



**GPC** biotech

**GPC Biotech AG:  
Interim Report  
January- June 2008**

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## **Interim management report**

### **Business performance**

#### ***Year-to-date performance***

Revenues decreased 58% to € 3.0 million for the six months ended June 30, 2008, compared to € 7.1 million for the same period in 2007. The decrease in revenues is due to decreased payments from Celgene Corporation relating to the ongoing trials under the co-development and license agreement for satraplatin. Research and development (R&D) expenses decreased 62% to € 10.3 million for the first six months of 2008 compared to € 27.2 million for the same period in 2007. The decrease in R&D expenses is primarily due to staff reductions as a result of the restructuring plans implemented in 2007 and the first quarter of 2008, as well as a decrease in clinical trial costs due to reduced clinical trial volumes. In the first half of 2008, general and administrative (G&A) expenses decreased 65% to € 7.4 million compared to € 21.1 million for the same period in 2007. The decrease in G&A expenses is primarily due to staff reductions and other associated activities as a result of the restructuring plans implemented in 2007 and the first quarter of 2008. In addition, in the first half of 2007, the Company incurred costs in connection with the building of a commercial infrastructure and legal fees due to the arbitration proceedings. The Company did not incur such costs in the first half of 2008. Net loss for the first six months of 2008 improved 60% to € (15.8) million compared to € (39.4) million for the first six months of 2007. Basic and diluted loss per share was € (0.43) for the first six months of 2008 compared to € (1.10) for the same period in 2007.

#### ***Quarterly performance***

Revenues for the three months ended June 30, 2008 decreased 55% to € 1.5 million compared to € 3.3 million for the same period in 2007. R&D expenses decreased 70% for the second quarter of 2008 to € 4.5 million compared to € 15.0 million for the same period in 2007. Administrative expenses for the second quarter of 2008 decreased 65% to € 3.9 million compared to € 11.3 million for the same quarter in 2007. Net loss for the second quarter of 2008 decreased 61% to € (8.7) million compared to € (22.2) million for the second quarter of 2007. Basic and diluted loss per share was € (0.24) for the second quarter of 2008 compared to € (0.62) for the same period in 2007.

#### **Financial position**

As of June 30, 2008, cash, cash equivalents, and available-for-sale investments totaled € 44.6 million (December 31, 2007: € 65.2 million), including € 1.4 million in restricted cash. Net cash burn for the first six months of 2008 was € 18.7 million, with net cash burn of € 10.6 million in the first quarter and € 8.1 million in the second quarter of 2008. Net cash burn is derived by adding net cash used in operating activities and purchases of property, equipment and licenses. The figures used to calculate net cash burn are contained in the Company's interim consolidated cash flow statement for the six-month period ended June 30, 2008.

## **Research and development**

GPC Biotech currently is focusing its internal research and development efforts on three anti-cancer programs.

### ***Satraplatin, an oral platinum compound***

In the fall of 2007, GPC Biotech reported that the Phase 3 trial in second-line hormone-refractory prostate cancer (HRPC), the SPARC trial, did not achieve the overall survival endpoint, although data presented previously did show a statistically significant improvement in the progression-free survival endpoint. Several clinical trials evaluating satraplatin in combination with various anti-cancer treatments are ongoing. Data from some of these studies, including the overall survival results from the SPARC trial, were presented at the American Society of Clinical Oncology (ASCO) Annual Meeting in June 2008.

In late July 2008, Celgene withdrew the Marketing Authorization Application (MAA) for satraplatin plus prednisone for the treatment of hormone-refractory prostate cancer patients whose prior chemotherapy has failed. Celgene's decision was based on a list of outstanding issues received following review by the Committee for Medicinal Products for Human Use (CHMP) of the European Medicines Agency (EMA) of the filing, which indicated that the opinion of the Committee was that the application was currently not approvable based on the information provided.

Following the withdrawal of the MAA in August 2008, GPC Biotech received notice from Celgene of its decision to terminate its co-development and license agreement with GPC Biotech for satraplatin. All rights to Celgene's territories will be returned to GPC Biotech.

Yakult Honsha Co., Ltd ("Yakult") is the Company's partner for the development and commercialization of satraplatin in Japan. GPC Biotech plans to talk further with Yakult to evaluate the future of satraplatin and the direction in which the Company should move with this compound.

### ***Two kinase inhibitor compounds in pre-clinical development***

Pre-clinical work for the most advanced of the Company's kinase inhibitors, RGB-286638 (638), has been completed, and the Company expects to begin Phase 1 clinical testing during 2008. Testing in cancer cells has shown that RGB-286638 leads to cell cycle inhibition and induces apoptosis (programmed cell death), key elements in stopping the spread of cancer cells. Compelling data in animal tumor models show that use of 638 results in tumor regression and increases survival time. The first Phase 1 trial with 638 is expected to be initiated in solid tumors in Europe. A second Phase 1 trial in hematological tumors is being planned in the U.S.

A second drug candidate, RGB-344064, is undergoing the necessary pre-clinical testing to move this compound into the clinic. Based on pre-clinical testing, this compound is expected to be orally administered.

The Company is also actively pursuing potential merger and acquisition (M&A), in part to fill its oncology development pipeline.

### **Restructuring**

In February 2008, the Company announced a corporate restructuring to sharpen its focus on oncology clinical development and to further reduce costs. The restructuring was mainly focused on the Company's early-stage research activities in Munich and resulted in a reduction in the total workforce of approximately 38% or 38 employees. The Company recognized a restructuring charge of € 2.0 million in the first half of 2008. These charges primarily consisted of employee severance and termination benefits and were included in both research and development and administrative expenses. The Company expects to incur an additional charge of € 0.1 million in 2008 relating to the February 2008 restructuring plan. In addition, the Company recorded an adjustment reducing its 2007 restructuring accrual by € 161,000 due to employee terminations that occurred earlier than initially determined.

Also, in February 2008, Elmar Maier, Ph.D., Chief Operating Officer/Martinsried and Senior Vice President, Business Development, and Sebastian Meier-Ewert, Ph.D., Senior Vice President and Chief Scientific Officer retired from their positions on the Management Board of the Company by mutual consent to allow for an appropriate resizing of the Board, given the reduced size of the Company. Both Dr. Maier and Dr. Meier-Ewert remain dedicated to the Company as advisors. Included in the restructuring charge of €2.0 million during the first half of 2008, as mentioned above, is the accrual relating to severance for these former Management Board members which was paid in April 2008.

### **Shareholder litigation**

In July 2007, the Company and certain of its current and former officers were sued in the United States District Court for the Southern District of New York in three separate securities fraud class action lawsuits on behalf of all persons who purchased the securities of GPC Biotech between December 5, 2005 and July 24, 2007, inclusive. The suits have since been consolidated and a lead plaintiff has been appointed. The lead plaintiff's consolidated complaint was filed on March 12, 2008. The consolidated complaint alleges that GPC Biotech violated U.S. federal securities laws by making misleading public statements relating to the prospects of its most advanced product candidate, satraplatin, and thereby artificially inflating the price of GPC Biotech securities. The consolidated complaint also names Bernd R. Seizinger (CEO) and three former members of the Company's Management Board, Mirko Scherer, Elmar Maier, and Sebastian Meier-Ewert, as defendants. The Company filed a motion to dismiss the consolidated complaint on May 14, 2008 and the plaintiff filed an opposition to said motion on June 30, 2008. The Company filed a reply to the opposition on August 8, 2008.

The plaintiffs seek monetary damages in an unspecified amount. GPC Biotech believes the allegations to be without merit and intends to vigorously defend the Company. GPC Biotech cannot predict the outcome of the suit and is not currently able to estimate the possible cost to the Company from this suit.

## **Risks and opportunities**

The Company's activities, especially in the area of drug development, expose it to many risks that are inherent to the industry and stage of the Company's products and operations. GPC Biotech's business opportunities and risk management allow the Company to identify such risks in advance, analyze them, and plan for the Company's success. Information on the Company's opportunities and risk management system and the risk position of the Company can be found in the Consolidated Financial Statements (IFRS) and Group Management Report dated December 31, 2007 (2007 Annual Report).

After the withdrawal of the MAA for satraplatin in Europe and after Celgene provided notice of termination of its Collaboration and License Agreement with GPC Biotech, the Company's medium to long-term success depends largely on its ability to expand its pipeline through M&A activities or other major transactions that allow the Company to acquire promising product candidates. If GPC Biotech is unable to enter into a transaction within the next 12 months or execute a transaction thereafter, the Company's ability to raise additional funds beyond its existing cash based on the programs currently in its pipeline will likely be extremely limited.

The Company can not accurately predict when or whether it will successfully complete the development of its product candidates or the ultimate product development cost.

## **Outlook**

This section contains forward-looking statements which express the current beliefs and expectations of the management of GPC Biotech. Such statements are subject to risks and uncertainties. Actual results could differ materially, depending on a number of factors, including the timing and effects of regulatory actions, the results of clinical trials, the Company's relative success in developing and gaining market acceptance for any new products, and the effectiveness of patent protection.

This section should be read in conjunction with the outlook presented in our Annual Report for the year ended December 31, 2007.

The Company is highly focused on pursuing potential merger and acquisition (M&A) to fill its oncology development pipeline. The timing and structure of such transactions cannot be determined, and there can be no guarantee that any transactions will be completed in a timely manner, if at all. The following outlook does not take into account such potential transactions, which would likely have a significant impact on the Company's financials.

## **Financials**

The Company confirmed its guidance provided in May 2008 as follows:

Revenues: Revenues for 2008 are expected to be between € 5 million and € 7 million. Once the termination of the co-development and license agreement between GPC Biotech and Celgene Corporation for satraplatin for Europe and certain other territories is effective, GPC Biotech expects to recognize all or the majority of remaining deferred revenue related to the agreement. This deferred revenue is related to cash already received by GPC Biotech under this agreement. The Company will update revenue guidance as appropriate.

Expenses: Total expenses for 2008 are expected to be below €35 million.

Cash Burn: Current cash reserves are expected to be sufficient to fund currently planned business operations until approximately the end of 2010. The cash burn for 2008 will include several one-time costs, including severance and other payments related to the corporate restructurings in 2007 and early 2008. The majority of these one-time costs were already incurred in the first half of 2008.

## **Key activities**

The pursuit of potential M&A transactions is the top priority for the Company as such activities would enable GPC Biotech to broaden its development pipeline. In addition, GPC Biotech plans to talk further with Yakult, its partner for the development and commercialization of satraplatin for Japan, to evaluate the future of satraplatin and the direction in which the Company should move with this compound. The kinase inhibitor, RGB-286638, is expected to enter Phase 1 clinical testing during 2008. The Company is working to move another kinase inhibitor product candidate, RGB-344064, through pre-clinical testing.

**GPC Biotech AG**  
**Interim consolidated statement of operations**

	<b>Three months ended June 30</b>		<b>Six months ended June 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
<b>Revenue</b>	1,491	3,320	3,005	7,082
Research and development expenses	(4,533)	(14,964)	(10,282)	(27,169)
Administrative expenses	(3,886)	(11,340)	(7,388)	(21,060)
Amortization of intangible assets	(49)	(142)	(114)	(299)
Impairment of intangible assets	(2,306)	-	(2,306)	-
Other income, net	124	(87)	455	102
Finance income	474	1,049	1,079	2,077
Finance costs	(27)	(76)	(216)	(134)
<b>Net loss for the period</b>	<b>(8,712)</b>	<b>(22,240)</b>	<b>(15,767)</b>	<b>(39,401)</b>
<b>Income taxes</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net loss for the period</b>	<b>(8,712)</b>	<b>(22,240)</b>	<b>(15,767)</b>	<b>(39,401)</b>
Basic and diluted loss per share	(€0.24)	(€0.62)	(€0.43)	(€1.10)
Average number of shares used in computing basic and diluted loss per share	36,836,853	36,106,533	36,836,853	35,776,752

*See accompanying notes to unaudited interim condensed consolidated financial statements*

**GPC Biotech AG**  
**Interim consolidated balance sheet**

	June 30, 2008 (unaudited) €00	December 31, 2007 €00
<b>Assets</b>		
<b>Non-current assets</b>		
Property and equipment	1,689	2,401
Intangible assets	3,667	6,105
Other financial assets	940	1,038
<b>Total non-current assets</b>	<u>6,296</u>	<u>9,544</u>
<b>Current assets</b>		
Trade receivables	348	984
Prepayments	899	874
Other current assets	3,010	3,498
Available-for-sale investments	113	14,077
Cash and cash equivalents	43,117	49,681
<b>Total current assets</b>	<u>47,487</u>	<u>69,114</u>
<b>Total Assets</b>	<u><u>53,783</u></u>	<u><u>78,658</u></u>
<b>Equity and Liabilities</b>		
Equity attributable to the Company's equity holders		
Issued capital	36,837	36,837
Share premium	368,794	369,267
Other reserves	(4,889)	(4,320)
Retained loss	(373,432)	(357,665)
<b>Total equity</b>	<u>27,310</u>	<u>44,119</u>
<b>Non-current liabilities</b>		
Convertible bonds	1,985	2,824
Deferred revenue, net of current portion	12,004	13,989
<b>Total non-current liabilities</b>	<u>13,989</u>	<u>16,813</u>
<b>Current liabilities</b>		
Trade payables	2,368	2,826
Accruals and other current liabilities	6,306	10,568
Deferred revenue, current portion	3,810	4,332
<b>Total current liabilities</b>	<u>12,484</u>	<u>17,726</u>
<b>Total liabilities</b>	<u>26,473</u>	<u>34,539</u>
<b>Total equity and liabilities</b>	<u><u>53,783</u></u>	<u><u>78,658</u></u>

*See accompanying notes to unaudited interim condensed consolidated financial statements*

**GPC Biotech AG**  
**Interim consolidated cash flow statement**

	<b>Six months ended June 30</b>	
	<b>2008</b>	<b>2007</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>
	<b>€000</b>	<b>€000</b>
<b>Cash flows from operating activities</b>		
Net loss for the period	(15,767)	(39,401)
Adjustments for:		
Depreciation	442	745
Amortization	114	298
Loss (adjustment to loss) accrual on sublease contract	110	(100)
Compensation costs/ (reversal) for share-based payments	(463)	2,205
Amortization of premium of marketable securities	19	105
Impairment of short-term investments	277	-
Impairment of property, equipment and intangible assets	2,322	-
Accrued investment income from available-for-sale investments	-	(351)
Finance income	(1,079)	(2,077)
Finance costs	216	134
Gain from the sale of property and equipment	(281)	(43)
	<u>(14,090)</u>	<u>(38,485)</u>
Decrease in other assets, non-current and current	920	1,287
Decrease (increase) in trade receivables	636	(10,655)
(Decrease) increase in trade payables	(373)	1,473
(Decrease) increase in deferred revenues	(2,507)	4,574
(Decrease) increase in accruals and other liabilities	(3,900)	3,135
	<u>(19,300)</u>	<u>(38,671)</u>
Cash used in operating activities		
Interest received	571	907
Interest paid	(1)	-
	<u>(18,730)</u>	<u>(37,764)</u>
<b>Cash flows from investing activities</b>		
Purchase of property and equipment and intangible assets	(15)	(4,198)
Proceeds from sale of property and equipment and intangible assets	509	45
Proceeds from sale of available-for-sale investments	13,830	11,000
	<u>14,324</u>	<u>6,847</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of share capital, net of payments for transaction costs	-	32,633
Proceeds from exercise of share options and convertible bonds	-	5,384
Proceeds from issue of convertible bonds	-	345
Repayment of convertible bonds	(1,250)	(24)
	<u>(1,250)</u>	<u>38,338</u>
Effect of exchange rate changes on cash and cash equivalents	(885)	(783)
Changes in restricted cash	(23)	(35)
	<u>(6,564)</u>	<u>6,603</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(6,564)</b>	<b>6,603</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>49,681</b>	<b>38,336</b>
<b>Cash and cash equivalent at end of period</b>	<b>43,117</b>	<b>44,939</b>

*See accompanying notes to unaudited interim condensed consolidated financial statements*

**GPC Biotech AG**  
**Interim consolidated statement**  
**of changes in shareholders' equity**

	Shares	Issued capital	Share premium	Subscribed shares	Other reserves	Retained loss	Total equity
in € 000, excluding number of shares							
<b>Balance at January 1, 2007</b>	<b>33,895,444</b>	<b>33,895</b>	<b>328,103</b>	<b>334</b>	<b>(1,222)</b>	<b>(284,070)</b>	<b>77,040</b>
<b>Changes in equity for the six-month period</b>							
Net gains on available-for-sale investments					146		146
Exchange differences on translating foreign operations					(641)		<u>(641)</u>
Net loss recognized directly in equity							(495)
Net loss for the period						(39,401)	<u>(39,401)</u>
Total recognized income and expense for the period							(39,896)
Issue of share capital - equity offering	1,564,587	1,565	32,074				33,639
Transaction cost			(1,006)				(1,006)
Exercise of share options and convertible bonds	793,022	793	3,725	1,195			5,713
Compensation cost from share-based payment			1,788				1,788
Equity component convertible bonds					63		63
<b>Balance at June 30, 2007 (unaudited)</b>	<b>36,253,053</b>	<b>36,253</b>	<b>364,684</b>	<b>1,529</b>	<b>(1,654)</b>	<b>(323,471)</b>	<b>77,341</b>
<b>Balance at January 1, 2008</b>	<b>36,836,853</b>	<b>36,837</b>	<b>369,267</b>	<b>-</b>	<b>(4,320)</b>	<b>(357,665)</b>	<b>44,119</b>
<b>Changes in equity for the six-month period</b>							
Net loss on available-for-sale Investments and impairment					162		162
Exchange differences on translating foreign operations					(731)		<u>(731)</u>
Net loss recognized directly in equity							(569)
Net loss for the period						(15,767)	<u>(15,767)</u>
Total recognized income and expense for the period							(16,336)
Compensation cost from share-based payment			(473)				(473)
<b>Balance at June 30, 2008 (unaudited)</b>	<b>36,836,853</b>	<b>36,837</b>	<b>368,794</b>	<b>-</b>	<b>(4,889)</b>	<b>(373,432)</b>	<b>27,310</b>

*See accompanying notes to unaudited interim condensed consolidated financial statements*

## GPC Biotech AG

### Notes to the unaudited interim condensed consolidated financial statements

#### 1. Basis of Presentation and Accounting Policies

##### Basis of presentation

The accompanying interim condensed consolidated financial statements of GPC Biotech AG ("the Company") for the six months ended June 30, 2008 have been prepared in accordance with IAS 34, *Interim Financial Reporting*, ("IAS 34"). The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements prepared in accordance with International Financial Reporting Standards ("IFRS"), and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2007.

##### Accounting policies

The accounting policies adopted and valuation methods applied in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended December 31, 2007.

The Company also prepares interim condensed consolidated financial statements in accordance with the accounting principles generally accepted in the United States ("U.S. GAAP"), applicable to interim financial reporting, specifically Accounting Principles Board Opinion No. 28, *Interim Financial Reporting*, ("APB 28"). Such interim condensed consolidated financial statements prepared in accordance with U.S. GAAP applicable to interim financial reporting differ in certain aspects from these interim condensed consolidated financial statements prepared in accordance with IAS 34.

#### 2. Business Developments

In July, 2008, Celgene Corporation withdrew the Marketing Authorization Application MAA for satraplatin plus prednisone for the treatment of hormone-refractory prostate cancer patients whose prior chemotherapy has failed. Following the withdrawal of the MAA, in August 2008, GPC Biotech received notice from Celgene of its decision to terminate its co-development and license agreement with GPC Biotech for satraplatin in Europe, Turkey, the Middle East, Australia and New Zealand. All rights to these territories will be returned to GPC Biotech. The effects of this decision on the Company's financial position and results of operations will be determined and reflected in the consolidated financial statements when the termination has become effective.

At this time, all currently ongoing trials with satraplatin are continuing. The Company plans to talk further with Yakult, its partner for the development and commercialization of satraplatin for Japan, to evaluate the future of satraplatin and the direction in which the Company should move with the compound.

### 3. Restructuring Activities

In February 2008, the Company announced a corporate restructuring to sharpen its focus on oncology clinical development and to further reduce costs. The restructuring was mainly focused on the Company's early-stage research activities in Munich and resulted in a reduction in the total workforce of approximately 38% or 38 employees. The Company recognized a restructuring charge of € 2.0 million during the first half of 2008. These charges primarily consisted of employee severance and termination benefits and were included in both research and development and administrative expenses. The Company expects to incur an additional charge of € 0.1 million in 2008 relating to the February 2008 restructuring plan. In addition, the Company recorded an adjustment reducing its 2007 restructuring accrual, which was for restructuring plans implemented in the second half of 2007, by € 161,000 due to employee terminations that occurred earlier than initially determined.

Also in February 2008, Elmar Maier, Ph.D., Chief Operating Officer/Martinsried and Senior Vice President, Business Development, and Sebastian Meier-Ewert, Ph.D., Senior Vice President and Chief Scientific Officer retired from their positions on the Management Board of the Company by mutual consent, to allow for an appropriate resizing of the Board, given the reduced size of the Company. Both Dr. Maier and Dr. Meier-Ewert remain dedicated to the Company as advisors. Included in the restructuring charge of € 2.0 million during the first half of 2008, as mentioned above, is the accrual relating to severance for these former Management Board members, which was paid in April 2008.

A summary of the significant components of the restructuring liability at June 30, 2008, are as follows (in thousand €):

	Employee Termination Benefits	Lease Termination Costs	Total
January 1, 2008 Balance	2,327	2,338	4,665
Amortization of Lease Loss	-	(209)	(209)
Restructuring Charges	1,851	110	1,961
Restructuring Payments	(3,348)	(1,349)	(4,697)
Adjustments/Changes in estimates	(161)	-	(161)
Exchange Differences	301	(248)	53
June 30, 2008 Balance	970	642	1,612

A restructuring liability of € 1.6 million and € 4.7 million as of June 30, 2008 and December 31, 2007, respectively, is included in accruals and other current liabilities in the accompanying condensed consolidated balance sheets.

#### **4. Contingencies**

##### **Shareholder litigation**

In July 2007, the Company and certain of its current and former officers were sued in the United States District Court for the Southern District of New York in three separate securities fraud class action lawsuits on behalf of all persons who purchased the securities of GPC Biotech between December 5, 2005 and July 24, 2007, inclusive. The suits have since been consolidated and a lead plaintiff has been appointed. The lead plaintiff's consolidated complaint was filed on March 12, 2008. The consolidated complaint alleges that GPC Biotech violated U.S. federal securities laws by making misleading public statements relating to the prospects of its most advanced product candidate, satraplatin, and thereby artificially inflating the price of GPC Biotech securities. The consolidated complaint also names Bernd R. Seizinger (CEO) and three former members of the Company's Management Board, Mirko Scherer, Elmar Maier, and Sebastian Meier-Ewert, as defendants. The Company filed a motion to dismiss the consolidated complaint on May 14, 2008 and the plaintiff filed an opposition to said motion on June 30, 2008. The Company filed a reply to the opposition on August 8, 2008.

The plaintiffs seek monetary damages in an unspecified amount. GPC Biotech believes the allegations to be without merit and intends to vigorously defend the Company. GPC Biotech cannot predict the outcome of the suit and is not currently able to estimate the possible cost to the Company from this suit.

##### **Retention plan**

In 2008, the Company introduced a retention plan to retain key employees. This retention plan consists of a cash bonus of approximately €440,000, which is payable in the first quarter of 2009, to certain employees who continue to be employed through March 2009 and is being recognized ratably over the future service period; and 906,000 stock options which are being accounted for in accordance with IFRS 2.

#### **5. Shareholders' Equity**

As of June 30, 2008, GPC Biotech had conditional capital to potentially issue additional shares of the Company in the amount of € 17.4 million, with € 3.2 million thereof accounting for conditional capital available pursuant to Section 192(2)(3) of the German Stock Corporation Act (AktG). In addition, GPC Biotech had authorized capital to potentially issue additional shares of the Company in the amount of € 16.2 million. As of June 30, 2007, conditional and authorized capital amounted to €12.8 million and € 16.7 million, respectively.

No stock options or convertible bonds were exercised or converted for the six months ended June 30, 2008.

## **6. Additional Disclosures**

### **Convertible bonds**

Convertible bonds for the six months ended June 30, 2008, decreased 27% to € 2.2 million compared to € 3.0 million as of December 31, 2007. The decrease in convertible bonds is primarily due to the Company's repayment of convertible bonds as a result of the restructuring plans implemented in 2007 and the first quarter of 2008; as described in detail in Note 6 of the consolidated financial statements as of December 31, 2007 and Note 3 above. As of June 30, 2008, and December 31, 2007, approximately € 0.2 million of convertible bonds are in other current liabilities due to planned repayment of these bonds.

### **Revenue**

Revenues decreased 58% to € 3.0 million for the six months ended June 30, 2008, compared to € 7.1 million for the same period in 2007. The decrease in revenues is due to decreased payments from Celgene relating to the on-going trials under the co-development and license agreement for satraplatin.

### **Research and development expenses**

Research and development (R&D) expenses for the six months ended June 30, 2008, decreased 62% to € 10.3 million compared to € 27.2 million for the same period in 2007. The decrease in R&D expenses is primarily due to staff reductions as a result of the restructuring plans implemented in 2007 and the first half of 2008, as well as a decrease in clinical trial costs due to reduced clinical trial volumes. Restructuring plans are described in detail in Note 6 of the consolidated financial statements as of December 31, 2007 and Note 3 above.

### **Administrative expenses**

Administrative expenses for the six months ended June 30, 2008, decreased 65% to € 7.4 million compared to € 21.1 million for the same period in 2007. The decrease in administrative expenses is primarily due to staff reductions and other associated activities as a result of the restructuring plans implemented in 2007 and the first quarter of 2008. In addition, in the first half of 2007, the Company incurred costs in connection with the building of a commercial infrastructure and legal fees due to the arbitration proceedings. The Company did not incur such costs in the first half of 2008. Restructuring plans are described in detail in Note 6 to the consolidated financial statements as of December 31, 2007 and Note 3 above.

### **Share-based compensation**

For the six months ended June 30, 2008 and 2007, the Company recorded a credit to share-based compensation cost of € (0.5) million and incurred € 2.2 million in costs, respectively. The 2008 credit is the result of the termination of stock options and convertible bonds relating to the restructuring plans implemented during 2007 and the first quarter of 2008. Upon termination, compensation expense for awards for which the requisite service period has not been rendered is reversed.

**Product candidate licensing activities**

As discussed in Note 8 to the consolidated financial statements as of December 31, 2007, in June 2007, the Company entered into a license agreement with Yakult Honsha Co. Ltd. for the development and commercialization of satraplatin in Japan. The upfront license payment of € 7.4 million was included in deferred revenue, non-current, as of June 30, 2008 and December 31, 2007, as the Company was not able to estimate the period of substantial involvement as of these balance sheet dates. The Company will continue to defer the revenue until the timing of the satraplatin development plan, which approximates the period of substantial involvement, can be reliably determined.

**Impairment of intangible assets**

In 2007 the Company capitalized a milestone payment of €2.3 million paid upon filing of the first satraplatin MAA with the EMEA. Due to the subsequent withdrawal of the MAA, the Company de-recognized the capitalized milestone associated with the MAA acceptance and recorded an impairment loss of €2.3 million during the first half of 2008. See Note 2 for further details.

**Impairment of short term investments**

During the three months ended June 30, 2008, a loss was recognized in the statement of operations for available-for-sale marketable equity securities that were deemed to be other-than-temporarily impaired. Accordingly, an accumulated loss in the amount of approximately € 277,000 was reclassified out of Other Reserves into Other Income (Expense), Net, on the statement of operations.

**Gain on disposal of property and equipment**

During the first half of 2008 the Company sold some of its assets (mainly laboratory equipment and office furniture), the majority of which had been impaired in 2007, at both the Princeton and Munich facilities. These assets had a historical cost of approximately € 1.6 million and a net book value of approximately € 0.3 million. The Company recorded a gain of approximately € 0.3 million relating to the sale of these assets.

**7. Disclosures Required by the Frankfurt Stock Exchange****Number of employees**

As of June 30, 2008 and 2007, the number of employees totalled 86 and 286, respectively.

### Shareholdings of management

As of June 30, 2008, the members of the Management Board and Supervisory Board held shares, stock options, convertible bonds and stock appreciation rights in the amounts set forth in the table below:

	Number of Shares	Number of Stock Options	Number of Convertible Bonds	Number of Stock Appreciation Rights
<b>Management Board</b>				
Bernd R. Seizinger, M.D., Ph.D. (Chairman)	111,499	789,000	1,413,501	-
Torsten Hombeck, Ph. D.	-	172,700	45,000	-
<b>Supervisory Board</b>				
Jürgen Drews, M.D. (Chairman)	26,900	10,000	-	80,000
Michael Lytton (Vice Chairman)	7,500	10,000	-	60,000
Metin Colpan, Ph.D.	19,400	10,000	-	45,000
Donald Soltysiak	-	-	-	10,000
James Frates	1,000	-	-	60,000
Peter Preuss	87,500	-	-	50,000

## Responsibility Statement

To the best of management's knowledge and in accordance with the applicable reporting principles for interim financial reporting, the interim condensed consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit of the Company, and the interim management report of the Company includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal opportunities and risks associated with the expected development of the Company, for the remaining months of the financial year.

Martinsried, August 14, 2008

The Management Board

A handwritten signature in black ink, appearing to be 'B. Seizinger', written over a horizontal line.

Dr. Bernd Seizinger

A handwritten signature in black ink, appearing to be 'T. Hombeck', written over a horizontal line.

Dr. Torsten Hombeck