recognized goodwill is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

(b) Patents

Acquired patents have a definite useful life and are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives (generally 10 years unless a patent expires prior to that date). Amortization begins when an asset is available for its intended use.

(c) Computer software

Acquired computer software is capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (generally three years).

2.2 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise the buildings in Leiden, the manufacturing and laboratory facilities in these buildings, all equipment used in the manufacturing and laboratory facilities and other equipment. The buildings and part of the equipment used in the manufacturing and laboratory facilities are leased under finance lease agreements. Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance charges are expensed in the financial period in which these are incurred.

Depreciation is calculated using the straight-line method to reduce the historical cost of the assets to their residual values over their estimated useful lives. The following depreciable lives are used:

- Buildings 20 years
- Machines and installations 3-10 years
- Other equipment 3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (also refer to 2.3).

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These are included in the income statement.

Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially transferred all the risks and rewards of ownership are classified as

finance leases. Finance leases are capitalized at the commencement of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in 'finance lease liabilities'. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

2.3 IMPAIRMENT OF INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

Goodwill and other assets not subject to amortization or depreciation are reviewed for impairment at least annually. All assets subject to amortization or depreciation are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Both external and internal sources of information are taken into consideration to assess whether there are indications that the carrying amount may not be recoverable. External sources of information include (i) a significant decline of an asset's market value, (ii) significant changes with an adverse effect on the entity during the period or in the near future, (iii) an increase of market interest rates or other market rates of return on investments and (iv) a carrying amount of the net assets of the entity that is higher than the Company's market capitalization. Internal sources of information include (i) evidence of obsolescence / physical damage of the asset, (ii) significant changes with an adverse effect on the entity have taken place during the period or are expected to take place in the near future in the extent to which, or manner in which, an asset is used or is expected to be used, (iii) indications that the economic performance of an asset is, or will be, worse than expected and (iv) actual / budgeted net cash flows or operating profit or loss from the asset are significantly worse than budgeted. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (i.e. the present value of the future cash flows to be generated by an asset from its continuing use in the business). For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.4 FINANCIAL ASSETS

The Group has financial assets in the two categories 'loans and receivables' and 'financial assets carried at cost'. In the years presented in these financial statements, the Group did not purchase or hold any derivative financial instruments or available-for-sale financial assets.

(a) Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment. An allowance for doubtful accounts is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the allowance is recognized in the income statement within 'other costs'. Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. Loans and receivables are included in 'current assets', except for maturities greater than 12 months after the balance sheet date, which are classified as 'non-current assets'.

(b) Financial assets carried at cost
Financial assets carried at cost (less accumulated impairment losses) are unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the balance sheet date.

(c) Purchases and sales of financial assets
Regular purchases and sales of financial assets are recognized on trade-date; the date on which the Group commits to purchase or sell the asset. The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralized borrowing for the proceeds received.

(d) Impairment of financial assets
The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset. Signs of impairment could be (i) significant financial difficulty of the issuer, (ii) a breach of contract, (iii) a concession granted to the borrower that the lender, for economic or legal reasons relating to the borrower's financial difficulty would not otherwise consider, (iv) it becoming probable that the borrower will enter into bankruptcy or another financial reorganisation, (v) the disappearance of an active market for that financial asset because of financial difficulties, or (vi) observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset since the initial recognition of those assets. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2.5 INVENTORIES
Inventories are stated at the lower of cost and net realisable value. The cost of inventories includes expenditures for materials acquired and directly attributable costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Inventories are written down once these become obsolete.

2.6 CASH AND CASH EQUIVALENTS
Cash and cash equivalents includes cash-in-hand, current accounts, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately within current liabilities in the consolidated statement of financial position.

2.7 FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS
Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

(a) Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

(b) Compound instruments
The component parts of compound instruments issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability compo-

nent is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently re-measured.

2.8 EQUITY

Ordinary shares and preference shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

2.9 DEFERRED CORPORATE INCOME TAXES

Deferred corporate income tax is recognized, using the liability method, on temporary differences arising between the tax bases book value of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred corporate income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the tax losses can be offset. Deferred corporate income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred corporate income tax asset is realized or the deferred corporate income tax liability is settled.

2.10 BORROWINGS AND OTHER FINANCIAL LIABILITIES

Borrowings and other financial liabilities are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method to calculate the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowings and other financial liabilities are classified as 'current liabilities' unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date ('non-current liabilities').

Interest on borrowings entered into for the construction of specific assets is capitalized.

2.11 PENSION OBLIGATIONS

The Company operates a defined contribution plan. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. There have not been any significant changes to the plan since inception in February 2006.

2.12 SHARE-BASED PAYMENTS

(a) Share-based compensation to employees

The Company operates an equity-settled, share-based compensation plan which can include conditional options grants and/or unconditional options grants. The costs of employee share option plans are measured by reference to the fair value of the options at the date at which the options are granted using a Binomial option model.

The costs of these options, which reflect the services rendered by employees in exchange for the grant of the options, are recognized in the income statement, together with a corresponding increase in equity during the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at grant date, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Estimates of forfeitures are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a

corresponding adjustment to equity.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(b) Equity-settled share-based payment transactions
Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods or services received, except when the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counter party renders the services.

2.13 PROFIT-SHARING AND BONUS PLANS

The Group recognises a liability and an expense for bonuses and profit-sharing plans if contractually obliged or if there is a past practice that has created a constructive obligation.

2.14 PROVISIONS

Provisions are recognized when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. Provisions are not recognized for future operating losses.
Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognized as interest expense.

2.15 REVENUE RECOGNITION

Revenue comprises the fair value of the sale of goods and services, and is shown net of value-added tax, rebates and discounts and after eliminated sales within the Group. The Group's revenues primarily consist of sales of services, license and other revenues and subsidies. These revenues are recognized as follows:

(a) Service revenues
Sales of services are recognized in the accounting period in which the services are rendered by reference to the stage of completion of the specific transaction when the outcome of a transaction can be estimated reliably. Each project is divided into subprojects and the stage of completion for each subproject is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(b) License and other revenues
License and other revenues include amounts earned from third parties with licenses and/or options to the Group's intellectual property and for amounts received for the sale of part of the Group's intellectual property. License and other revenues are recognized when earned in accordance with the substance and under the terms of the related agreements and when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably. In situations where the Group has continuing performance obligations, revenues related to license fee payments are deferred and the related revenue is recognized in the period of expected performance.

Multiple element arrangements
In certain circumstances, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

The Group offers arrangements whereby a customer obtains the right to use the Group's intellectual property and purchases research and development services under one arrangement. When such multiple element arrangements exist, an element is accounted for as a separable element if it has value to the customer on a stand-alone basis and the fair value can be determined objectively and reliably.

When license and other revenues and service revenues are identified as separable elements in a multiple element transaction, the license and other revenues recognized is determined based on the fair value of the right obtained by the customer in relation to the fair value of the arrangement taken as a whole, and is recognized in accordance with the

accounting policy for license and other revenues as discussed above. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement as a whole, is recognized over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

(c) Income from subsidies

The Group was granted certain subsidies, which support the Group's research efforts in defined research and development projects. These subsidies generally provide for reimbursement of approved costs incurred as defined in the grants. Subsidies are recognized at their fair value when there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions.
The Group includes income from subsidies under 'income from subsidies' in the income statement in order to enable comparison of its income statement with companies in the life sciences sector. Companies in the life sciences sector generally present governmental subsidies as income, as these subsidies often are a significant source of income. Furthermore, research and development expenses would, generally, be incurred to the same amount if no governmental contributions would be granted.
The WBSO ('wet ter bevordering speur- en ontwikkelingswerk') is a fiscal facility that provides subsidies to companies, knowledge centres and self-employed people who perform research and development activities (as defined in the WBSO Act). Under this Act, a portion of the labour costs of employees directly involved in research and development can be deducted from the regular payment of payroll taxes and social security contributions. Subsidies relating to labour costs (WBSO) are deferred and recognized in the income statement as negative labour costs over the period necessary to match them with the labour costs that they are intended to compensate.

2.16 OPERATING LEASES

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 to the income statement as incurred.

3 RISK MANAGEMENT

3.1 FINANCIAL RISK MANAGEMENT

The Group is exposed to a variety of financial risks, with the most important risks being: market risk (including foreign currency risk and credit risk) and liquidity risk. The Group's overall risk management program seeks to minimise potential adverse effects of these financial risk factors on the Group's financial performance. For a discussion of the Company's risk management and system of internal controls, reference is also made to the 'Executive Board report' elsewhere in this document.

(a) Foreign currency risk

Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities in foreign currencies. The Company is not exposed to a significant foreign exchange risk. Substantially all customer invoices are sent and paid in Euro, only a minor part of the supplier invoices are in currencies other than the Euro (3.4% of the outstanding payables at 31 December 2011 consist of currencies other than the Euro) and there are no other significant transactions in currencies other than the Euro.

(b) Credit risk

Over the years, OctoPlus has established a loyal international client base with a high percentage of long-term clients, either outsourcing multiple projects at OctoPlus or returning to OctoPlus with their next project or development phase. The Company top-5 customers in the year 2011 generated 53% of the Company's 2011 consolidated revenues, with the largest customer generating 23% of 2011 consolidated revenues.
The Group has a (pro)-active receivables collection policy in place. Through this policy, the Company assesses the creditworthiness of the potential customer prior to signing a contract and performing activities. The credit quality of each existing customer is also regularly re-assessed and collaterals from each customer are required before work will start on any new project, content of invoices is discussed and agreed with each customer upfront, invoices are sent on a monthly basis directly after the end of each month or during month as soon as certain milestones (as defined in a contract) are met, the customer is contacted when invoices are sent and finally, the customer is contacted when the end of the payment term for an invoice is approaching.

Through the combination of a loyal client base and the Company's receivables collection policy as outlined above, Management believes that the Company's credit risk is small in general, however it can be high for specific customers.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the availability of contingency plans in case of significant downfalls to meet a company's obligations.

It is our strategy to generate sufficient cash from our operations to meet all our obligations. In the last few years, however, we witnessed a negative operating cash flow amounting to € 2.8 million (2009), € 3.0 million (2010) and € 3.7 million (2011). As a result, we relied on external funding through different equity fundraisings to continue operations.

OctoPlus is specialized in the controlled release, formulation and cGMP manufacture of injectable products. These services are provided on a fee-for-service basis. Contract periods vary from a number of months to a number of years, with often a significant part of the activities taking place in the first six months. Existing customers often return to OctoPlus for additional work on existing or new projects. Due to the nature of the contracts (including their duration), a significant part of the Company's budgeted revenues for a year is not contracted at the beginning of that year. This also applies to the year 2012. In case the Company is not able to sign new revenue generating deals in the remainder of 2012, its financial position will be harmed significantly. In addition, customers might decide to suspend or terminate the development activities OctoPlus conducts on their behalf. This can be on a relatively short notice and can also significantly harm the Company's financial position. However, the Company currently has a healthy order portfolio and a healthy acquisition funnel. As a result, the Company is positive towards meeting its targeted levels of revenues and cash.

Locteron successfully completed Phase IIb clinical development. Phase III has been prepared. When a commercial partner is found by Locteron's current owner Biolex, the Company believes that Biolex and its commercial partner will request OctoPlus to further develop the process and the analytics of the product and to manufacture Locteron as it has done before. This is expected to generate significant revenues in the mid-term future and could also result in milestone and royalty payments in the medium or longer term. These revenues are currently not included in OctoPlus' revenue and cash flow forecast, however future developments with respect to Biolex might impact the valuation of the Company's receivables and financial fixed assets related to Biolex. See further also Note 8 and Note 11.

Per 31 December 2011 OctoPlus has € 1.6 million cash (Note 9) available and a € 1.3 million credit facility (Note 15) available. Besides these funds the Company has secured € 3.0 million additional financing in April 2012 (Note 30). The secured financing is partly dependent on approval of the AGM to issue new shares (€ 1.9 million).

These funds are currently sufficient but OctoPlus might need additional funding in the future if the Company's expectations are not completely realized. Several sources are available to raise additional working capital in the short and medium term future.

If management deems it to be necessary OctoPlus may raise capital by means of a capital markets transaction, such as non-dilutive (debt) financing, issuance of equity or a combination thereof. The timing and proceeds from such a transaction are subject to, for instance, market conditions (e.g. share price) and availability of assets to secure debt transactions as well as approval of boards and/or shareholders.

Taking into account the Company's year-end cash position, the available credit line facility, the additional funding acquired in April 2012 (Note 30), other financing options available, the revenues contracted, the cost base, the Company's internal control environment and the available contingency plans, the Company has sufficient funds for a period of at least 12 months. Potential other projects, such as Locteron, might significantly improve the Company's cash position during the next 12 months.

Maturity analysis for non-derivative financial instruments

	No later than 1 year	Between 1 and 5 years	Later than 5 years	Total
At 31 December 2011				
Finance lease liabilities[1]	1,848	4,388	9,043	15,279
Trade and other liabilities[2]	5,984	-	-	5,984
	7,832	4,388	9,043	21,263

	No later than 1 year	Between 1 and 5 years	Later than 5 years	Total
At 31 December 2010				
Finance lease liabilities[1]	1,832	5,282	10,045	17,159
Trade and other liabilities[2]	5,489	-	-	5,489
	7,321	5,282	10,045	22,648

[1] Including interest. For more details, see Note 15.
[2] The contractual payments with regard to trade and other liabilities do not include deferred income (Note 16).

(d) Other financial risks

The Group is exposed to an equity securities price risk through its equity interest in Biolex (Note 8) and to a marginal interest rate risk through its current credit line facility. The Group is not exposed to commodity price risk but does have a marginal fair-value risk.

3.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that it will be able to continue as a going concern. The Group does not have a targeted debt-to-equity ratio but equity needs to be at least 25% of the balance sheet total (adjusted for certain items) at each reporting date to comply with the covenants of its current credit line facility with ABN Amro (Note 15).

Under the Group's strategy, the Group strives for a cash-balanced business in the medium term. Any cash requirements the Group might have will be funded through equity or loan agreements.

The capital structure of the Group consists of financial liabilities (as detailed in Note 15), cash and cash equivalents, net of bank overdrafts (as detailed in Note 9) and equity, comprising issued capital, reserves and retained earnings (as detailed in Note 12).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as critical judgements in applying the Group's accounting policies are discussed below.

(a) Impairment test of goodwill and patents

Goodwill and patents not yet available for their intended use are not amortized but are subject to an annual impairment test or more frequent testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For all patents used, we assess at each reporting date whether there is any indication that (a group of) patents may be impaired. If any such indication exists, we estimate the recoverable amount of that (group of) patent. For the purpose of the impairment testing, goodwill and patents are allocated to cash-generating units. The recoverable amount of the applicable cash-generating unit is determined based on value-in-use calculations by using the discounted cash flow model.
In the years presented, all goodwill recognized relates to the acquisition of Chienna B.V. in the year 2003 and substantially all of the patents relate to the PolyActive drug delivery technology as acquired in two stages; (i) as part of the acquisition of Chienna B.V. in 2003 and (ii) as acquired from IsoTis Inc. in April 2007. This technology is used for Locteron, ESBATech and other projects.

The Company operates as one reportable segment and all goodwill and patents are assigned to the 2003 business acquisition that led to the recognition of the goodwill and patents.

In performing impairment testing of goodwill and patents, Management must make significant judgements and estimates to determine whether the cash

flows generated by the cash-generating unit that the assets belong to are less than the unit's carrying value. The data necessary for performing the impairment tests are based on Management's estimates of future cash flows. Determining cash flows requires the use of judgements and estimates that have been included in the Group's strategic plans and long-term forecasts. Expected cash flows from all signed agreements and prospects are discounted against the weighted average cost of capital ("WACC"). The Company's WACC per 31 December 2011 requires significant judgement. Management evaluated the WACC using different approaches and estimated that the WACC ranges between 10% and 15% (pre-tax). The impairment analysis in respect of the intangible assets has been performed using different WACC percentages within this range.

No impairment losses have been recognized in 2011 (Note 6).

(b) Impairment test of financial assets
The financial asset carried at cost relates to an equity interest in Biolex (Note 8). The Group assesses at each balance sheet date whether there is any objective evidence that this financial asset is impaired. Signs of impairment for this equity interest that were considered are (i) significant financial difficulty of the issuer, (ii) a breach of contract, (iii) it becoming probable that the borrower will enter into bankruptcy or another financial reorganisation, and (iv) observable data indicating that there is a measurable decrease in the estimated future cash flows from the financial asset since the initial recognition of those assets.

Based upon this assessment, the Group concluded that there is no objective evidence for impairment (Note 8).

(c) Impairment test of tangible fixed assets
The Company's tangible fixed assets consist of property, plant and equipment and are explained in Note 7. All tangible fixed assets are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. This assessment includes both (i) internal sources of information, such as a significant and unexpected decline in market value of an asset, significant changes with an adverse effect in the technological, market, economic or legal environment in which the entity operates or the market to which the asset is dedicated and an increase in market interest rates used to discount future cash flows and (ii) external sources of information, such as evidence of obsolescence or physical damage of an asset, significant changes with an adverse effect of how an asset is used or is expected to be used and evidence of decreased performance of an asset.

(d) Corporate income taxes
The Group, which has a recent history of tax losses, recognises deferred tax assets arising from unused tax losses or tax credits only to the extent that the relevant fiscal unity has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by that fiscal unity. Management's judgement is that such convincing evidence is currently not sufficiently available and a deferred tax asset is therefore only recognized to the extent that a fiscal unity has sufficient taxable temporary differences.

(e) Share-based payments
Share options granted are measured at the fair value of the equity instruments granted at grant date (indirect method of measurement). Fair value is determined through the use of an option-pricing model considering, the following variables:

a The exercise price of the option;
b The expected life of the option;
c The current value of the underlying shares;
d The expected volatility of the share price, calculated considering the effect of dividends on stock price;
e The dividends expected on the shares; and
f The risk-free interest rate for the life of the option.

Conditional option grants might include market conditions. These market conditions are included in the calculation of the fair value of the option.
For the Company's share option plans, Management's judgement is that the Binomial method is most appropriate for determining fair values as this method allows accounting for non-transferability, vesting conditions and early exercise.

For options granted before 30 June 2007, published OctoPlus share price information was only available for a short period of time, as the Company became publicly listed on 4 October 2006. The expected volatility of all options granted before that date is therefore still based on the average historical volatility

of the peers over a period that agrees with the period of maturity. For all options granted after 30 June 2007, published OctoPlus share price information is available for a longer period of time and the expected volatility of the options granted after that date is therefore based on the average historical volatility of the OctoPlus share over a period of time.

All assumptions and estimates of both the conditional and unconditional option grants are further discussed in Note 6 and Note 12 to the consolidated financial statements.

The result of the share option valuations and the related compensation expense is dependent on the model and input parameters used. Even though Management considers the fair values reasonable and defensible based on the methodologies applied and the information available, others might derive at a different fair value for each of the Company's share option plans.

(f) Claims

Third parties might claim amounts from the Group. These claims are considered by Management on a case by case basis, taking legal advice insofar required. When Management judges that there is a present obligation as a result of a past event, an outflow of resources is probable and a reliable estimate of the obligation can be made, a provision is recorded.
A contingent liability is recorded in case of a possible future obligation, as long as this possible future obligation is not remote. Possible future obligations that are remote are not disclosed.

5 SEGMENT INFORMATION

(a) Operating segments

OctoPlus operates in one reportable segment named 'formulation, drug delivery and manufacturing activities', which consists of contract formulation development and manufacturing on the basis of either expertise and know-how or its proprietary drug delivery platform. The activities are performed by the same people and as a result decisions are made by the Executive Board (who is identified as the 'chief operating decision maker') on a consolidated basis and discrete and valuable financial information per activity can not be made available.

(b) Geographical information

Since our establishment in 1995, we have provided services to a diverse and international group of more than 170 pharmaceutical and biotechnology companies on a fee-for-service basis. Currently, our active customer base comprises around 40 clients, which are located worldwide and include small, medium and large biotechnology as well as pharmaceutical companies. The allocation of revenues to geographical areas is shown below:

Revenues	2011	2010
European Union	2,686	3,859
North-America	1,873	2,283
Other countries	3,143	2,187
	7,702	8,329

Contracts with our customers vary in size and duration. Historically, revenues generated from individual contracts have been in the range of € 25 to € 1,500. The duration of a project varies between a few months to several years. The revenues generated from each customer can vary significantly from year-to-year depending on whether development of a product progresses successfully and the stage of development of the product. As an example, we might need to develop a formulation and prepare animal trial material in year 1, do not need to perform substantial activities in year 2, but need to scale up the process and manufacture a batch of final product in year 3 for the customer's clinical study. As a result the composition of revenues varies from year to year and as a result the revenues from each geographical area may be significantly different each year.

Revenues from the European Union decreased from € 3,859 in 2010 to € 2,686 in 2011 as a number of projects that had a significant contribution to 2010 revenues ended in 2010 or early 2011. Revenues from other countries increased from € 2,187 in 2010 to € 3,143 in 2011 mainly as a result of higher revenues in 2011 from a Switzerland-based pharmaceutical company.

(c) Major customers

The Company's top-5 customers in the year 2011 generated 53% of the Company's 2011 consolidated revenues (2010, 45%). Two customers contributed more than 10% to the Company's consolidated 2011

revenues (2010, 2 companies). A Switzerland-based pharmaceutical company was the Company's largest customer in 2011 and contributed 23% to the Company's consolidated revenues.

6 INTANGIBLE ASSETS

	Goodwill	Patents	Other intangible assets	Total
AT 1 JANUARY 2010				
Cost	243	2,467	519	3,229
Accumulated amortization	-	(365)	(490)	(855)
Net book value	243	2,102	29	2,374
YEAR ENDED 31 DECEMBER 2010				
Opening net book value	243	2,102	29	2,374
Additions	-	-	-	-
Amortization charge	-	(291)	(24)	(315)
Closing net book value	243	1,811	5	2,059
AT 31 DECEMBER 2010				
Cost	243	2,467	519	3,229
Accumulated amortization	-	(656)	(514)	(1,170)
Net book value	243	1,811	5	2,059
YEAR ENDED 31 DECEMBER 2011				
Opening net book value	243	1,811	5	2,059
Additions	-	-	88	88
Amortization charge	-	(292)	(15)	(307)
Closing net book value	243	1,519	78	1,840
AT 31 DECEMBER 2011				
Cost	243	2,467	607	3,317
Accumulated amortization	-	(948)	(529)	(1,477)
Net book value	243	1,519	78	1,840

6.1 PATENTS AND GOODWILL

At 31 December 2011, OctoPlus has capitalized € 243 of goodwill and € 1,519 of patents. The goodwill and the patents relate to:

- The acquisition of Chienna B.V. in 2003. As part of this acquisition, the Group acquired patents related to the PolyActive technology which were valued at € 1,167 and recorded € 243 of goodwill. In addition, the Group acquired the full rights to the PolyActive technology and its intellectual property in certain strategic areas from IsoTis Inc., in April 2007 for € 1,250 (€ 1,519 net book value of patents at 31 December 2011).
- The acquisition of the worldwide rights to sublicense, develop, manufacture, market, distribute and sell OP-145, a novel therapy for the treatment of chronic middle ear infection (otitis media) from Leiden University Medical Centre in 2003 for a total amount of € 50 (€ 50 net book value of patents at 31 December 2011).

PolyActive is the drug delivery system used in Locteron and most of the Company's feasibility studies.

In October 2008, the Group sold its share of the commercial rights to its lead-product Locteron to former co-development partner Biolex and received a US $ 11 million upfront payment. As part of the agreement, OctoPlus is, among others, eligible to additional US dollar milestone payments up to US $ 138 million and royalty payments on future sales of Locteron. In addition, contracts were signed with Biolex for the further development and manufacturing of Locteron, which had a significant impact on the Group's financial results in the years 2008 and 2009 and which might have a significant impact on the Group's future financial results as well. Biolex successfully completed a clinical Phase IIb study with Locteron and presented favorable final results of this study in April 2011.

In February 2011, our evaluation study for ESBATech, a Novartis company LLC, progressed into a full development agreement. This project combines ESBATech's active ingredient with PolyActive and is progressing as planned.

There are other feasibility projects to develop controlled release formulations for biotech and pharmaceutical companies using PolyActive ongoing at this moment.

The Group has started amortizing the PolyActive patents from October 2008 onwards over the remaining life of the patents, which is between five and seven years at 31 December 2011.

OP-145 is the Company's product for middle ear infection. We successfully completed a Phase II clinical study with OP-145 in 2008. This study demonstrated the efficacy of OP-145. As the OP-145 assets are not ready for their intended use, amortization on these patents has not started yet.

IMPAIRMENT TEST OF GOODWILL AND PATENTS

(a) Impairment test of goodwill

The Company has performed an impairment test for the goodwill (net book value € 243) by comparing the carrying amounts with the recoverable amounts for a period until 2026. Development of a drug and generating the related revenues and cash is a long-term process. It is Management's belief that a 15-year period gives the best reflection of the actual situation. The impairment test has been performed based on the value in use method and the discount rate used was 15%. To perform the impairment assessment in a prudent manner, no growth rate was used to estimate future revenues. Based upon these impairment tests, the Company concluded that goodwill was not impaired. Key elements for the impairment assessment were:

- Currently contracted revenues (net of incremental costs) from projects that use the PolyActive technology;
- Probability adjusted net license revenues and net royalty payments from Biolex;
- Estimated additional revenues (net of incremental costs) from signed projects that use the PolyActive technology;
- Estimated future revenues (net of incremental costs) from unsigned projects that use the PolyActive technology.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

(b) Impairment test of patents used related to the PolyActive technology

The Company reviewed all patents used related to the PolyActive technology (net book value € 1,469) by comparing the carrying amounts with the recoverable amounts for a period until 2026. Development of a drug and generating the related revenues and cash is a long-term process. It is Management's belief that a 15-year period gives the best reflection of the actual situation. The impairment test has been performed based on the value in use method and the discount rate used was 15%. To perform the impairment assessment in a prudent manner, no growth rate was used to estimate future revenues. Based upon these impairment tests, the Company concluded that the patents were not impaired. Key elements for the impairment assessment were:

- Currently contracted revenues (net of incremental costs) from projects that use the PolyActive technology;
- Estimated additional revenues (net of incremental costs) from signed projects that use the PolyActive technology;
- Estimated future revenues (net of incremental costs) from unsigned projects that use the PolyActive technology.

The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit.

(c) Impairment test of patents not ready for their intended use related to OP-145

The Company has performed an impairment test for the patents related to the worldwide rights to sublicense, develop, manufacture, market, distribute and sell OP-145 (net book value € 50) by comparing the carrying amount with the recoverable amount for the period until 2026. Development of a drug and generating the related revenues and cash is a long-term process. It is Management's belief that a 15-year period gives the best reflection of the actual situation. The impairment test has been performed based on the value in use method and the discount rate used was 15%. To perform the impairment assessment in a prudent manner, no growth rate was used to estimate future revenues. Based upon this impairment test, the Company concluded that the patents were not impaired. Key elements for assessing impairment are:

- We have reached agreement with partners who would like to further develop OP-145 for different indications. As a result, OctoPlus might be eligible to a license fee and future royalties and might also be engaged in the further development of the product on a fee for service basis.

6.2 OTHER INTANGIBLE ASSETS

Other intangible assets consist of acquired software, which is amortized over its estimated useful life.

In September 2011, the Group signed an agreement with De Lage Landen Vendorlease B.V. for the lease of certain office software. This software represents a value of € 72 and is leased for a period of three years. At the end of the three year lease term, ownership will automatically transfer to the Group. The software is classified as a finance lease.

Finance leases and securities

Intangible assets included capitalized finances leases with an historical cost of € 72 (2010, € 0) and an accumulated amortization of € 8 at 31 December 2011 (2010, € 0).

7 PROPERTY, PLANT AND EQUIPMENT

	Buildings	Machines & installations	Other equipment	Total
AT 1 JANUARY 2010				
Cost	8,579	17,037	2,297	27,913
Accumulated depreciation	(1,246)	(6,233)	(1,981)	(9,460)
Net book value	7,333	10,804	316	18,453
YEAR ENDED 31 DECEMBER 2010				
Opening net book amount	7,333	10,804	316	18,453
Additions	-	45	9	54
Depreciation charge	(430)	(1,566)	(126)	(2,122)
Impairment losses	-	(337)	-	(337)
Closing net book amount	6,903	8,946	199	16,048
At 31 December 2010				
Cost	8,579	17,082	2,306	27,967
Accumulated depreciation	(1,676)	(8,136)	(2,107)	(11,919)
Net book value	6,903	8,946	199	16,048
YEAR ENDED 31 DECEMBER 2011				
Opening net book amount	6,903	8,946	199	16,048
Additions	-	74	45	119
Depreciation charge	(428)	(1,320)	(94)	(1,842)
Disposals	-	-	(7)	(7)
Closing net book amount	6,475	7,700	143	14,318
At 31 December 2011				
Cost	8,579	17,156	2,322	28,057
Accumulated depreciation	(2,104)	(9,456)	(2,179)	(13,739)
Net book value	6,475	7,700	143	14,318

The buildings as shown in the table above relate to the Group's office, laboratory and manufacturing facilities located in Leiden, the Netherlands, which are both leased for a period of 20 years. The initial facilities ('building A') were sold to a third party in 2004 and leased back for a period ending in 2024, with OctoPlus having the option to extend the lease for an additional five year period at the end of each lease term. In 2008, construction was finalized for the facilities built adjacent to the existing facilities ('building B'). Building B was leased by the Group for a period ending in 2028, with OctoPlus having the option to extend the lease for an additional five year period at the end of each lease term. As substantially all of the risks and rewards incidental to ownership have been transferred to the Group, both buildings are classified as a finance lease. The land portion of the lease is classified as an operating lease. Bank gua-

rantees, equal to three months of rent are provided to the landlord as security (Note 27).

The machines and installations as shown in the table above relate to the Group's cGMP manufacturing facilities, the equipment used in these facilities and the equipment used in the Group's laboratory facilities. In December 2008, a significant part of the equipment used in the manufacturing facilities in building B was sold to ABN Amro Lease N.V. ('ABN Amro Lease', formerly known as Amstel Lease Maatschappij N.V.) for an amount of € 3,678 and leased back for a period of five years. At the end of the five year lease term, this equipment can be purchased from ABN Amro Lease for € 4. As substantially all of the risks and rewards incidental to ownership have been transferred to the Group, the equipment is classified as a finance lease.

Finance leases and securities
Property, plant and equipment included the following amounts where the Group is a lessee under finance leases:

BUILDINGS	2011	2010
Cost capitalized finance leases	8,825	8,825
Accumulated depreciation	(2,104)	(1,676)
Net book amount	6,721	7,149

MACHINES AND INSTALLATIONS	2011	2010
Cost capitalized finance leases	3,678	3,678
Accumulated depreciation	(1,098)	(727)
Net book amount	2,580	2,951

OTHER EQUIPMENT	2011	2010
Cost capitalized finance leases	125	137
Accumulated depreciation	(99)	(75)
Net book amount	26	62

TOTAL	2011	2010
Cost capitalized finance leases	12,628	12,640
Accumulated depreciation	(3,301)	(2,478)
Net book amount	9,327	10,162

Finance lease liabilities are secured on the assets held under these finance leases as the rights to the leased assets revert to the lessor in the event of default.

No interest costs were capitalized related to the investments in property, plant and equipment.

Impairment test of property, plant and equipment
Assets subject to amortization or depreciation are reviewed for impairment at each reporting date and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

In 2009, the Company's manufacturing facilities in building B became available. These facilities offered sufficient capacity for the manufacturing of all 2010 batches. In 2010, it was anticipated that these facilities would give sufficient capacity for the batches to be manufactured in the next few years. As a result, the Company decided to close the manufacturing facilities in building A and to use the facilities for other purposes. This is an indication for impairment. Impairment assessments were performed for both building A and the cleanroom, which is the cGMP facility in which manufacturing takes place, in building A. It was concluded that (i) the recoverable amount of building A exceeded its carrying amount and (ii) no income was expected from the clean room in building A. As a result, (i) no impairment charges were recorded in 2010 for building A and (ii) the clean room in building A was fully impaired and an impairment loss of € 337 was recorded under 'depreciation and amortization' in the consolidated statement of comprehensive income in 2010.

The Company's manufacturing facilities in building B offered sufficient capacity to manufacture all 2011 batches and as a result the manufacturing facilities in building A were not used to manufacture batches in 2011. As building A was not used to manufacture batches in 2011 and there is uncertainty whether it will be used to manufacture batches in the years to come, the Company concluded that the impairment of the clean room in building A was not reversed in 2011. A significant part of building A is not used, which is an indication for impairment. The Company performed an impairment test by comparing the carrying amount of building A with its recoverable amount. Based upon this impairment test, the Company concluded that building A was not impaired. Key elements for the impairment assessment were:
- create additional specific laboratory facilities in building A;
- the possibilities to sublease (parts of) the building.

Building B, the manufacturing and laboratory facilities in building B and the equipment located in building

B are the Company's remaining items of property, plant and equipment. The Company reviewed these assets to assess whether there is any indication for impairment. As all OctoPlus' staff is located in building B and all facilities and equipment located in these facilities are used and generate the Company's revenues, we concluded that there is no indication for impairment.

8 FINANCIAL ASSETS CARRIED AT COST

	2011	2010
Financial assets carried at cost	1,299	1,299

In October 2008, the Group signed a product rights acquisition agreement to sell its share of the commercial rights to its lead-product Locteron to Biolex. Part of the consideration received by the Group, was an equity interest in Biolex. The assets were initially valued at fair value by using the same price per share as paid for by other investors in Biolex in October 2008, resulting in a value of € 1,299 (2010, € 1,299).

At each balance sheet date the Group assesses whether there is any objective evidence of impairment. As Biolex shares are not traded on an active market, a quoted market price is not available. As a result, the shares are subsequently valued at cost. Based upon Management's assessment, the fair value at cost of the Biolex shares is equal to or higher than its current book value and, as a result, there is no objective evidence of impairment and no impairment losses have been recognized by the Company on the equity interest in Biolex.

Currently, the Group does not intend to sell its equity interest in Biolex in the near future.

9 CASH, CASH EQUIVALENTS AND BANK OVERDRAFTS

	2011	2010
Gross cash and cash equivalents	1,603	2,713
Bank overdrafts	-	(6)
Net cash and cash equivalents	1,603	2,707

For more details on bank overdrafts, see Note 15.

10 INVENTORIES

	2011	2010
Inventory raw materials	388	307

The inventory raw materials increased as a result of the purchase of a batch of PolyActive (minimum batch size).

11 TRADE AND OTHER RECEIVABLES

	2011	2010
Trade receivables	2,369	1,789
Allowance for doubtful accounts	(12)	(54)
Trade receivables – net	2,357	1,735

Customer invoices for services provided by the Group are generally sent out at or around the end of each month. The average credit period provided to customers is 30 days. In general, interest is not charged on trade receivables. The Group has a proactive receivables collection policy in place to ensure that contracts are only signed with customers with a healthy balance sheet. The credit quality of each existing customer is also regularly re-assessed and collaterals from each customer are required before work will start on any new project.

Trade receivables increased with 36% from € 1,735 per 31 December 2010 to € 2,357 per 31 December 2011. The Company invoiced significant upfront payments in December 2011. As a result, the total value of the invoices sent in December 2011 was significantly higher than the total value of the invoices sent in December 2010. The trade receivables balance was also significantly higher as a consequence.

MOVEMENT IN THE ALLOWANCE FOR DOUBTFUL ACCOUNTS	2011	2010
Balance at the beginning of the year	54	56
Impairment losses recognized on receivables	(42)	(2)
Balance at the end of the year	12	54

Additions to and releases from the allowance for doubtful accounts are included in 'other costs' in the statement of comprehensive income.
Included in the Group's trade receivable balance are debtors with a carrying amount of € 1,104 (2010, € 973) that are past due at the reporting date for which the Group has not made a provision. At 31

December 2011, collaterals from customers totalling € 1,568 (2010, € 1,889) have been received, thereby reducing any potential risk of any impairment of trade receivables.

AGEING OF PAST DUE NOT IMPAIRED	2011	2010
1-30 days	494	596
31-60 days	98	38
Over 60 days	512	339
Total overdue	1,104	973

31% of the total trade receivables at 31 December 2011 related to a US-based customer (2010, 16%). A portion of the invoices outstanding at 31 December 2011 for this customer was more than 60 days overdue. The credit risk for the Company is perceived to be high. There is a concentration of risk as we also own shares in the same company. The total exposure amounts to € 2 million. There are three other customers that represent more than 10% of the total balance of trade receivables at year-end 2011. None of the invoices outstanding for either one of these customers is more than 30 days overdue at 31 December 2011 and none of these invoices is outstanding as of today.

	2011	2010
VAT to be received	161	208
Social securities and other taxes	161	208

	2011	2010
Prepaid expenses	603	610
Accrued income	89	226
Other amounts to be received	195	142
Other receivables, prepayments and accrued income	887	978

Accrued income in 2010 is including € 72 related to subsidies.

12 SHAREHOLDERS' EQUITY

Share capital & share premium reserve

	NUMBER OF ISSUED ORDINARY SHARES	SHARE CAPITAL (€ X 1,000)
At 1 January 2010	33,435,432	4,012
New shares issued	3,343,542	401
At 31 December 2010	36,778,974	4,413
New shares issued	8,000,000	960
At 31 December 2011	44,778,974	5,373

Authorized share capital

As of 1 January 2010, the Company had an authorized share capital of € 9,600, divided into 40,000,000 ordinary shares with a nominal value of € 0.12 per share and 40,000,000 preference shares with a nominal value of € 0.12 per share. On 20 May 2011, our shareholders approved the conversion of all preference shares into ordinary shares at our AGM. As a result, our authorized capital currently amounts to € 9,600 and consists of 80,000,000 ordinary shares, all with a nominal value of € 0.12.

Stichting Continuïteit OctoPlus, an entity incorporated in 2007 with the purposes to safeguard OctoPlus' interests and those of OctoPlus' enterprise and to protect, insofar as possible, the Company's continuity, the Company's independence and the Company's corporate identity, was liquidated in May 2010.

Ordinary shares issued and outstanding

At 1 January 2010, 33,435,432 ordinary shares were issued and outstanding. On 23 December 2010, OctoPlus issued 3,343,542 ordinary shares at a price of € 1.18 per share pursuant to a private placement and raised € 3.9 million in gross proceeds and € 3.6 million in net proceeds. As a result, 36,778,974 ordinary shares were issued and outstanding at 31 December 2010, representing a share capital of € 4,413. Mr. Egberts, the Company's Chief Executive Officer (CEO) from 1 January 2011 onwards, participated in this financing round and acquired 127,119 shares at identical conditions as the other participants.

On 31 October 2011, OctoPlus issued 8,000,000 ordinary shares at a price of € 0.50 per share pursuant to a private placement and raised € 4.0 million in gross proceeds and € 3.6 million in net proceeds.

As a result 44,778,974 ordinary shares were issued and outstanding at 31 December 2011, representing a share capital of € 5,373. Mr. Egberts, the Company's CEO, participated in this financing round and acquired 300,000 shares at identical conditions as the other participants. No shares are held as treasury shares at 31 December 2010 and 2011.

Other reserves

The costs of share options to employees (including the Executive Board) are recognized in the income statement, together with a corresponding increase in equity during the vesting period, taking into account (deferral of) corporate income taxes. The accumulated expense of share options recognized in the income statement is shown separately in the equity category 'other reserves' in the 'consolidated statement of changes in equity'.

Pursuant to the options being exercised, lapsed or forfeited, 'other reserves' is reversed with a corresponding entry to 'accumulated deficit'.

In the years presented in these financial statements, the Company did not have any legal or other types of reserves.

Share options

Option pool

The Group operates an equity-settled share-based compensation plan. The option pool is maximized at 7.5% of the issued and outstanding share capital, as reconfirmed by the Shareholders and the Supervisory Board on 12 May 2010 and amounted to 3,358,423 options (7.5% of 44,778,974 issued and outstanding ordinary shares) at 31 December 2011. The option pool was temporarily increased with 1,215,500 conditional options that were granted to Mr. Sturge, our former CEO, on 6 November 2008. With Mr. Sturge's resignation on 31 December 2010, the option pool is maximized at 7.5% of the issued and outstanding share capital again. Share options granted under the Company's employee share option plan carry no rights to dividends and no voting rights.

Overview options issued and outstanding

Out of the total option pool, the number of granted stock options issued and outstanding is 2,007,674 per 31 December 2011 (2010, 2,085,089 options issued and outstanding) of which 200,000 options have been granted to Theratechnologies on 26 September 2007 (Note 6). All other options have been granted to employees and former employees of the Group.

Movements in the number of unconditional options outstanding are as follows:

	2011				2010			
	Lowest exercise price in € per share	Highest exercise price in € per share	Average exercise price in € per share	Number of options	Lowest exercise price in € per share	Highest exercise price in € per share	Average exercise price in € per share	Number of options
AT 1 JANUARY	1.41	4.55	1.87	2,085,089	2.70	4.55	3.39	596,533
Granted	1.27	1.41	1.28	207,154	1.27	1.41	1.35	1,853,290
Forfeited	1.41	4.55	1.62	(103,400)	1.41	4.55	1.52	(317,740)
Exercised	-	-	-	-	-	-	-	-
Lapsed	2.70	4.55	3.12	(181,169)	2.70	2.70	2.70	(46,994)
AT 31 DECEMBER	1.27	3.95	1.71	2,007,674	1.27	4.55	1.87	2,085,089

The start of the exercise period for the unconditional share options outstanding at the end of the year and exercise prices:

Start exercise period	Share options	Exercise price in € per share	Share options	Exercise price in € per share
	2011	2011	2010	2010
Exercisable	350,370	3.57	538,539	3.43
2013	1,635,038	1.32	1,546,550	1.33
2014	22,266	1.41	-	
	2,007,674		2,085,089	

Unconditional share options outstanding at the end of the year have the following expiry years and exercise prices:

Expiry year	Share options	Exercise price in € per share	Share options	Exercise price in € per share
	2011	2011	2010	2010
2011	-	-	188,169	3.17
2014	416,520	2.00	512,920	1.89
2015	1,368,888	1.30	1,184,000	1.31
2016	22,266	1.41	-	-
2017	200,000	3.95	200,000	3.95
	2,007,674		2,085,089	

Total option expense for the Company's equity-settled share-based compensation plans recorded in 2011 amounted to € 289 (2010, € 157), of which € 229 (2010, € 76) related to options granted to members of the Executive Board (including the options granted to Mr. Egberts).

Options issued before 2011
The number of granted stock options issued and outstanding that were granted before 1 January 2011 is 1,800,520 per 31 December 2011 (2010, 2,085,089 options issued and outstanding).

All unconditional options granted to employees until 31 December 2009 are subject to the employee completing a pre-defined number of years of service ('the vesting period'). Each instalment of the Company's graded vesting scheme is treated as a separate share option grant. Consequently, the vesting periods for the individual instalments of the Company's graded vesting awards are between zero and four years for all options granted to employees. All unconditional op-tions granted until 31 December 2009 are exercisable from the grant date onwards. Employees that have exercised options and leave the Company during the vesting period are generally obliged to repay part of the proceeds ('the award') received. The exercise price of all granted options is equal to or higher than the market price of the shares on the date of the grant.

On 12 May 2010, a revised option plan was approved by the Shareholders and the Supervisory Board. The revised plan is applicable for all options granted from 1 January 2010 onwards. Under the plan, each unconditional option has a vesting period of three years during which no options can be exercised followed by an exercise period of two years. Option rights automatically forfeit when an employee leaves the Company. Repayment of part of the award is no longer required. The exercise price of all granted options is equal to or higher than the market price of the shares on the date of the (conditional) grant.

During 2010, options were granted to a large number of OctoPlus employees in Q1 2010 and to Mr. Egberts at the date of his appointment (1 December 2010). These option grants are discussed separately below.

Q1 2010 OPTION GRANTS
In February and March 2010, the Company granted both unconditional options and conditional options to its personnel under the '2010 option plan'. All conditional options were granted to members of the Executive Board. The number of unconditional options each member of the Executive Board will receive from the conditional options granted depends on certain pre-defined performance criteria for each person in the years 2010, 2011 and 2012, with 1/3 of the conditional options related to each of the three years. The pre-defined performance criteria might include market conditions. Any conditional options not granted based upon the 2010, 2011 and 2012 performance may be granted in 2013 when certain pre-defined performance criteria related to the 2013 performance of each of the Executive Board members are met. On 25 February 2012, Mr. Moolhuizen and Mrs. Swarte received 22,266 unconditional options in total from the 111,334 conditional options granted for their 2010 performance. As per the option plan, the conditional options not granted moved to 2013.

All options granted are valued using the Binomial method. The exercise price of each unconditional option under the 2010 option plan is equal to the OctoPlus closing share price of the preceding year. As a result, the exercise price of all unconditional options granted and the exercise price of the 2010 conditional options is equal to the OctoPlus 2009 closing share price of € 1.41 per OctoPlus share, the exercise price for the 2011 conditional options is equal to the OctoPlus 2010 closing share price of € 1.27 per OctoPlus share, the exercise price for the 2012 conditional options is equal to the OctoPlus 2011 closing share price of € 0.46 per OctoPlus share and the exercise price for the 2013 conditional options will be determined at the end of the years 2012. Other significant inputs into the model are presented in the table below. The historical volatility used is based on the average of the historical volatility of the OctoPlus share over the period 1 January 2007 until the date of grant.

	2010 unconditional options	2010 conditional options	2011 conditional options	2012 conditional options	2013 conditional options
Annual risk-free interest rate	2.46%	2.72%	2.94%	3.13%	3.28%
Volatility	53%	53%	53%	53%	53%
Expected dividend yields	None	None	None	None	None

All options under the 2010 option plan vest three years after the date of unconditional grant and have a subsequent exercise period of two years. The weighted average fair value of the options granted under the 2010 option plan is € 0.69 per option.

DECEMBER 2010 OPTION GRANTS TO MR. EGBERTS

On 1 December 2010, the Company granted unconditional and conditional options to the Company's CEO, Mr. Egberts, who formally started working for OctoPlus on 1 January 2011.

The number of unconditional options Mr. Egberts will receive from the conditional options granted depends on certain pre-defined performance criteria in the years 2011, 2012, and 2013 with 1/3 of the conditional options related to each of the three years. The pre-defined performance criteria might include market conditions.

All options granted are valued using the Binomial method. The exercise price of the unconditional options granted is € 1.27, which is equal to the OctoPlus closing share price on 1 December 2010. The exercise price of each conditional option is equal to the OctoPlus 2010 closing share price of € 1.27. Other significant inputs into the model are presented in the table below. The historical volatility used is based on the average of the historical volatility of the OctoPlus share over the period 1 January 2007 until the date of grant.

	2010 unconditional options	2011 conditional options	2012 conditional options	2013 conditional options
Annual risk-free interest rate	2.31%	2.58%	2.72%	2.89%
Volatility	50%	50%	50%	50%
Expected dividend yields	None	None	None	None

The option contract contains an anti-dilution clause. The contract stipulates that for each follow-on financing round after the December 2010 financing round Mr. Egberts will receive additional options so that the potential pro rata participation in OctoPlus of Mr. Egberts remains unchanged. In case of a merger or an acquisition, all options granted and all options conditional on Mr. Egberts' performance in the year of the merger or acquisition will immediately vest.

All options granted to Mr. Egberts vest three years after the date of unconditional grant and have a subsequent exercise period of two years. The weighted average fair value of the options granted under the plan is € 0.58 per option.

Options issued in 2011

The number of granted stock options issued and outstanding that were granted in 2011 is 184,888 per 31 December 2011 and all relate to the anti-dilution clause in Mr. Egberts' option contract (see above).

As per the anti-dilution clause, Mr. Egberts received 184,888 unconditional options and 65,255 conditional options after the private placement of 31 October 2011 with an exercise price of € 1.27 per unconditional option. The options were received under identical conditions as the options initially granted in 2010. The vesting period for the unconditional options granted has been reduced to two years so that the end of the vesting period of the unconditional anti-dilution options is aligned with the end of the vesting period of the unconditional options initially granted to Mr. Egberts in December 2010.

Other significant inputs into the model are presented in the table below. The historical volatility used is based on the average of the historical volatility of the OctoPlus share over the period between 2007 until the date of grant.

	2010 unconditional options	2011 conditional options	2012 conditional options	2013 conditional options
Annual risk-free interest rate	1.81%	2.04%	2.25%	2.42%
Volatility	55%	51%	51%	51%
Expected dividend yields	None	None	None	None

The unconditional options granted to Mr. Egberts in 2011 vest after two years. All conditional options granted to Mr. Egberts in 2011 vest three years after the date of unconditional grant and have a subsequent exercise period of two years. The weighted average fair value of the options granted in 2011 is € 0.06 per option.

On 25 February 2011, Mr. Moolhuizen and Mrs. Swarte received 22,266 unconditional options in total from the 111,334 conditional options granted for their 2010 performance. As per the option plan, the conditional options not granted move to 2013.

Options issued in 2012
Based upon the achievement of Mr Egberts' 2011 performance criteria, 121,752 conditional options were unconditionally granted to Mr. Egberts on 21 February 2012.

Based upon the achievement of Mrs. Swarte's 2011 performance criteria, 27,834 unconditional options were unconditionally granted to Mrs. Swarte on 21 February 2012. As per the option plan, the 27,833 conditional options not granted move to 2013.

Based upon the achievement of Mr. Moolhuizen's 2011 performance criteria, 16,700 unconditional options were unconditionally granted to Mr. Moolhuizen on 21 February 2012. As per the option plan, the 38,967 conditional options not granted move to 2013.

2007 option grant to Theratechnologies
The 200,000 options granted to Theratechnologies in September 2007 are valued using the Binomial method. The significant inputs into the model for these options were an exercise price of € 3.95 per share at the grant date, an annual risk-free interest rate of 4.49%, volatility of 45% and no expected dividend yields. The historical volatility used is based on the average of the historical volatility of the OctoPlus share over the period 1 January 2007 up to 26 September 2007. All options granted to Theratechnologies immediately vest and have an exercise period of the earlier of (1) the tenth anniversary of the date of the agreement and (2) the fifth anniversary of the date of termination of the agreement.

13 CORPORATE INCOME TAXES

OctoPlus N.V. is a fiscal unity for Dutch corporate income tax purposes with OctoShare B.V., OctoPlus Development B.V., OctoPlus Technologies B.V., OctoPlus Sciences B.V., Chienna B.V. and OctoPlus PolyActive Sciences B.V., all 100% subsidiaries of OctoPlus N.V. All members of the fiscal unity are severally liable for any corporate income tax due for the period they are part of this fiscal unity.
Deferred corporate income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred corporate income taxes relate to the same fiscal authority.

Deferred corporate income tax assets and liabilities are measured at the (substantially) enacted tax rates that are expected to apply to the period when the asset is realized or the liability is settled. For the Group's deferred corporate income tax assets and liabilities at 31 December 2011, this resulted in a corporate income tax rate of 25.0% (31 December 2010, 25.0%) used to calculate the deferred corporate income tax assets and liabilities for the fiscal unity headed by OctoPlus N.V.

Over the last few years, the Group has shown a net loss, with in general deferred corporate income tax assets, caused by these net losses, well exceeding any (potential) deferred corporate income tax liabilities. The Group only recognises deferred corporate income tax assets when there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized by the relevant fiscal unity. Management's judgement is that such convincing evidence was not sufficiently available in 2010 and 2011. As a consequence of the above, the Company did not record any deferred corporate income tax assets or liabilities and did not record a corporate income tax expense or income in the years presented.

Tax losses
As of 1 January 2007, the Corporate Income Tax Act 2007 became effective. As from this date onwards, tax loss carry-forward in the Netherlands is subject to a time limitation of 9 years. The Corporate Income Tax Act 2007 also applies to tax losses incurred before 2007, with a transitional provision for losses incurred in the years up to and including 2002. These losses may still be offset against future profits up to and including book years starting in 2011. The total amount of tax losses carried forward and deferred corporate income tax assets as well as the amounts of recognized and unrecognized deferred corporate income taxes per fiscal unity are as follows:

OctoPlus N.V. [1]	Tax losses carried forward	Deferred taxes	Deferred tax asset recognized	Deferred tax asset not-recognized
At 31 December 2010	52,602	13,151	-	13,151
At 31 December 2011	58,059	14,515	-	14,515

[1]The use of tax losses in future years may be restricted as a result of profit split rules for mergers and fiscal unities as stipulated in the Dutch corporate income tax act 1969.

With the liquidation of OctoPlus Inc in 2010, the tax losses carried forward for OctoPlus Inc can no longer be offset against future profits.

The tax losses carried forward per year are as follows:

FINANCIAL YEAR	EXPIRY YEAR	AMOUNT
2003	2012	3,261
2004	2013	1,750
2005	2014	5,698
2006	2015	11,561
2007	2016	14,410
2008	2017	5,717
2009	2018	2,733
2010	2019	6,519
2011	2020	6,410
TOTAL TAX LOSSES CARRIED FORWARD		**58,059**

As the Company had a tax loss in 2011, the tax losses carried forward for the years 2002 or earlier forfeited.

The tax result for the year can be reconciled to the net (accounting) result as follows:

	2011	2010
Net result for the year	(6,316)	(6,202)
Effect of expenses that are not deductible in determining taxable profit	289	157
Effect of costs directly offset with proceeds of financing rounds	(422)	(308)
Effect of differences in depreciable lives,	39	(166)
Tax result for the year	(6,410)	(6,519)

14 PENSION LIABILITIES

Until 31 January 2006, the Group operated a collective defined benefit plan. This plan was replaced on 1 February 2006 by a collective defined contribution plan. Under this new plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. No amounts have been recognized in the consolidated statement of financial position at 31 December 2010 and 2011 for the terminated defined benefit plan, as the only risk remaining for the Group after the termination date is the risk involving the transfer of pension benefits from the Group's pension plan to a third party pension plan at the end of employment with one of the group companies, which risk and its financial impact is perceived by the Company as not material.

15 BORROWINGS AND FINANCE LEASE LIABILITIES

FINANCE LEASE LIABILITIES	2011	2010
Non-current portion	8,228	9,296
Current portion	1,115	1,020
Finance lease liabilities	9,343	10,316

Maturity analysis for non-derivative financial liabilities:

	2011	2010
FINANCE LEASE LIABILITIES – MINIMUM LEASE PAYMENTS:		
No later than 1 year	1,848	1,832
Between 1 and 5 years	4,388	5,282
Later than 5 years	9,043	10,045
	15,279	17,159
Future finance charges on finance leases	(5,936)	(6,843)
Present value of finance lease liabilities	9,343	10,316
THE PRESENT VALUE OF FINANCE LEASE LIABILITIES IS AS FOLLOWS:		
No later than 1 year	1,115	1,020
Between 1 and 5 years	2,018	2,712
Later than 5 years	6,210	6,584
	9,343	10,316

Finance lease liabilities decreased to € 9,343 (2010, € 10,316) due to scheduled repayments on the different finance lease agreements.

The carrying amounts of all non-current financial liabilities approximate their fair values.

Lease liabilities are effectively secured by the lessor as the rights to the leased asset revert to the lessor in the event of default.

Bank overdrafts
There was no bank overdraft at 31 December 2011 (2010, € 6). The Company has a credit line facility for working capital and investment purposes up to € 2.0 million with ABN Amro Bank N.V., formerly known as Fortis Bank (Nederland) B.V., as agreed in December 2009. The interest charged on the facility is linked to EURIBOR and the actual amount available in a certain month is calculated as a percentage of the eligible receivables at the end of the previous month. This credit line facility replaced the Company's credit line facility with ABN Amro Bank N.V. (currently Deutsche Bank N.V.) from early 2010 onwards. As collateral, OctoPlus N.V. and its subsidiaries provide a pledge over their equipment, inventories, receivables and patents (with the exception of patents owned by PolyActive Sciences B.V.). The net book value of the property, plant and equipment pledged amounted to € 5,237 at 31 December 2011 (2010, € 6,131). In addition, the facility agreement contains a covenant that requires OctoPlus N.V.'s consolidated tangible net worth to equal at least 25% of the adjusted balance sheet total at each reporting date. There were no breaches of this covenant at 31 December 2010 and 2011.

Finance lease arrangements
The agreement with ABN Amro Lease includes the following securities:
- The shares in OctoPlus Development B.V. are collateralized to ABN Amro Lease,
- Shareholders' equity of OctoPlus Development B.V. needs to exceed 30% of the adjusted balance sheet total at the end of each year. There was no breach of this covenant at 31 December 2010 and 2011.

There are no further restrictions imposed by this lease agreement.

Effective interest rates and borrowing facilities
The effective interest rates at the balance sheet date were as follows:

	2011	2010
Bank overdrafts	3.3%	3.0%
Finance lease liabilities	9.1%	8.9%

The available amounts on the credit line facility at the balance sheet date were as follows:

	2011	2010
Credit line facility – up to maximum of facility	2,000	1,994
Credit line facility – available at end of period	1,291	971

16 TRADE AND OTHER PAYABLES

	2011	2010
Trade payables	2,195	1,471

The average credit period received from vendors is 30 days. In general, no interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are generally paid within the credit timeframe.

Trade payables increased to € 2,195 (2010, € 1,471) mainly as a result of payment of the quarterly rent early January 2012 and outstanding invoices related to the October 2011 financing round at 31 December 2011.

In total € 43 (2010, € 7) of invoices received and outstanding related to property, plant and equipment.

Included in the Group's trade payable balance are creditors with a carrying amount of € 1,236 (2010, € 936) that are past due at the reporting date.

AGEING OF PAST DUE	2011	2010
1-30 days	455	319
31-60 days	124	134
Over 60 days	657	483
Total overdue	1,236	936

Wage taxes and accrued social security costs	165	176
Social securities and other taxes	165	176

Subsidies received in advance (Note 18)	503	521
Deferred income	1,040	607
Collaterals from customers	1,568	1,889
Accrued expenses	1,553	1,426
Other current liabilities	4,664	4,443

The carrying amounts of all current financial liabilities approximate their fair values.

Collaterals from customers are settled with the last invoice payment.

Included under ´trade payables´ are related-party transactions for a total amount of € 74 at 31 December 2011 (2010, € 97) and included under ´other current liabilities´ are related-party transactions for a total amount of € 65 at 31 December 2011 (2010, € 82) (Note 29).

17 REVENUES

	2011	2010
Service revenues	7,675	7,978
License and other revenues	27	86
Income from subsidies (Note 18)	-	265
	7,702	8,329

Service revenues
Service revenues typically involve the performance by the entity of a contractually agreed task over an agreed period of time. Since our establishment in 1995, we have provided services to a diverse and international group of more than 170 pharmaceutical and biotechnology companies on a fee-for-service basis. We witnessed a high percentage of long-term clients, either outsourcing multiple projects at OctoPlus or returning to OctoPlus with their next project or development phase. Currently, our active customer base comprises around 40 clients, which are located worldwide and include small, medium and large biotechnology as well as pharmaceutical companies. Contracts with our customers vary in size and duration. Historically, revenues generated from individual contracts have been in the range of € 25 to € 1.5 million. The duration of a project varies between a few months to several years. The Company top-5 customers in the year 2011 generated 53% of the Company's 2011 consolidated revenues, with the largest customer generating between 23% of 2011 consolidated revenues.

2011 service revenues decreased with 4% from € 7,978 in 2010 to € 7,675 in 2011. Revenue from technology evaluation contracts increased significantly mainly as a result of development work performed for ESBATech. Revenue from other service contracts decreased compared to 2010 as a result of the difficult economic climate where the lead time from initial interest from the customer to signature of the project plan has taken significantly longer than we have experienced in previous years.

License and other revenues
License revenues relate to amounts earned from third parties with licenses and/or options to the Group's intellectual property and for amounts received for the sale of part of the Group's intellectual property. Only marginal license revenues were generated in 2011 (€ 27, 2010, € 70).

Other revenues relate to amounts earned from activities that do not form part of OctoPlus´ core business and mostly relate to selling assets and materials that are no longer required. In 2010, other revenues amounted to € 16 (2011, € 0).

18 INCOME FROM SUBSIDIES

Income from subsidies in the years presented related to a collaboration with the Thorax Centre of Erasmus University (Rotterdam, the Netherlands), in 2004 the Group commenced a three-year research project for a novel approach to treat myocardial regeneration, which was extended until 30 June 2011. Total costs of this project were estimated at € 3,250 at the start of the project and SenterNovem granted a subsidy of € 2,000 in order to relieve the Group's and Erasmus University's burden in the costs. An advance of

25% of the total subsidy (€ 500) was received by the Group in December 2004 and is recorded as 'subsidies received in advance' under 'other current liabilities' in the consolidated statement of financial position at 31 December 2010 and 31 December 2011 (Note 16). The project ended per 30 June 2011. Estimated actual total project costs for OctoPlus amount to € 674 which results in an estimated subsidy of € 472. At 31 December 2011, a balance of € 155 (2010, € 87) to be repaid to Erasmus University is recorded under 'trade payables' in the consolidated statement of financial position.

The project for a novel approach to treat myocardial regeneration was the Company's only subsidized project in 2010 and 2011. There was no income from subsidies for this project in 2011 (2010, € 265).

19 COST OF MATERIALS AND WORK CONTRACTED OUT

All costs directly related to the Company's revenues are included in the cost category 'cost of materials and work contracted out'. These costs include (i) standard material costs for both the Company's manufacturing and laboratory facilities (ii) costs related to external testing (environmental and process monitoring) to retain the cGMP status for the Company's manufacturing facilities, (iii) costs related to development programs, and (iv) other direct material-related costs.

	2011	2010
Cost of materials and work contracted out	875	1,090

The decrease of cost of materials and work contracted out mainly related to the end of the Thorax project (Note 18). As a result, only marginal amounts were spent on this project in 2011.

The amount of inventories recognized as an expense is equal to the standard material costs.

20 WAGES AND SALARIES

	2011	2010
Salaries	5,370	5,239
Temporary personnel	710	392
Social security costs	421	408
Pension costs	218	198
Share options granted to employees (Note 12)	289	157
	7,008	6,394
Number of employees at 31 December (excl temporary staff)	111	95
Average number of FTE's for the year (excl temporary staff)	102	108

The salaries are net of WBSO subsidies of € 625 (2010, € 558).

21 OTHER COSTS

	2011	2010
Other personnel costs	444	461
Housing costs	912	1,138
Office expenses	202	191
Repair and maintenance	491	437
Selling & marketing costs	100	59
General expenses	957	1,006
	3,106	3,292

For leases where the Group is a lessee under operating leases, lease rentals amounting to € 223 (2010, € 220) are included in 'other costs' in the statement of comprehensive income.

The fees included in these financial statements related to the Group's external auditor, Deloitte Accountants B.V., are as follows:

	2011	2010
Audit services	93	127
Other assurance services	13	-
Tax advisory services	-	-
Other non-assurance services	33	16
	139	143

Included in the other non-assurance services are services from Deloitte Accountants B.V. amounting to € 22 related to the October 2011 private placement which were directly offset in equity in 2011 (2010, € 0).

22 INTEREST INCOME AND INTEREST COSTS

	2011	2010
Interest income:		
- Bank deposits	17	12
Interest costs:		
- Bank borrowings, overdrafts and other debt	(11)	(30)
- Finance leases	(887)	(958)
- Exchange gains and losses	1	(5)
	(897)	(993)
Finance costs – net	(880)	(981)

23 EARNINGS PER SHARE

Basic

Basic earnings per share are calculated by dividing the result attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

	2011	2010
Result attributable to equity holders of the Company	(6,316)	(6,202)
Weighted average number of ordinary shares	38,115,960	33,517,876
Basic earnings per share (€ per share)	(0.17)	(0.19)

Diluted

The effects of potential ordinary shares are only reflected in diluted earnings per share when their inclusion in the calculation would increase the loss per share. For both years included in these financial statements, the share options and warrants are not included in the diluted earnings per share calculation as inclusion would decrease the loss per share.

24 DIVIDENDS PER SHARE

The Company did not declare dividends for any of the years presented in these consolidated financial statements.

25 CASH FLOW STATEMENT

In the consolidated statement of cash flows, purchases of property, plant and equipment comprise:

	2011	2010
Additions according to Note 7 (net of retired assets)	112	54
Non-cash transactions – other finance lease contracts	-	-
Movement trade payables at year-end	(36)	4
Movement other current liabilities	-	-
Purchases of property, plant and equipment	76	58

26 CONTINGENCIES

Milestone payments and royalties

On 24 April 2007, the Group signed a contract with IsoTis to acquire the full rights to the PolyActive technology and its intellectual property in certain areas. As part of this contract, the 'amended and restated license assignment and cross license assignment' ('ACLA'), as signed in May 2003, was terminated. This ACLA outlines, among others, the commercial development milestone payments and the profit-sharing payments from the Group to IsoTis. As per the new contract, the Group is required to make certain royalty payments on received milestone payments and received royalty payments on the sales of Locteron during the patent terms and the sales on other pharmaceutical products based on the PolyActive technology during the patents terms. If and when these royalty payments have to be made is uncertain and dependent on the commercial success of Locteron and the pharmaceutical products developed based upon the PolyActive technology. The contracts signed with Biolex in October 2008 (Note 6) did not result in any payments to IsoTis so far, but will result in royalty payments in case Locteron development progresses successfully.

On 29 October 2007, US based company Integra LifeSciences Holdings Corporation ('Integra') acquired all issued and outstanding shares of IsoTis and any potential royalties will therefore need to be paid to Integra.

Pursuant to the Group's agreement with Theratechnologies (Note 6), Theratechnologies is entitled to multiple development, regulatory and sales milestone payments for each product incorporating the licensed technology. The sum of these milestone payments amounts to € 35.7 million per product if all milestones are met, with the milestone payments increasing as the development of the product progresses. In 2009, the patents acquired from Theratechnologies were impaired, as the Group stopped development at its own risk and cost and believes that the probability of finding a license partner for a product which is based on the family of compounds licensed from Theratechnologies is low. As a result, it is unlikely that any payments will need to be made to Theratechnologies based upon this agreement. The Group is obliged to pay royalties to Utrecht University for revenues received based on the OctoDEX technology platform. Such royalties shall not exceed 2% of such revenues.

Leiden University Medical Centre is entitled to certain royalty revenues on OP-145. Depending on the cumulative revenues, the royalties vary from 30% for cumulative revenues below € 15 million to 12.5% once cumulative revenues have exceeded € 30 million.

Claims
OctoPlus is currently subject to one legal proceeding and is in dispute with another third party which might result in a legal proceeding in the future. In addition, OctoPlus, as any other company, may become subject to a variety of other legal proceedings in the future such as product liability, commercial, employment and wrongful discharge, antitrust, securities, sales and marketing practices, health and safety, environmental and tax litigation claims, government investigations and intellectual property disputes. As a result, the Group may become subject to substantial liabilities in the future that may not be covered by insurance.

The Company believes that, after legal advice, the legal proceeding and the dispute can be defended successfully and no significant losses are expected to be incurred in the future. As a consequence, the provision recorded for these disputes is only marginal. However, litigation is inherently unpredictable and a large verdict could occur. As a consequence, OctoPlus may in the future incur judgements or enter into settlements of the current disputes or future claims that could have a material adverse effect on the Group's financial results or cash flows.

27 COMMITMENTS

Operating lease commitments
The Group leases equipment under operating lease agreements. The lease expenditure charged to the statement of comprehensive income during the year is disclosed in Note 21.

	2011	2010
No later than 1 year	226	221
Later than 1 year and no later than 5 years	905	886
Later than 5 years	2,019	2,189
	3,150	3,296

A significant part of the operating lease commitments relate to the monthly rental costs for the land portion of the 20-year lease contracts for the Group's office, laboratory and manufacturing facilities (Note 7).

Other operating commitments
The Group has not made material unconditional other operating commitments at 31 December 2011 (2010, € 0).

Capital commitments
The Group has not made material capital commitments at 31 December 2011 and 2010.

Bank guarantees
Bank guarantees at 31 December 2011 amounted to € 340 (2010, € 340) and equal three months of rent for the Company's office, laboratory and manufacturing facilities. A € 116 bank guarantee related to the office, laboratory and manufacturing facilities the Company has occupied since 2000 and a € 224 bank guarantee related to the new office, laboratory and manufacturing facilities the Company started occupying in 2008 (Note 7). Both bank guarantees will be released at the end of the rental agreements.

28 BUSINESS COMBINATIONS

There were no business combinations effected during the years ended 31 December 2010 and 2011.

29 RELATED-PARTY TRANSACTIONS

(a) Shareholders
Signet Healthcare Partners became a major Shareholder as part of the February 2009 private placement. Mr. Gale, a member of our Supervisory Board, is a managing partner at Signet Healthcare Partners. Signet Healthcare Partners participated in the October 2011 private placement and acquired 500,000 ordinary shares at a price of € 0.50 per share.

Life Sciences Partners is a major Shareholder and Mr. Kuijten, a member of our Supervisory Board, is a managing partner at Life Sciences Partners. Life Sciences Partners participated in the December 2010 private placement and acquired 296,610 shares at a price of € 1.18 per share and participated in the October 2011 private placement and acquired 124,000 ordinary shares at a price of € 0.50 per share.

(b) Supervisory Board
On 12 May 2010, the AGM approved the proposal by the Supervisory Board to appoint Mrs. de Ruiter as new member of the OctoPlus Supervisory Board for a

period of four years. Mrs. de Ruiter owned 500,000 shares in the Company at the time of her appointment. Mrs. de Ruiter participated in the December 2010 private placement and acquired 63,560 shares at a price of € 1.18 per share. Mrs. de Ruiter participated in the October 2011 private placement and acquired 250,000 shares at a price of € 0.50 per share. In total, Mrs. de Ruiter owned 813,560 shares in the Company at 31 December 2011.

None of the other members of the Supervisory Board owns shares and none of the members of the Supervisory Board own options to acquire shares.

The remuneration of the Supervisory Board amounted to € 161 (2010, € 149). The remuneration of the individual members of the Supervisory Board is set out in the table below:

	2011 BASE SALARY	2010 BASE SALARY
J. Stellingsma (Chairman)	41	37
R.R. Kuijten	35	27
P. Toon	-	8
Ph. Smith	-	10
F.E. Eelkman Rooda	30	27
J. Gale	25	23
N.D. de Ruiter	30	17
	161	149

Since 1 January 2008, the fixed annual remuneration for the members of the Supervisory Board is € 31 for the Chairman and € 25 for all other members of the Supervisory Board. In addition, € 5 remuneration is received by a member for each Supervisory Board committee participated in. Each member of the Supervisory Board agreed to a 10% one-time decrease in fees for the year 2010. As a result, a fixed annual remuneration of € 28 for the Chairman and € 23 for all other members of the Supervisory Board was accounted for in the year 2010. Two members of the Supervisory Board participated in two committees in 2010 and 2011. Mr. Kuijten waived his fee for the second committee in 2010.

Part of the remuneration and part of the expense claim reimbursements of the Supervisory Board over the last few years (€ 139, 2010, € 173) was not yet reimbursed at year-end and is recorded under ´trade payables´ (€ 74, 2010, € 91) and ´other current liabilities´ (€ 65, 2010, € 82) in the consolidated statement of financial position.

(c) Executive Board

The Executive Board is defined as the Company's key management personnel. The remuneration of OctoPlus' Executive Board members in 2011 amounted to € 1,158 (2010, € 1,018) with the details set out in the table below:

	Base salary	Bonus	Pensions	Other	2011	2010
J.H. Egberts, CEO[1,3]	360	144	-	142	646	52
S.M. Swarte, CFO [2,3]	166	25	9	49	249	226
G. Moolhuizen, CBO[3]	175	26	9	53	263	259
	701	195	18	244	1,158	537

[1] On 1 December 2010, the Company's new Chief Executive Officer ("CEO"), Mr. Egberts, started working for OctoPlus. On 20 May 2011, the AGM approved the proposal by the Supervisory Board to appoint Mr. Egberts as new CEO of the Company.
[2] As of 1 June 2011, Mrs. Swarte base salary was aligned with the base salary of Mr. Moolhuizen at € 175 on an annual basis.
[3] Included under 'Other' are option costs for Mr. Egberts € 140 (2010: € 10), Mrs. Swarte € 45 (2010: € 30), and Mr. Moolhuizen € 45 (2010: € 36).

The following costs were recorded in the statement of comprehensive income related to the remuneration of the Executive Board:

	2011	2010
Salaries and other short-term employee benefits	925	871
Post-employment benefits	18	22
Share-based payments	228	76
	1,171	969

2010 remuneration in the table includes the remuneration of Mr. Sturge. Mr. Sturge, former-CEO, left the Company in December 2010. Part of the expense claim reimbursements of the Executive Board in 2010 (€ 6) was not reimbursed at 31 December 2010 and is recorded under trade payables in the consolidated statement of financial position.

For more details on the remuneration of the Executive

Board, reference is made to the 'Remuneration report' elsewhere in this document.

Former members of the Executive Board
In the 2010 Annual Report, we included a € 46 bonus accrual related to Mr. Sturge's 2010 performance. This amount was the maximum exposure based on 8% achievement of targets. In 2011, the Supervisory Board decided not to grant this bonus to Mr. Sturge.

Key management's interests in the Company
The Executive Board is our key management and consisted of three members at 31 December 2011, Mr. Egberts (CEO), Mrs. Swarte (CFO) and Mr. Moolhuizen (CBO).

The shares and options owned by these Executive Board members at 31 December 2011 are outlined below.

J.H. Egberts
Mr. Egberts joined the Company on 1 January 2011. On 20 May 2011, the AGM approved the proposal by the Supervisory Board to appoint Mr. Egberts as new CEO of the Company.

Mr. Egberts participated in the December 2010 financing round and acquired 127,119 ordinary shares at a price of € 1.18 per share (Note 12).

Mr. Egberts participated in the October 2011 financing round and acquired 300,000 ordinary shares at a price of € 0.50 per share (Note 12).

Mr. Egberts unconditional share options rights in the Company are as follows:

J.H. Egberts

	2011		2010	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
At 1 January	1.27	850,000		-
Granted	1.27	184,888	1.27	850,000
Forfeited		-		-
Exercised		-		-
Lapsed		-		-
At 31 December	1.27	1,034,888	1.27	850,000

On 1 December 2010, Mr. Egberts received 850,000 unconditional options and 300,000 conditional options. The number of unconditional options Mr. Egberts will receive from the conditional options granted depends on certain pre-defined performance criteria in the years 2011, 2012 and 2013, with 1/3 of the conditional options related to each of the three years.

As per the anti-dilution clause in Mr. Egberts' option contract (Note 12), Mr. Egberts received 184,888 unconditional options and 65,255 conditional options after the private placement of 31 October 2011. The options were received under identical conditions as the options initially granted in 2010 except for the end of the vesting period and the end of the exercise period, which have been aligned with the end of the vesting period and the end of the exercise period of the initial unconditional and conditional options granted to Mr. Egberts in December 2010.

On 21 February 2012, Mr. Egberts received 121,752 unconditional options related to his 2011 performance. The remaining 243,503 conditional options related to his 2012 and 2013 performance are still outstanding.

S.M. Swarte
Mrs. Swarte does not hold shares in the Company at 31 December 2010 and 2011.

Mrs. Swarte unconditional share options rights in the Company are as follows:

S.M. Swarte

	2011		2010	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
At 1 January	1.41	167,000		-
Granted	1.41	11,133	1.41	167,000
Forfeited		-		-
Exercised		-		-
Lapsed		-		-
At 31 December	1.41	178.133	1.41	167,000

The outstanding unconditional share options held by Mrs. Swarte on 31 December 2011 expire as follows: 167,000 options on 4 March 2015 and 11,133 options on 28 February 2016.

As part of the 2010 option plan, Mrs. Swarte received 167,000 conditional options in March 2010. The number of unconditional options Mrs. Swarte receives from the conditional options granted depends on certain pre-defined performance criteria related to the years 2010, 2011 and 2012, with 1/3 of the conditional options related to each of the three years.

In Q1 2011, Mrs. Swarte received 11,133 unconditional options from the 55,667 conditional options granted related to her 2010 performance. The remaining 44,534 conditional options related to her 2010 performance can still be granted to Mrs. Swarte in 2014 in case certain pre-defined performance criteria are met by Mrs. Swarte in the year 2013.

On 21 February 2012, Mrs. Swarte received 27,834 unconditional options from the 55,667 conditional options granted related to her 2011 performance. The remaining 55,666 conditional options related to her 2012 performance are still outstanding. The 27,833 conditional options not received related to Mrs. Swarte's 2011 performance can still be granted to Mrs. Swarte in 2014 in case certain pre-defined performance criteria are met by Mrs. Swarte in the year 2013. For details on the 2010 option plan and the performance criteria achieved, reference is made to Note 12 and the 'Remuneration report' elsewhere in this document.

G. Moolhuizen

Mr. Moolhuizen held 22,500 shares in the Company at 31 December 2010 and 2011.

Mr. Moolhuizen's unconditional share options rights in the Company are as follows:

	2011		2010	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
At 1 January	1.71	218,411	2.70	51,411
Granted	1.41	11,133	1.41	167,000
Forfeited		-		-
Exercised		-		-
Lapsed	2.70	(51,411)		-
At 31 December	1.41	178,133	1.71	218,411

The outstanding unconditional share options held by Mr. Moolhuizen on 31 December 2011 expire as follows: 167,000 options on 4 March 2015 and 11,133 options on 28 February 2016.

As part of the 2010 option plan, Mr. Moolhuizen received 167,000 conditional options in March 2010. The number of unconditional options Mr. Moolhuizen receives from the conditional options granted depends on certain pre-defined performance criteria related to the years 2010, 2011 and 2012, with 1/3 of the conditional options related to each of the three years.

In Q1 2011, Mr. Moolhuizen received 11,133 unconditional options from the 55,667 conditional options granted related to his 2010 performance. The remaining 44,534 conditional options related to his 2010 performance can still be granted to Mr. Moolhuizen in 2014 in case certain pre-defined performance criteria are met by Mr. Moolhuizen in the year 2013.

On 21 February 2012, Mr. Moolhuizen received 16,700 unconditional options from the 55,667 conditional options granted related to his 2011 performance. The remaining 55,666 conditional options related to his 2012 performance are still outstanding. The 38,967 conditional options not received related

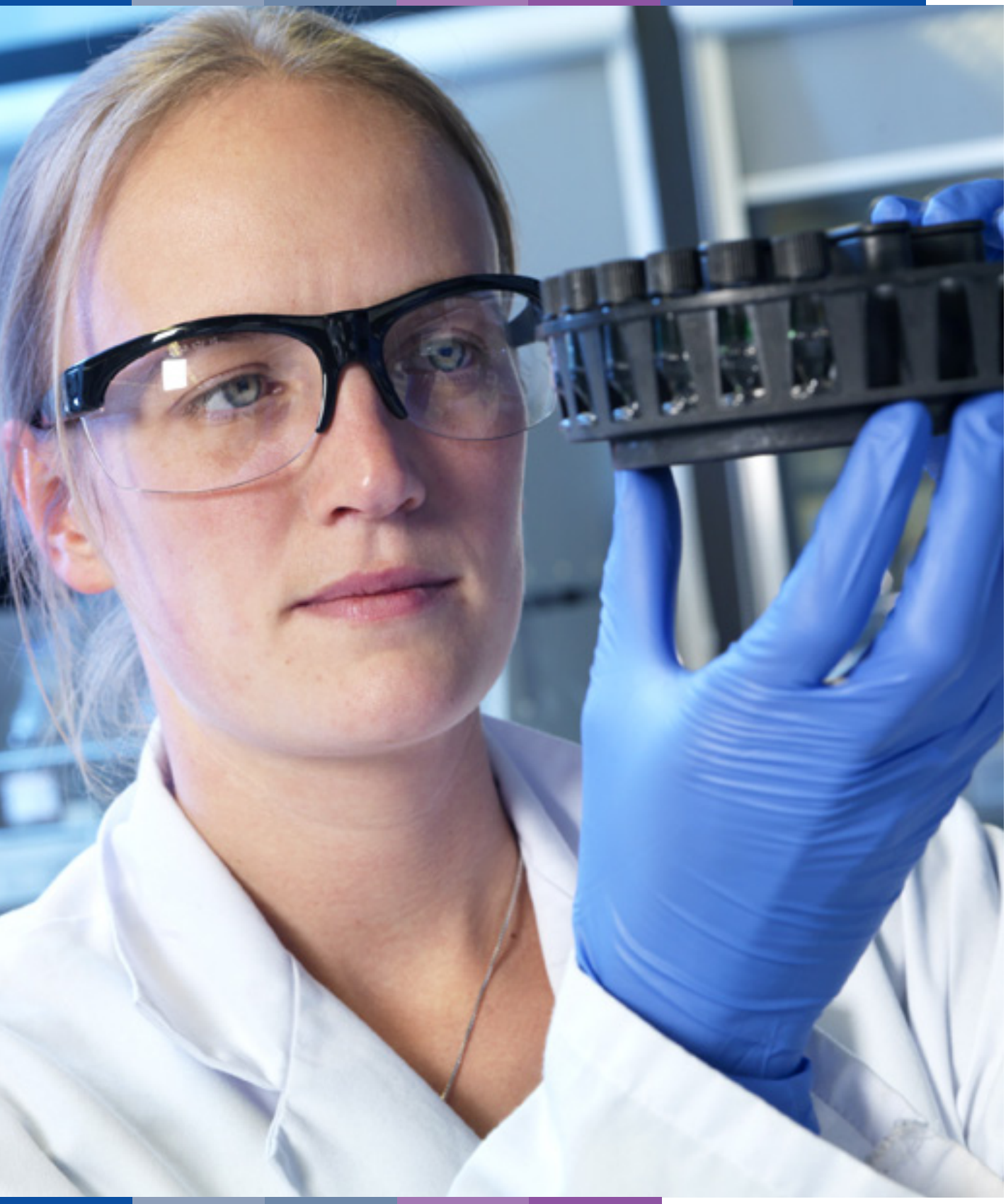
to Mr. Moolhuizen's 2011 performance can still be granted to Mr. Moolhuizen in 2014 in case certain pre-defined performance criteria are met by Mr. Moolhuizen in the year 2013.

For details on the 2010 option plan and the performance criteria achieved, reference is made to Note 12 and the 'Remuneration report' elsewhere in this document.

30 EVENTS AFTER BALANCE SHEET DATE

On 25 April 2012 the Company successfully completed an equity raising with € 3 million net proceeds through a private placement of 7.9 million shares at an offer price of € 0.40 per share with the Van Herk Group. The Company intends to use the proceeds of the private placement for working capital purposes and to invest in projects with financial upside potential. The shares will be issued in two tranches. The first tranche of 3 million shares has been issued in April 2012 and the second tranche of 4.9 million shares is subject to approval by the Annual General Meeting of Shareholders in June 2012 of the number of shares that the Executive Board is authorized to issue.

7 Company-only financial statements



Balance sheet of OctoPlus N.V.

(After proposed appropriation of net result) (In € x 1,000)

	NOTE	At 31 December 2011	At 31 December 2010
ASSETS			
Non-current assets			
Goodwill		243	243
Buildings		6,475	6,903
Financial assets carried at cost		1,299	1,299
Investments in subsidiaries	B	23,239	22,605
		31,256	31,050
Current assets			
Short-term receivables from subsidiaries	C	1,427	4,099
Social securities and other taxes		-	1
Other receivables, prepayments and accrued income		373	347
Cash and cash equivalents		1	-
		1,801	4,447
Total assets		33,057	35,497
EQUITY			
Issued share capital	D	5,373	4,413
Share premium reserve	D	55,540	52,922
Other reserves	D	850	777
Accumulated deficit	D	(55,277)	(49,177)
Total equity		6,486	8,935
LIABILITIES			
Non-current liabilities			
Provisions for subsidiaries	E	16,441	16,822
Finance lease liabilities		7,527	7,790
		23,968	24,612
CURRENT LIABILITIES			
Current portion of finance lease liabilities		263	241
Trade payables		687	136
Payable to subsidiaries		1,065	1,013
Social securities and other taxes		36	166
Other current liabilities		552	394
		2,603	1,950
TOTAL LIABILITIES		26,571	26,562
TOTAL EQUITY AND LIABILITIES		33,057	35,497

The notes on pages 94 to 95 are an integral part of these company-only financial statements.

Income statement of OctoPlus N.V.

(In € x 1,000)

	Year ended 31 December	
	2011	**2010**
Result from subsidiaries after taxes	(6,800)	(6,798)
Other results of OctoPlus N.V. after taxes	484	596
Net result	(6,316)	(6,202)

Notes to the company-only financial statements

A GENERAL INFORMATION

Corporate information

The company-only financial statements are part of the 2011 financial statements of OctoPlus N.V.

OctoPlus N.V. is the direct parent and 100% shareholder of all subsidiaries and also effectively exercises influence of significance over the operational and financial activities of all subsidiaries. For further details, reference is made to Note 1.3 of the consolidated financial statements.

With reference to the company-only statement of comprehensive income of OctoPlus N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

Basis of preparation

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company-only financial statements, OctoPlus N.V. makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as 'accounting policies') of the company-only financial statements of OctoPlus N.V. are the same as those applied for the consolidated IFRS financial statements. The consolidated IFRS financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'). All standards and all interpretations issued by the International Accounting Standards Board (the 'IASB') and the International Financial Reporting Interpretations Committee (the 'IFRIC') effective for 2011 have been adopted by the EU. Please see the notes to the consolidated financial statements for a description of these principles.

Investments in subsidiaries

In the company-only financial statements, investments in subsidiaries are stated at net asset value if the Company effectively exercises influence of significance over the operational and financial activities of these investments. The net asset value is determined on the basis of the accounting principles applied by the Company. Subsidiaries with a negative net equity value are valued at nil. If the company fully or partly guarantees the liabilities of the subsidiary concerned, or has the effective obligation respectively, to enable the subsidiary to pay its (share of the) liabilities, a provision is formed. Upon determining this provision, provisions for doubtful debts already deducted from receivables from the subsidiary are taken into account.

B INVESTMENTS IN SUBSIDIARIES

	2011	2010
Balance at 1 January	22,605	22,473
Result current year	(4,866)	(3,868)
Share capital contribution	5,500	4,000
Balance at 31 December	23,239	22,605

The share capital contributions related to a share capital contribution of OctoPlus N.V. in OctoPlus Development B.V., a 100% directly held subsidiary of OctoPlus N.V., in December 2010 and December 2011 respectively.

C SHORT-TERM RECEIVABLES FROM SUBSIDIARIES

Short-term receivables from subsidiaries balance at 31 December 2011 included a provision of € 21,195 (2010, € 18,981 provision).

D SHAREHOLDERS' EQUITY

The Company has applied Section 2:362 (8) of the Netherlands Civil Code, and therefore the reconciliation is maintained between the Group's equity and the Company's equity. For details of the movements in and components of equity, reference is made to the 'Statement of changes in equity' and Note 12 of the consolidated financial statements.

No part of the Company's equity is classified as legal reserves.

For details of the movements in share options, reference is made to Note 12 of the consolidated financial statements.

E PROVISIONS FOR SUBSIDIARIES

	2011	2010
Balance at 1 January	16,822	18,021
Additions/(release)	(381)	(1,199)
Balance at 31 December	16,441	16,822

Provisions for group companies are netted with possible short-term and long-term receivables for each respective group company. This resulted in a in/decrease of the provision for group companies with € 381 per 31 December 2011 related to short-term receivables from group companies (2010, decrease of € 1,199).

F REMUNERATION OF EXECUTIVE BOARD AND SUPERVISORY BOARD

The 2011 remuneration of the Supervisory Board amounted to € 161 (2010, € 149) and the 2011 remuneration of the Executive Board amounted to € 1,158 (2010, € 537). For further details, reference is made to Note 29 of the consolidated financial statements and the Supervisory Board report, section 'Remuneration report'.

G EMPLOYEE INFORMATION

OctoPlus N.V. employed two employees at 31 December 2011 (31 December 2010, two employees). The average number of employees of OctoPlus N.V. in 2011 was 2.0 FTE (2010, 2.0 FTE). For further details on the number of employees of the Group, reference is made to Note 20 of the consolidated financial statements.

H COMMITMENTS

OctoPlus N.V. has issued article 403 statements for all of its 100% Dutch subsidiaries; OctoShare B.V., OctoPlus Development B.V., OctoPlus Technologies B.V., OctoPlus Sciences B.V. and Chienna B.V. from 1 January 2006 onwards, and for OctoPlus PolyActive Sciences B.V. which was created in 2008 from that year onwards, and as a result is jointly and severally liable for any indebtedness of these entities.

OctoPlus N.V. is the parent company of fiscal unity OctoPlus N.V. (both corporate income taxes and value-added taxes) and as such jointly and severally liable for tax liabilities of all entities of this fiscal unity.

For any other operating commitments, reference is made to Note 27 of the consolidated financial statements.

I SIGNING OF THE FINANCIAL STATEMENTS

Executive Board
J.H. Egberts, Chief Executive Officer
S.M. Swarte, Chief Financial Officer
G. Moolhuizen, Chief Business Officer

Supervisory Board
R.R. Kuijten
F.E. Eelkman Rooda
J. Gale

Leiden, the Netherlands, 27 April 2012

8 Other information

Independent auditor's report

To: the Shareholders and the Supervisory Board of OctoPlus N.V.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2011 of OctoPlus N.V., Leiden, the Netherlands. The financial statements include the consolidated financial statements and the company-only financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company-only financial statements comprise the company-only balance sheet as at 31 December 2011, the company-only profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the Executive Board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the 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 these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity'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 financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of OctoPlus N.V. as at 31 December 2011 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company-only financial statements

In our opinion, the company-only financial statements give a true and fair view of the financial position of OctoPlus N.V. as at 31 December 2011 and of its result for the year then ended in accordance

with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the Executive Board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the Executive Board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, 27 April 2012

Deloitte Accountants B.V.
I.A. Buitendijk

Statutory arrangement concerning the appropriation of the result

In article 33 of the Articles of Association, the following has been stated concerning profits and distributions:

33.1 Each year, the Executive Board may, subject to the approval of the Board of Supervisory Directors, determine which part of the profits – the positive balance on the profit and loss accounts - shall be reserved.

33.2 The part of the profit remaining after the reservation in accordance with Article 33.1 shall be distributed as dividend on the Shares.

33.3 Distributions may be made only up to an amount which does not exceed the amount of Distributable Equity.

33.4 Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.

33.5 The Executive Board may resolve to distribute interim dividend on the Shares. Such a resolution shall be subject to approval of the Board of Supervisory Directors.

33.6 In calculating the amount of any distribution on Shares, Shares held by the Company shall be disregarded.

33.7 The Sections 2:103, 2:104 and 2:105 of the Dutch Civil Code shall apply to distribution to holders of Shares.

Proposed result appropriation for the financial year 2011

The General Meeting of Shareholders will be proposed to add the loss for 2011 of € 6,316 to the accumulated deficit. The financial statements reflect this proposal.

Events after balance sheet date

For events after balance sheet date, reference is made to Note 30 of the consolidated financial statements.