WILEX
Focused Cancer Therapies

ANNUAL REPORT 2011

# Focus on oncology

## Expanded business model comprising three segments

Rx

Dx

Cx

# Key figures

| | 2011[1,2] € million | 2010[1,2] € million | 2009[1] € million |
|---|---|---|---|
| **Earnings** | | | |
| Sales revenue | 9.9 | 0.0 | 10.0 |
| Other income | 1.8 | 1.3 | 3.0 |
| Operating expenses | (25.1) | (24.4) | (25.9) |
| Operating result | (13.4) | (23.1) | (12.9) |
| Earnings before tax | (13.9) | (23.1) | (12.7) |
| Net loss for the period | (13.9) | (23.1) | (12.7) |
| Earnings per share in € | (0.67) | (1.38) | (0.95) |
| **Balance sheet as of 30.11.** | | | |
| Total assets | 20.8 | 5.6 | 12.0 |
| Cash and cash equivalents | 3.4 | 1.9 | 3.4 |
| Equity | (4.5) | (1.3) | 3.0 |
| Equity ratio[3] in % | (21.7) | (23.2) | 25.3 |
| **Cash flow statement** | | | |
| Cash flow from operating activities | (9.0) | (19.3) | (18.6) |
| Cash flow from investing activities | 0.6 | (0.5) | (0.1) |
| Cash flow from financing activities | 9.8 | 18.2 | 9.8 |
| **Employees (number)** | | | |
| Employees as of 30.11.[4] | 124 | 80 | 71 |

[1] The reporting period begins on 1 December and ends on 30 November.

[2] Including WILEX Inc. (25.10.2010) and Heidelberg Pharma (17.3.2011)

[3] Equity/total assets

[4] Including WILEX Inc. (2010) and Heidelberg Pharma (2011) and members of the Executive Management Board

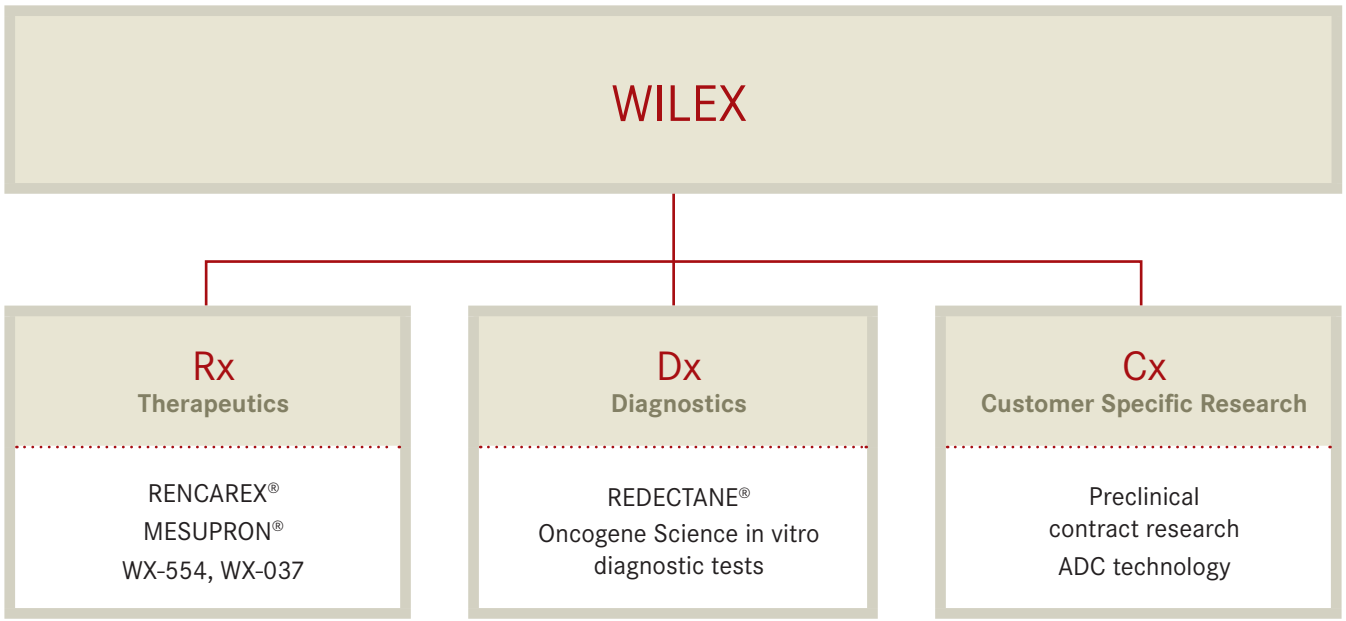
Rounding of exact figures may result in differences in all tables of this report.

# Contents



*= Glossary or cross reference*

*= Internet reference*




## WILEX portfolio

| Product | Technology | Research + preclinical | Clinical development phase | | | Market | Partner |
|---|---|---|---|---|---|---|---|
| | | | I | II | III | | |
| **REDECTANE®** | Antibody (diagnostic) | Renal mass | | | | | IBA (worldwide) |
| **RENCAREX®** | Antibody (therapy) | Non-metastatic ccRCC* | | | | | Esteve (Southern Europe)<br>Prometheus (USA) |
| **MESUPRON®** | uPA inhibitor | Pancreatic cancer<br>Breast cancer | | | | | |
| **WX-554** | MEK inhibitor | Cancer | | | | | UCB (worldwide) |
| **WX-037** | PI3K inhibitor | Cancer | | | | | UCB (worldwide) |
| **2 antibodies** | | Cancer | | | | | UCB (worldwide) |
| | | | | | | | |
| **ADC platform** | Antibody drug conjugates | Cancer | | | | | WILEX Group |
| **Diagnostic tests** | ELISA/IHC | HER2/neu, CAIX, uPA, PAI-1, EGFr, TIMP | | | | | WILEX Group |

* Clear cell renal cell carcinoma

# Three business segments emphasise WILEX's focus on oncology

WILEX is a biopharmaceutical company focused on oncology with an attractive portfolio of diagnostic and therapeutic products for the detection and targeted treatment of various types of cancer. Our therapeutic product candidates are based on antibodies and small molecules.

As a disease, cancers are as diverse as the people they affect. This is why we want to take the approach of personalised medicine and with our portfolio help to ensure that cancer patients receive a thorough diagnosis and a targeted, tailor-made course of treatment that is effective and as well tolerated as possible.

We expanded our business model in the past financial year: The US subsidiary WILEX Inc. markets oncological biomarker tests that can be used as companion diagnostics in future clinical trials and for therapy monitoring. The second subsidiary, Heidelberg Pharma GmbH, offers an innovative platform technology for therapeutic antibody drug conjugates (ADCs) and operates a preclinical service business within the scope of Customer Specific Research.

The Group's business activities have been organised in three segments since 2011: Therapeutics (Rx), Diagnostics (Dx) and Customer Specific Research (Cx).

Rx – THERAPEUTICS

# Tailored therapies with low side-effects for various stages of cancer

The abbreviation Rx stands for “therapeutics” and is often used on prescriptions by doctors. It is an abbreviation of the Latin word “recipere” or “recipe”, which means “take”.

## RENCAREX®

**Indication:** clear cell renal cell cancer (ccRCC); potential: other solid tumours

**Development rationale**

The standard therapy for renal cancer is resection of the affected kidney and any associated tumour mass followed by observation. There is no adjuvant treatment approved in the EU and the US for patients after surgery, although there is a high relapse rate of two thirds of patients after surgery. WILEX believes that as RENCAREX® has been shown to be safe and well-tolerated it could be ideally suited for adjuvant treatment.

**Milestones**

Most recent milestone:
IDMC recommends performing the final analysis instead of an interim analysis.

Next milestones:
Full study results may be expected in the fourth quarter of 2012.

**Development status**

Pivotal Phase III trial (ARISER)

**Revenue potential**

Approx. USD 500 million (ccRCC)

## MESUPRON®

**Indication**: pancreatic cancer, breast cancer; potential: e. g. ovarian, stomach and colon cancer

**Development rationale**

The uPA programme of WILEX can be considered a promising new non-cytotoxic approach in cancer therapy to specifically block tumour metastasis in solid cancers. To WILEX’s knowledge, MESUPRON® is the most advanced uPA inhibitor in oncological trials worldwide.

**Milestones**

Most recent milestone:
Successful conclusion of patient recruitment for the Phase II breast cancer trial

Next milestones:
The Company expects to have data from the breast cancer study by mid-2012.

**Development status**

Successfully completed Phase II trial involving patients with inoperable non-metastatic pancreatic cancer

**Revenue potential**

More than USD 1 billion in solid tumours

### RENCAREX®

Each year, about 273,500 people are newly diagnosed with renal cancer, and most of them are diagnosed with clear cell renal cell cancer (ccRCC), the most aggressive form of renal cancer with a very poor prognosis.

The drug candidate RENCAREX® is based on the antibody Girentuximab (INN), which binds to the tumour-specific antigen CA IX – an antigen that is overexpressed in clear cell renal cell carcinoma. The therapeutic antibody makes the tumour visible to the endogenous immune system and binds natural killer cells which can destroy existing cancer cells.

Commercial partnership agreements are in place with the Spanish pharmaceutical company Esteve for Southern Europe and with the US company Prometheus for the USA.

### MESUPRON®

With MESUPRON® (INN: Upamostat), WILEX is developing a small molecule drug candidate to inhibit the Urokinase Plasminogen Activator (uPA) system. The uPA system seems to play a key role in tumour cell invasion and metastasis, as well as in primary tumour growth of solid tumours.

MESUPRON® has no commercial partner as yet, and worldwide marketing rights are available for this agent.

## WX-554

The small molecule agent WX-554, which is orally available, is designed to inhibit the MEK signalling pathway. Mitogen-activated protein kinase (MEK) has been shown to play a central role in signal transduction. The MEK signalling pathway is overexpressed in more than 30 % of cancers, resulting in uncontrolled tumour cell growth.

WILEX took over UCB's MEK inhibitor as a preclinical project and brought it to the clinical development stage.

## WX-037

The small molecule agent WX-037 binds to the phosphatidylinositol-3-kinase-B pathway (PI3K). The PI3K pathway sends a "growth" signal to the nucleus of a tumour cell. It has been shown that mutations of the PI3K signalling pathway are present in most types of cancer.

This is another small molecule inhibitor WILEX acquired from UCB Pharma.

## Research projects

Two of the three antibody-based projects acquired from UCB Pharma are in the research phase. The third project is not being pursued. The aim is to identify a specific antibody that binds to each new target structure. The as yet unpublished molecular targets of the antibody-based projects play different roles in the spread of cancer or are overexpressed on tumour cells of various carcinomas.

### WX-554

**Indication**: various types of cancer with mutations of the MEK pathway

**Development rationale**

A substance that inhibits MEK could have significant therapeutic potential.

**Development status**

Two Phase I trials in volunteers

**Milestones**

Most recent milestone:
Publication of the final data from the Phase I trial with the oral agent in healthy volunteers in January 2012

Next milestones:
Start of a Phase Ib/II dose escalation trial in cancer patients

### WX-037

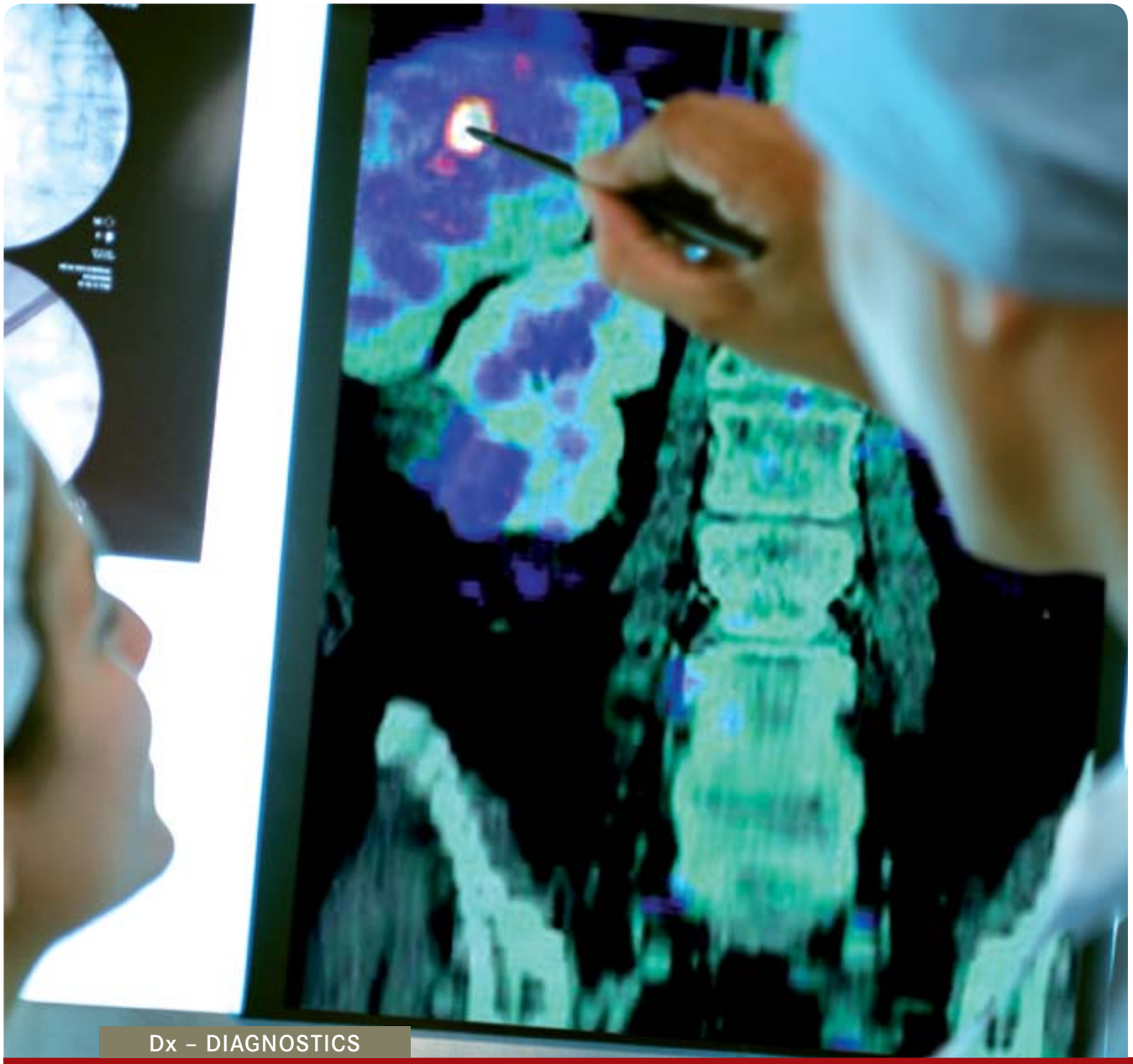
**Indication**: various types of cancer

**Development rationale**

Identifying an inhibitor for the PI3K signalling pathway is of great therapeutic interest.

**Development status**

The GMP (good manufacturing practice) synthesis and development as well as initial toxicity studies of WX-037 have been completed.



Dx – DIAGNOSTICS

# Carefully selected patients for targeted treatment management and continuous therapy monitoring

The abbreviation Dx stands for “diagnosis”, i. e. the identification and description of a disease. The word has its roots in the Greek word “diagnostikos”, which can be translated as “someone skilled in differentiation”. Diagnostic agents are utilised to identify the cause of an illness and help doctors decide on an appropriate course of treatment.

## REDECTANE®

The diagnostic candidate REDECTANE® (INN: 124I-Girentuximab) is the radioactively labelled form of the antibody Girentuximab and was developed for the presurgical diagnosis of clear cell renal cell cancer (ccRCC).

The labelled antibody 124I-Girentuximab targets ccRCC and accumulates in the tumour tissue. Accumulation of this antibody in tumour tissue can be visualised by means of positron emission tomography (PET). Additional information provided by computer tomography (CT) can be used to localise the accumulation of the antibody.

A licence agreement for the manufacturing (radioactive labelling) and worldwide marketing of this drug candidate has been signed with IBA.

## In vitro diagnostic tests from Oncogene Science

WILEX Inc., the wholly-owned subsidiary of WILEX AG, manufactures and markets oncology diagnostic tests under the Oncogene Science brand. WILEX Inc.'s portfolio includes "**E**nzyme-**L**inked **I**mmuno**S**orbent **A**ssay" (ELISA) tests and immunohistochemical (IHC) tests. ELISA assays are used to detect antigens or proteins in the blood for instance. Measuring proteins in the blood and using the respective bioanalytical methods could increase the likelihood of successfully predicting whether a patient will respond to a particular therapy. At the same time, the progression of the disease could be monitored. Immunohistochemical (IHC) tests are assays using biological tissue. These tests are used to mark proteins on tissue sections and make these visible under the microscope.

WILEX Inc. has entered into an exclusive co-marketing and distribution agreement with ALPCO Diagnostics, USA, for the commercialisation of HER2/neu ELISA tests in North America.

### REDECTANE®

**Indication:** clear cell renal cell carcinoma (ccRCC)

**Development rationale**

REDECTANE® is intended for use before planned surgical removal of a renal tumour in order to determine whether or not it is clear cell renal cell carcinoma. Doctors believe that using REDECTANE® and PET/CT for diagnosis could greatly enhance the precision of renal cancer diagnosis and bring about significant changes in therapy monitoring. The therapy planning of renal cancer patients could improve fundamentally and unnecessary surgery could be avoided.

**Milestones**

Most recent milestone:
Type C meeting with the FDA about next steps for REDECTANE®

Next milestones:
Discussion of the development and approval process with the FDA

**Development status**

Completed REDECT Phase III trial

**Revenue potential**

Approx. USD 100 million

### In vitro diagnostic tests

**Indication**: biomarker tests for measuring growth factor receptors (HER2/neu, EGFr) or proteases/protease inhibitors (uPA, PAI-1, TIMP-1) and hypoxia markers (CA IX)

**Development rationale**

The tests support scientists working in advanced cancer research, thus contributing to drug research and development. Diagnostic tests are also the basis for the future of personalised medicine – i. e. the provision of targeted and specific patient diagnostic options and therapies. WILEX Inc.'s portfolio includes the only FDA-cleared in vitro diagnostic ELISA assay for quantifying blood serum HER2/neu level deployable as part of treatment management and therapy monitoring for women with metastatic breast cancer.

**Milestones**

Most recent milestone:
FDA listing of the CA IX IHC test as an in vitro diagnostic agent

**Development status**

Approved in vitro diagnostic tests

Dx

Cx – CUSTOMER SPECIFIC RESEARCH

# Customised, high-quality research services and innovative platform for antibody drug conjugates

At WILEX, the abbreviation Cx stands for “customer specific research”. Such research concerns scientific services in compound research that are tailored to the specific needs of customers. Clients include pharmaceutical and biotech companies but also scientific institutions.

**i Preclinical service business**

**Indication:** preclinical research for cancers and for inflammatory and autoimmune diseases

**Rationale**

The existing infrastructure and expertise is offered to third parties as a service and used within the Group by leveraging synergies.

## Preclinical service business

The service business of Heidelberg Pharma comprises customer specific preclinical contract research related to cancers and inflammatory and autoimmune diseases. The company uses both syngeneic and human tumour implant models based on human tumour cells to conduct in-depth studies of potential oncology compounds, for example. These models can be used to define parameters such as tumour growth, tumour regression or metastasis in comparison to reference agents. In the field of inflammatory and autoimmune diseases, Heidelberg Pharma offers a broad range of in vivo models and methods for examining the mechanisms of new compounds. In the field of bioanalytics, the company analyses substance levels from in vivo experiments, particularly within the scope of pharmacokinetic investigations. This process involves determining the substance level in e. g. blood, serum or plasma, as well as a range of organs or tumours. In vitro analyses test substances in terms of e. g. protein binding and metabolic stability. All investigations can also be conducted with radiolabelled substances. Heidelberg Pharma’s molecular

biology unit specialises in in vitro profiling of substances. This work involves target protein expression analysis in cell lines and in tissue, as well as standard assays and other specialised techniques.

### ADC technology (antibody drug conjugates)

Heidelberg Pharma also possesses an innovative platform for therapeutic antibodies (antibody drug conjugates, ADCs). This ADC technology has the potential to enhance and improve the efficacy of many antibody-based therapies, including those on the market. Heidelberg Pharma carries out preclinical optimisation of the various linker structures, dosage and administration schemes for ADCs based on antibodies provided by the customer on a contract basis. Heidelberg Pharma has set itself the goal of developing new, innovative second-generation ADCs for improved, targeted anti-tumour therapies. The second-generation ADCs will be characterised by improved stability as regards the antibody-toxin crosslink. Current research is examining whether ADCs are capable of killing both dividing tumour cells and quiescent tumour cells.

A joint licence agreement is in place with the German Cancer Research Center (DKFZ) and Professor Faulstich (professor emeritus at the Max Planck Institute) for access to know-how and patents in respect of the amanitin toxin.

### ADC technology

**Indication:** malignant solid tumours

**Development rationale**

Cytotoxic substances used in cancer therapies – and especially as used in chemotherapy – are not usually tumour-specific and therefore destroy all rapidly dividing cells, including healthy ones. In addition, they often have serious side effects and are stressful for the body. Antibody drug conjugates could enable selective treatment of tumours using cytotoxins and thus offer a solution to this problem.

**Development status**

Several customer specific ADCs in preclinical development

**Milestones**

Most recent milestone:
Signing of "material transfer agreements" with third parties as a preliminary stage for collaboration in relation to cooperative technology ventures and product licences

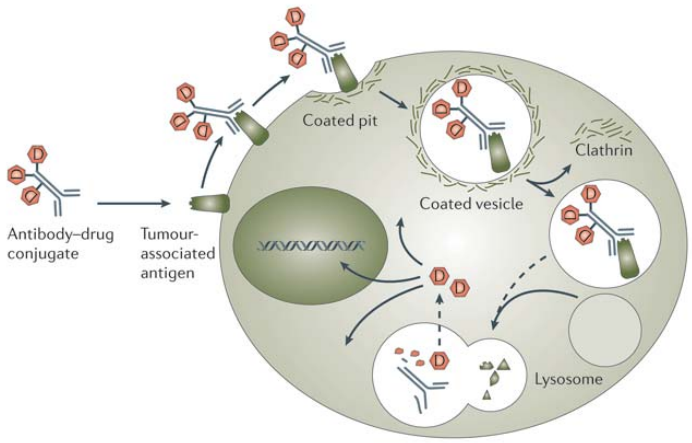
Next Milestones:
Signing of collaboration agreements with research institutes and pharmaceutical and biotech companies for manufacturing, optimising and profiling new ADCs

### ADC technology's mode of action

A specific antibody is linked to a toxin using a linker and directs it to tumour cells in a highly selective fashion.

The antibody then binds to the tumour cell, is taken up and transfers the cytotoxin into the cell.

The cytotoxin then destroys the tumour cell. This technology is unique in that it links the antibody's specificity to the toxin's efficacy.




Graph: © Nature Publishing Group

# Letter to the shareholders

**Dear Ladies and Gentlemen,**

The last financial year was a successful one for WILEX and was, for the first time, based on a new, expanded business model. 2011 was the first year for which the company provided a financial report that contains segment reporting. This has become necessary following the acquisition of Heidelberg Pharma AG and the formation of WILEX Inc.

*Glossary*

### Therapeutics (Rx): RENCAREX® registration trial proceeds directly to final analysis

In our core business of drug development we were able to achieve a major milestone for our therapeutic antibody RENCAREX® in 2011. Following consultation with regulatory agencies, our commercial partners and the Independent Data Monitoring Committee (IDMC), we decided to dispense with the interim analysis originally planned and to proceed directly to the final analysis of the data from the Phase III ARISER trial with RENCAREX®. The results of the final analysis are scheduled for the end of 2012. If the trial data prove to be positive, this could lead to a filing in Europe and the US in the first half of 2013. The FDA granted RENCAREX® Fast Track status in 2011.

### Diagnostics (Dx): Talks on REDECTANE® approval process still ongoing with the FDA

For our diagnostic antibody REDECTANE®, which completed the Phase III trial in clear cell renal cell carcinoma in 2010, discussions with the relevant regulatory agencies concerning the next steps in the approval process have not yet been brought to a successful conclusion, despite important results and indications. The submission of the approval application planned for the previous financial year has therefore been postponed. The activities consolidated within our new subsidiary WILEX Inc. involving in vitro diagnostic tests marketed under the Oncogene Science brand developed as expected for the first year of this new segment. Following the granting of the necessary licenses, manufacturing and sales commenced during the year. Initial sales contributed to the earnings of the year.

### Customer Specific Research (Cx): Increasing revenue from services

Our new business segment Cx, managed since March 2011 by the WILEX Group's wholly-owned subsidiary Heidelberg Pharma, can also look back on a successful year. Sales revenue from preclinical service business shows an encouraging upward trend. The technology platform for therapeutic antibody drug conjugates, which also targets pharmaceutical and biotech partners, is undergoing testing and development as part of cooperative ventures with a number of potential partners, to whom it will be marketed.

DEC | JAN | FEB | MAR | APR | MAY

**DECEMBER 2010**
Extraordinary General Meeting

Shareholder loan for EUR 10.0 million

**JANUARY 2011**
Over 340 relapses in ARISER trial with RENCAREX®

**APRIL 2011**
US marketing and distribution agreement with Prometheus for RENCAREX®

**MAY 2011**
Patient recruitment completed for Phase II breast cancer trial with MESUPRON®

MILESTONES 2011

**Marketing: Prometheus licence agreement has considerable commercial importance**

One highlight of the year 2011 was the conclusion of the licence agreement with Prometheus for the US marketing rights for RENCAREX®. Complementing the considerable economic benefits of this agreement, which envisages mandatory payments of up to USD 39 million and substantial performance-related milestone payments, this commercial partner also has major strategic significance for our company. We are pleased to have been able to secure another key partner for our growing portfolio of candidate compounds.

**Financials: Marked improvements in sales revenue and earnings**

Our Rx, Dx and Cx segments all recorded major progress during 2011. The licence agreement with Prometheus had a particularly marked effect on sales revenue and earnings and contributes to financing our activities. We have taken a further important step towards our goal of financing our successful development activities from our own revenues. As a result, we enter the new financial year on a stronger base.

We created and utilised the financial leeway necessary to place our company on a more stable and sustainable foundation in 2011. We wish to thank our shareholders, our employees and our business partners for the important contribution they have made to this achievement.

We look ahead to 2012 with confidence. The year will provide key clinical data from our RENCAREX® registration trial and we will also be able to provide equally important Phase II trial data from our MESUPRON® programme in breast cancer. *Glossary*

Munich, 27 February 2012

The Executive Management Board

| Professor Olaf G. Wilhelm | Peter Llewellyn-Davies | Dr Paul Bevan | Dr Thomas Borcholte |
|---|---|---|---|
| Chief Executive Officer | Chief Financial Officer | Head of Research & Development | Chief Business Officer |

JUN | JUL | AUG | SEP | OCT | NOV | DEC

**JUNE 2011**
Pre-BLA meeting with the FDA for REDECTANE®

**SEPTEMBER 2011**
Start of a Phase I trial with WX-554 (oral agent)

**OCTOBER 2011**
FDA grants RENCAREX® Fast Track status

Marketing and distribution agreement signed by WILEX Inc. and ALPCO Diagnostics

**NOVEMBER 2011**
IDMC recommends final analysis in ARISER trial with RENCAREX®

**DECEMBER 2011**
FDA clearance for WILEX Inc.'s CA IX IHC test

Type C meeting with the FDA about next steps for REDECTANE®

# Report of the Supervisory Board

During the reporting year, the Supervisory Board performed all its duties in accordance with the law, the Company's Articles of Association and its Internal Rules of Procedure.

The Supervisory Board worked closely with the Executive Management Board, regularly advising it in managing the Company and monitoring the Executive Management Board's activities. The Executive Management Board presented all significant strategic and operational measures to the Supervisory Board and agreed their implementation in advance with the Supervisory Board. The Supervisory Board obtained regular reports on the situation and development of the Company. The Supervisory Board also received regular, comprehensive and timely information on all major business developments and basic issues relating to business policy, corporate management and planning (including financial, investment and personnel planning). Without exception, all documents that were prepared by the Executive Management Board and the respective departments and submitted to the Supervisory Board were examined. The parties providing the information, in particular the members of the Executive Management Board, were consulted on significant matters.

The Supervisory Board also obtained information about all significant events that were particularly important for the assessment of the status, strategy implementation and achievement of goals, development and management of WILEX AG. The Chairman of the Supervisory Board, in particular, regularly discussed the strategy and reviewed the progress of business with the Chairman of the Executive Management Board and the other members of the Executive Management Board. The Chairman of the Supervisory Board was advised promptly of all important resolutions taken by the Executive Management Board and, when necessary, arranged for the discussion of important issues by the Supervisory Board or the appropriate Supervisory Board sub-committees.

**Main topics at the meetings of the Supervisory Board in the 2011 financial year**
In the 2011 financial year (1 December 2010 to 30 November 2011), the Supervisory Board met for eight regular meetings. All members of the Supervisory Board attended at least half of the meetings. In addition, several conference calls were conducted as part of the regular monitoring and advisory activities with regard to the Executive Management Board.

In the 2011 financial year, the Supervisory Board dealt in particular with the following topics requiring its approval:

- The closing of a shareholder loan agreement for up to €10 million subject to subordination with the Company's two main shareholders, dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, and UCB Pharma S.A., Brussels, Belgium;

- The budget and the corporate goals for the 2011 financial year;

- The granting of exclusive marketing rights for RENCAREX® to Prometheus Laboratories Inc., San Diego, CA, USA, and the closing of the respective licence agreement;

- The design of the new 2011 stock option plan, which was submitted to the Annual General Meeting on 18 May 2011 for approval; and

- The reappointment of Dr Thomas Borcholte to the Executive Management Board and the associated renewal of his director's contract.

The full Supervisory Board approved all of these actions following in-depth reviews and discussions. The Supervisory Board followed the recommendation of the Compensation Committee regarding the reappointment of Dr Thomas Borcholte and resolved to extend the term of office of Dr Thomas Borcholte, renew his contract and adjust his compensation accordingly. Both the compensation system applicable to the members of the Executive Management Board and the adequacy of their compensation packages were reviewed in this connection and deemed to be appropriate.

The Supervisory Board was also informed, regularly and comprehensively, about the Company's financial situation, its future funding requirements and the risk management system and discussed the Company's future strategy with the Executive Management Board.

In addition, the Supervisory Board approved the strategy for WILEX AG's research and development projects and its clinical programmes. It focused in particular on the clinical Phase III trials of REDECTANE® and RENCAREX®. The Supervisory Board paid particular attention to the outcome of the regulatory meetings with the US Food and Drug Administration (FDA) with respect to the approval requirements for REDECTANE® and consequently the next steps in the approval of REDECTANE®. The Supervisory Board carefully reviewed the planned execution of the interim analysis in the Phase III registration trial of RENCAREX® as well as with the decision to dispense with the interim analysis and substitute the final analysis of the endpoint "disease-free survival".

Glossary

The Supervisory Board also monitored the ongoing development of the programmes that the Company took over from UCB under their strategic alliance. Here the focus was on the first Phase I trial of the oral MEK inhibitor WX-554.

The Supervisory Board was also regularly briefed on the status of the integration into the WILEX Group of the Company's two subsidiaries, Heidelberg Pharma GmbH (Heidelberg Pharma AG until 30 November 2011) and WILEX Inc., as well as on the business activities of these two subsidiaries. In the case of WILEX Inc., the focus was on broadening the customer base and closing the exclusive co-marketing and distribution agreement with ALPCO Inc. for the purpose of commercialising the HER2/neu ELISA assay in North America (USA and Canada). The focus at Heidelberg Pharma was on expanding its activities in preclinical contract research as well as on refining and marketing its platform technology for therapeutic antibody drug conjugates.

**Corporate governance**

The Supervisory Board together with the Executive Management Board decided on 10 February 2012 to implement the recommendations and suggestions of the German Corporate Governance Code ("GCGC") in part. The new joint Declaration of Compliance by the Executive Management Board and the Supervisory Board was adopted on the same day and is available at www.wilex.com under the tab "Press + Investors > Corporate Governance". For more information on corporate governance at WILEX, please see the "Corporate Governance" chapter of the Group management report.

www.wilex.com

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**Conflicts of interest on the Supervisory Board**

Any conflicts of interest affecting members of the Supervisory Board pursuant to Section 5.5 GCGC were disclosed to the remaining members of the Supervisory Board, and the Supervisory Board members affected by the given conflict of interest acted as follows during the respective deliberations and resolutions of the Supervisory Board:

The Supervisory Board members, Professor Christof Hettich and Professor Friedrich von Bohlen und Halbach, are managing directors of dievini Verwaltungs GmbH, which in turn is the general partner of dievini Hopp BioTech holding GmbH & Co. KG, and did not participate in the Supervisory Board's deliberations or resolutions relating to the shareholder loan agreement with dievini Hopp BioTech holding GmbH & Co. KG.

The Supervisory Board member, Professor Iris Löw-Friedrich, is Chief Medical Officer and Executive Vice-President Global Projects and Development of UCB S.A. and did not participate in the Supervisory Board's deliberations or resolutions relating to the shareholder loan agreement with UCB Pharma S.A.

The role of Professor Christof Hettich, the Chairman of the Supervisory Board, as partner of the Rittershaus law firm, which provides legal consulting services for the WILEX Group, has been identified as a further conflict of interest by the Supervisory Board. To the extent that the services provided by the Rittershaus law firm were the subject of deliberations of the Supervisory Board, the Chairman of the Supervisory Board did not take part in these deliberations and abstained from any votes taken.

While some Supervisory Board members also hold positions on supervisory boards of other companies in the pharmaceutical and biotech sectors, none of these companies can be considered major competitors of WILEX, which complies with GCGC requirements.

**Activities of the Committees**
The Supervisory Board established three committees with the aim of ensuring efficient fulfilment of its responsibilities; each committee is responsible for preparing issues within its remit for the full Supervisory Board. At every Supervisory Board meeting, the respective committee chairmen report to the Supervisory Board on the work of their committee.

For reasons of efficiency, a joint **Compensation and Nomination Committee** was established, which covers both areas separately in its meetings. The Compensation Committee met twice in the 2011 financial year. The main focus of these meetings related to determining performance targets for bonuses for the members of the Executive Management Board in the 2011 and 2012 financial years, as well as target achievement for the 2009 and 2010 financial years. It also prepared the renewal of the director's contract with the member of the Executive Management Board member, Dr Thomas Borcholte, and submitted it to the Supervisory Board for resolution. The Nomination Committee did not meet at all during the financial year because there were no topics that it would have had to address.

The **Audit Committee** met four times in the year under review. It dealt with the selection of the auditor and recommended to the Supervisory Board that it propose to the Annual General Meeting to elect KPMG AG Wirtschaftsprüfungsgesellschaft, Munich, to serve as the auditor for the 2011 financial year. The Supervisory Board followed this recommendation. KPMG AG Wirtschaftsprüfungsgesellschaft was elected by the Annual General Meeting on 18 May 2011 pursuant to the Supervisory Board's proposal and was subsequently commissioned by the Supervisory Board to audit the Company's annual financial statements for the 2011 financial year. The Supervisory Board obtained a declaration of the auditor's independence in advance in accordance with Section 7.2.1 of the GCGC. The Audit Committee also discussed the annual report for 2011 with the auditor. The Audit Committee discussed the quarterly reports for 2011 as well as the half-yearly report for 2011 with the Executive Management Board prior to publication. In October, the matter of accounting for the purchase price paid for Heidelberg Pharma under IFRS as well as the purchase price allocation based thereon was discussed in detail with both the Executive Management Board and the auditors. The Supervisory Board also dealt in depth with the Company's risk management system.

The **Research and Development Committee** convened one meeting during the financial year just ended at which it dealt with the ongoing strategic development of WILEX's research and development portfolio.

The Supervisory Board did not establish any other committees.

**Adoption of the annual financial statements**

The auditors, KPMG AG Wirtschaftsprüfungsgesellschaft, have audited the annual financial statements and the management report of WILEX AG as well as the consolidated financial statements and the Group management report of WILEX as of 30 November 2011, including the underlying accounting, and issued an unqualified audit certificate. The auditors conducted their audit in compliance with the generally accepted German standards for the audit of financial statements determined by the German Institute of Public Auditors (IDW). The annual financial statements and the management report of WILEX AG were prepared in accordance with the requirements of the German Commercial Code whilst the consolidated financial statements and the Group management report of WILEX were prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, taking Section 315a of the German Commercial Code into account.

Both the aforementioned documents and the audit reports of KPMG AG Wirtschaftsprüfungsgesellschaft were made available to all members of the Supervisory Board in good time and discussed in detail at the meetings of the Audit Committee on 1 February and 8 February 2012 as well as at today's financials meeting of the Supervisory Board in the presence of the auditors. The auditors reported to the Supervisory Board on the material findings of their audit and that both the management report and the Group management report present a true and fair view of the risks and opportunities and that the measures taken by the Executive Management Board in accordance with Section 91 (2) of the German Stock Corporation Act are suitable for identifying at an early stage any developments which may jeopardise the Company's existence. The auditors also discussed the audit's scope, focal points and costs.

The Audit Committee discussed the audit result in detail and proposed to the Supervisory Board that it approve the financial statements as prepared by the Executive Management Board. The Supervisory Board also took note of the audit result and itself examined both sets of annual financial statements and management reports as well as the proposed appropriation of accumulated loss (under the German Commercial Code) in accordance with legal provisions and concurs with the results of the audit. Based on the conclusive findings of its examination, the Supervisory Board has no objections and at today's meeting approved the financial statements as prepared by the Executive Management Board; they are hereby adopted.

**Recognition of commitment**

The Supervisory Board would like to take this opportunity to thank the Executive Management Board and all employees of WILEX AG for the impressive commitment they showed in the 2011 financial year. It is due to their commitment that the portfolio of WILEX has matured further and that key milestones were reached.

The Supervisory Board would also like to express its thanks to its long-standing member, Dr Alexandra Goll, for her dedicated and constructive collaboration. Dr Goll stepped down from the Supervisory Board effective 14 December 2011.

Munich, 27 February 2012

For the Supervisory Board

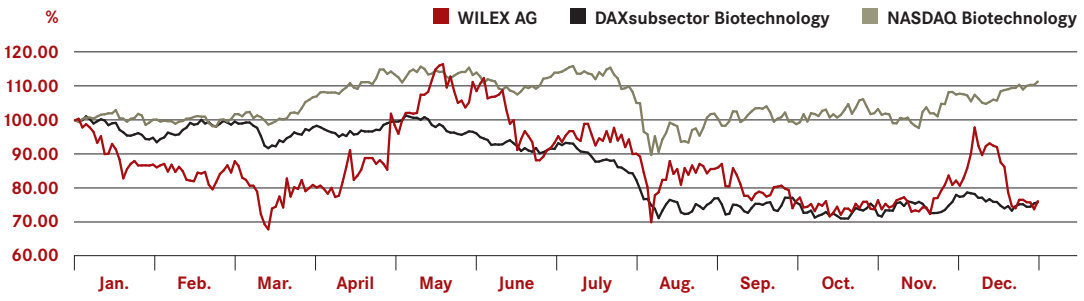
Professor Christof Hettich
Chairman of the Supervisory Board

# Investor relations

WILEX actively maintained its contacts to shareholders, potential investors, analysts and the trade press in 2011. WILEX participated in 12 international partnering and investor conferences in Europe and the United States. It had more than 150 discussions with institutional investors at these conferences and in conference calls and regularly briefed more than 20 analysts of independent research firms and banks. At this time four analysts are actively covering WILEX in the context of research reports. Please see "Press + Investors > Share > Analysts" on the WILEX website for a list of contacts and all current assessments. As before, it is the aim of the Investor Relations department to make all information available to investors, the press and the public quickly, transparently and comprehensively.

*www.wilex.com*

**WILEX's share price performance,** indexed as of 1 January 2011




The year 2011 had its ups and downs for both WILEX's share price and the German stock markets. WILEX started the year 2011 at a price of €4.60 per share. In the first four months of the year however, it lost 20% of its value even though there were no events at WILEX that might have caused this. The announcement of the RENCAREX® licence agreement with Prometheus for the US market at the end of April and the completion of patient recruitment in the breast cancer trial of MESUPRON® lifted the share to €5.38 on 20 May 2011, its high for the year.

Starting in mid-year, the uncertainties surrounding the European sovereign debt crisis triggered distortions in the financial markets and steady share price losses. Not just the major indices but also WILEX's shares and the DAXsubsector Biotechnology Index shed much of their value. The announcement of the IDMC's recommendation in November to dispense with the interim analysis and carry out the final analysis in the ARISER trial in 2012 was welcomed by our shareholders and pushed the share price up again.

*Glossary*

Year-end portfolio adjustments among institutional investors had a negative effect on the price of WILEX's shares, which closed the year on 30 December 2011 down 25%. The DAXsubsector Biotechnology Index also lost 25% whilst the TecDAX and the DAX lost 20% and 15%, respectively. Solely the NASDAQ Biotechnology Index continued the previous year's positive performance, gaining 11% overall.

**Trading and liquidity**

At 24,909 shares, the average daily trading volume of WILEX's shares in the 2011 financial year was down substantially from the previous year's level of 43,295 shares per day. In the 2010 financial year, good clinical data, the capital measure, the mandatory takeover offer as well as the announcement of two acquisitions had led to increased reporting and large trading volumes. The volatility of the share price was 56.7% (based on 260 days as of 30 November; XETRA), an improvement over the same period the previous year (59.4%). WILEX's market capitalisation as of 30 November 2011 was €80.4 million.

| **Key share figures** as of the end of the reporting period | **FY 2011** | **FY 2010** | **FY 2009** |
|---|---|---|---|
| Number of shares issued | 21,613,035 | 18,413,035 | 13,780,935 |
| Market capitalisation in € million | 80.40 | 91.70 | 64.63 |
| Closing price (XETRA) in € | 3.72 | 4.98 | 4.69 |
| High[1] in € | 5.38 (20.05.11) | 7.30 (21.06.10) | 5.86 (07.10.09) |
| Low[1] in € | 2.88 (15.03.11) | 3.35 (09.03.10) | 2.19 (19.12.08) |
| Volatility (260 days; XETRA) in % | 56.65 | 59.41 | 81.52 |
| Average daily trading volume[1] in shares | 24,909 | 43,295 | 17,794 |
| Average daily trading volume[1] in € | 103,222 | 214,046 | 75,832 |
| Earnings per share in € | (0.67) | (1.38) | (0.95) |

[1] All stock exchanges

Source: Bloomberg

**General Meetings**

WILEX held an Extraordinary General Meeting at the start of the financial year just ended, i. e. on 15 December 2010, at which 67.76 % of the Company's share capital was represented for voting purposes. The Extraordinary General Meeting voted on Agenda item 1 regarding the planned acquisition of Heidelberg Pharma AG. WILEX AG intended to acquire all of the shares in Heidelberg Pharma AG by way of a non-cash capital increase in return for issuing 3.2 million new WILEX shares, excluding shareholders' subscription rights. In a resolution on Agenda item 2, the Executive Management Board was authorised to create new authorised capital in the amount of 9.2 million shares. Both resolutions were adopted by majorities of 99 %; they were recorded in the Commercial Register in the first quarter of 2011.

WILEX held its Annual General Meeting on 18 May 2011, at which 74.71 % of the Company's share capital was represented for voting purposes. Besides customary resolutions serving to approve the actions of the Company's corporate bodies, appointing the auditor and amending the Company's Articles of Association in the light of new laws, the Annual General Meeting also voted on reducing Contingent Capital II from 2005, granting subscription rights (stock options) as well as creating new Contingent Capital 2011/I including the corresponding amendment of the Articles of Association. All proposed resolutions were adopted by majorities of more than 99 %.

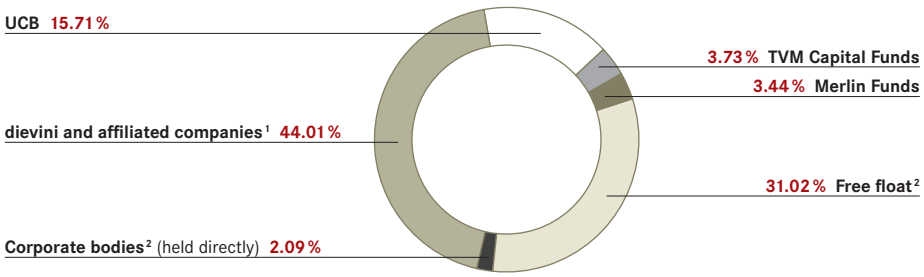
**Capital measures**

WILEX carried out a rights issue in February 2012 during which 3,201,928 new shares were subscribed at the price of € 3.10 per share in accordance with subscription and oversubscription rights. Shareholders exercised subscription rights for a total of 2,417,077 new shares, which corresponds to a subscription ratio of more than 75 %. The Company's main shareholders, dievini Hopp BioTech holding GmbH & Co. KG, Verwaltungsgesellschaft des Golf Club St. Leon-Rot mbH and UCB Pharma S.A. exercised all of their subscription rights. A total of 784,851 additional new shares were made available to the shareholders; they were fully allotted to and subscribed by the shareholders via the depository banks. About 68 % of these additional shares were allocated to free float shareholders.

The new shares were admitted for trading on the Regulated Market of the Frankfurt/Main Stock Exchange (Prime Standard), but given the difference in participation rights, they will be traded separately under the ISIN DE000A1ML992 until the planned inclusion in the company's current listing (after the Annual General Meeting on 25 May 2012). The total number of WILEX shares issued has increased to 24,814,963.

WILEX will utilise the proceeds of approximately €9.8 million (net) from the rights issue to finance its ongoing clinical studies and continued growth as well as to enhance its equity.

**Shareholder structure of WILEX AG**




[1] dievini Hopp BioTech holding GmbH & Co. KG + Verwaltungsgesellschaft des Golf Club St. Leon-Rot mbH
[2] Free float as defined by Deutsche Börse
As of 3 February 2012

**General information**

| | |
|---|---|
| Listed: | Regulated Market (Prime Standard) |
| Stock exchange symbol: | WL6/WL6G.DE/WL6.GR |
| WKN: | 661472 |
| ISIN: | DE0006614720<br>DE000A1ML992 (new shares) |
| Share class: | Bearer shares of common stock |
| Share capital: | €24,814,963.00 |
| Authorised capital: | 24,814,963 shares |
| Designated sponsors: | Close Brothers Seydler Bank AG<br>Equinet Bank |
| **Investor relations contact:** | Katja Arnold (CIRO)<br>Tel. +49 (0) 89 – 41 31 38 – 126<br>E-mail: katja.arnold@wilex.com |

As of 3 February 2012

*www.wilex.com*

Please see the back cover and our website for the current financial calendar. The current list of conferences for 2012 is also available there.

# GROUP MANAGEMENT REPORT

**Contents** **Page**

# Group management report of WILEX AG, Munich

for the financial year from 1 December 2010 to 30 November 2011

## 1. Business and general parameters of the WILEX Group

### 1.1. Corporate structure, locations and reporting

*Glossary*

WILEX AG is a biopharmaceutical company focused on oncology. It develops highly specific diagnostic agents designed to detect cancer and drugs for treating tumour diseases. The Company was founded in 1997 by a team of physicians and cancer research specialists from the Technische Universität München (TUM). WILEX was converted into a stock corporation (Aktiengesellschaft) under German law in 2001 and Wilex AG (hereafter referred to as "WILEX AG") was recorded in the Commercial Register in the same year. WILEX AG has been listed on the Regulated Market (Prime Standard segment) of the Frankfurt/Main stock exchange since November 2006. WILEX AG is headquartered in Munich, Germany. The Company does not own property; its offices and laboratories are located in rented premises.

WILEX AG founded its US subsidiary WILEX Inc. in October 2010. It is headquartered in Cambridge, MA, USA, and was established in accordance with the State of Delaware's General Corporation Law. Professor Olaf G. Wilhelm and Peter Llewellyn-Davies were appointed executive directors of this company. WILEX Inc. does not own property. Its offices and laboratories are located in rented premises. WILEX Inc. acquired the business activities of Oncogene Science, a former business unit of Siemens Healthcare Diagnostics Inc., in November 2010.

WILEX AG acquired all shares in Heidelberg Pharma AG (hereafter referred to as "Heidelberg Pharma") in return for WILEX shares in March 2011 following approval by the extraordinary General Meeting in December 2010. Heidelberg Pharma has been part of the WILEX Group since this transaction was recorded in the commercial register on 17 March 2011. Heidelberg Pharma AG was converted into a "GmbH" (limited liability company according to German law) effective 1 December 2011, i. e. after the close of the financial year. Heidelberg Pharma is domiciled in Ladenburg and does not own any property. Its offices and laboratories are located in rented premises. The company's managing director is Dr Jan Schmidt-Brand.

Pursuant to Section 315a (1) German Commercial Code (Handelsgesetzbuch) – exempting consolidated financial statements –, WILEX AG submits its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. The IFRS consolidated financial statements comprise WILEX AG as the parent and WILEX Inc. as a subsidiary for the full 2011 financial year as well as Heidelberg Pharma for the period from 17 March to 30 November 2011.

"WILEX" will be used as a synonym for the Group hereinafter. Each entity's full corporate name is used whenever facts specific to WILEX AG as the parent company or WILEX Inc. as the subsidiary are reported.

Applying IFRS 8 Operating Segments, WILEX has been reporting on three operating segments starting with the 2011 half-yearly report: Therapeutics (Rx), Diagnostics (Dx) and Customer Specific Research (Cx). WILEX also prepares segment reporting.

The WILEX Group had 124 employees (116 full-time equivalents) at the close of the financial year.

### 1.2. Business activities

The objectives of WILEX AG are the research, development, production, approval and marketing of new drugs and diagnostic agents in the field of oncology, as well as the respective in-licensing and out-licensing of intellectual property rights. The Company's therapeutic product candidates comprise monoclonal antibodies and small molecules. These form the basis of patient-tailored, highly-specific therapies which the Company is developing clinically for subsequent marketing approval. WILEX AG has a pipeline of advanced drug and diagnostic candidates. Four candidates are currently undergoing clinical development: REDECTANE®, RENCAREX®, MESUPRON® and WX-554. REDECTANE® has completed a Phase III trial and RENCAREX® is in a Phase III

registration trial. MESUPRON® is currently in a Phase II programme, and WX-554 is in a Phase I programme. The WX-037 programme is in preclinical development and a further two programmes are in research. Commercial opportunities for this attractive pipeline of WILEX AG will be exploited through alliances and partnerships to ensure that maximum value can be created by the Company.

*Glossary*

WILEX Inc. specialises in the manufacture of oncological biomarker tests, which it markets under the Oncogene Science brand. The product portfolio includes **E**nzyme-**L**inked **I**mmuno**S**orbent **A**ssays (ELISA) and immunohistochemical (IHC) assays. With the aim of supporting treatment regimens for cancer patients worldwide, WILEX Inc. offers biomarker tests for measuring growth factor receptors (HER2/neu, EGFr), proteases and protease inhibitors (uPA, PAI-1, TIMP-1), as well as markers of hypoxia (CA IX). The biomarker tests will be used to develop the promising companion diagnostics market, which will contribute towards WILEX's success.

Heidelberg Pharma offers customer specific contract services in two fields. First, an innovative conjugate platform technology for therapeutic antibodies (antibody drug conjugates, ADCs) is being utilised in the further development of antibodies. This ADC technology has the potential to improve the efficacy of many antibody-based therapies, including those currently on the market. This gives WILEX the opportunity to utilise this technology platform for its own drug candidates. Primarily, however, Heidelberg Pharma intends to license this technology to other partners on a per-customer basis as a means of generating revenue. Second, Heidelberg Pharma also operates a service unit for preclinical work on drug metabolism, pharmacology and pharmacokinetics in oncology and inflammatory diseases. The associated infrastructure and expertise are offered as a service to third parties and already generate revenue.

For detailed information regarding the products and the current status of clinical development, please see chapter 3, "Business performance in 2011". A summary of markets and competitors is contained in chapter 2, "Economic conditions".

*Pages 27 and 24*

### 1.3. Management and control

In keeping with the dual management structure codified in German law, the Company is managed and controlled by both an Executive Management Board and a Supervisory Board. The Company's Executive Management Board and Supervisory Board cooperate closely. The Supervisory Board regularly advises and monitors the Executive Management Board with respect to its management of the Company. The Supervisory Board of WILEX is comprised of six members, in accordance with the Company's Articles of Association. Three committees have been established to enhance the Supervisory Board's efficiency: a joint Compensation and Nomination Committee, an R&D Committee and an Audit Committee. For detailed information on corporate governance, please see chapter 6, "Corporate governance".

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### 1.4. Licence agreements und important contracts

WILEX has signed several licence agreements essential to the Group's business activities.

#### 1.4.1. Contracts relating to the antibody Girentuximab

Several of these agreements concern the development and future commercial use of Girentuximab, an antibody on which both REDECTANE® and RENCAREX® are based. The Company licensed the antibody in 1999 from Centocor Inc., Malvern, PA, USA, and Leiden University, The Netherlands. A further licence for the antibody's target antigen has been granted by the Bayer Corporation Business Group Diagnostics, Tarrytown, NY, USA. To exclude possible patent violations, WILEX AG also acquired a non-exclusive licence for the Cabilly II patent from Genentech Inc., San Francisco, CA, USA. GlaxoSmithKline filed a suit under patent law in October 2009 contesting the validity of the Cabilly II patent. If the patent is ultimately declared void, WILEX AG might not have to make any more payments in the future should RENCAREX® be approved. If this situation occurred, the Company would also have to recognise an impairment loss on this intangible asset.

WILEX AG and Heidelberg Pharma signed a Cooperation and Technology Licence Agreement in May 2011. This contract gives WILEX AG an exclusive licence to Heidelberg Pharma's ADC technology in respect of a target protein.

### 1.4.2. Contracts relating to REDECTANE®

In June 2008 WILEX AG signed a licence agreement with IBA Pharma S.A., Louvain-la-Neuve, Belgium, (IBA) concerning the diagnostic candidate REDECTANE®. WILEX AG granted IBA the exclusive worldwide rights and licences required for marketing, distribution and sales of this product. WILEX AG receives milestone and licence payments from IBA. WILEX AG has secured the right to co-promote REDECTANE® worldwide in order to introduce the diagnostic agent to urologists and oncologists. Once the envisioned marketing approval has been granted, WILEX AG will be paid 20 % of the sales revenue ex works up to a sales volume of € 7 million, after which its share will rise to 45 % of all subsequent sales revenue ex works.

### 1.4.3. Contracts relating to RENCAREX®

An exclusive sales and marketing agreement for RENCAREX®, as well as an option regarding future Girentuximab products in certain southern European countries has been in place with the Spanish pharmaceutical company Laboratorios del Dr Esteve S.A., Barcelona, Spain, (Esteve) since 2004. Esteve was granted the marketing rights for Spain, Italy, Portugal, Greece and Andorra, as well as an option for the Turkish market in return for milestone and licence payments.

In April 2011 WILEX AG and Prometheus Laboratories Inc., San Diego, CA, USA, (Prometheus) signed a licence agreement for marketing rights to RENCAREX® in the United States. Prometheus is an established speciality pharmaceutical and diagnostics company with a proven track record in gastroenterology and oncology. Under the terms of the agreement WILEX AG received USD 19 million upon signing and furthermore has the option either to be paid USD 15 million six months or USD 20 million twelve months after contract signing, or to be granted the commercial rights to an undisclosed product from Prometheus in Europe. In addition, WILEX AG is entitled to receive milestone payments and royalties on net sales of RENCAREX® in the USA on meeting certain preconditions. Furthermore Prometheus co-funds a portion of the ongoing development of RENCAREX®. Overall the agreement has a potential transaction volume of up to USD 145.0 million plus royalties in the United States. The contract covers the potential development of RENCAREX® in indications other than the adjuvant therapy of non-metastatic clear cell renal cell carcinoma (ccRCC). The granting of the Fast Track status triggered a milestone payment of USD 2.5 million from Prometheus to WILEX.

*Glossary*

### 1.4.4. Contracts relating to MESUPRON®

In 2006, WILEX AG acquired five patent families and patent applications for its uPA programmes from Pentapharm AG, Basel, Switzerland, related to WX-UK1 and MESUPRON®. In 2007, WILEX AG also acquired a portfolio from the Dendreon Corporation, Seattle, WA, USA, which comprises all of their proprietary patents and patent applications for uPA inhibitors. In addition to these patents directly held by the Company, this patent portfolio provides protection against third parties copying the WILEX drugs or the therapeutic use of the relevant serine protease inhibitors.

### 1.4.5. Contracts relating to the strategic alliance with UCB

In January 2009, WILEX AG and the biopharmaceutical company UCB Pharma S.A., Brussels, Belgium, (UCB) entered into a comprehensive strategic alliance. WILEX AG acquired the worldwide rights to continue developing UCB's entire preclinical oncological portfolio, which comprised two small-molecule programmes and three antibody programmes. The MEK inhibitor WX-554 is currently in a Phase I programme, and the PI3K inhibitor WX-037 is in the preclinical stage. Two of the three antibody programmes are in the research phase, and the third has been discontinued in agreement with UCB. UCB retains exclusive rights to buy back each of the programmes, following completion of initial clinical proof of concept studies for each drug, and assume the responsibility for further development and commercialisation of each product. In this case, WILEX AG will receive development milestone payments and royalties from UCB. Alternatively, in the event UCB does not

exercise its buyback right for a given programme, WILEX AG will retain rights to develop as well as commercialise that programme and UCB will receive milestone payments and royalties from WILEX. Furthermore, the two partners may jointly develop the programmes after the successful completion of the proof of concept studies.

Under the agreement, UCB acquired 1,818,181 WILEX shares newly issued from authorised capital subject to the exclusion of shareholders' subscription rights. The agreement also stipulated two milestone payments of € 5 million each upon filing of an application to conduct a clinical Phase I trial and administration of the first dose. Both milestones were already achieved during the 2009 financial year, and the milestone payments were made. WILEX gained not just an important development partner in UCB but also access to UCB's broad antibody technology.

**1.5. Value-oriented corporate strategy**

WILEX is committed to the interests of all significant parties associated with the Company. Patients, physicians, employees and shareholders are the central focus of the Company's strategic, value-driven management.

WILEX focuses on clinical indications for which there is a high unmet medical need and which could provide great benefits for patients. All of the product candidates undergoing research and development at WILEX AG are designed to enable targeted and specific treatment and detection of various types of cancer. To date the value chain has encompassed advance and milestone payments from development partners in connection with research and development projects. Once product approval has been obtained, revenues and licence payments will make a substantial contribution to the value chain. The acquisition and ongoing development of UCB's oncological portfolio expanded WILEX's product pipeline and established the basis for tapping into the associated revenue potential from both milestone and licence payments.

WILEX's business model has been broadened through the strategic acquisitions of Oncogene Science's business (via WILEX Inc.) and Heidelberg Pharma. The Oncogene Science biomarker tests manufactured and marketed by WILEX Inc. have expanded WILEX's diagnostic expertise and range of services. They also give WILEX exclusive access to licences and patents in key areas of its product development. The business activities of Heidelberg Pharma also open up important strategic perspectives. Heidelberg Pharma intends to initiate new development projects and research alliances with partners in the pharmaceutical industry via its technology platform for antibody drug conjugates (ADC technology). Out-licensing will take place exclusively for specific antigens (biological target proteins). This will facilitate multiple alliances with various pharmaceutical and biotech companies, which may be concluded for different products and in different indications. Heidelberg Pharma's preclinical customer specific research has expanded WILEX's know-how in the field of ADC technology and generates continuous revenue through the services business.

All of this has broadened the value chain within the WILEX Group. WILEX's strategic goal is to finance its expenses for research and development increasingly from its operating cash flow in the next years. Besides recurring revenue streams from subsidiaries' products and services, this is also due to the out-licensing of the portfolio of novel drug and diagnostic candidates for treating cancers successfully developed by WILEX in recent years. A partnering agreement for RENCAREX® for the Southern European market and the important US market and the closing of the worldwide licence agreement for REDECTANE® were important milestones. The out-licensing of MESUPRON® and of RENCAREX® for other parts of the world as well as the licensing opportunities that arise from Heidelberg Pharma's ADC technology offer additional potential for maximising shareholder value.

**1.6. Internal control system**

Sales revenue, other income from licence agreements as well as operating expenses, reviewed but at least once a month, are the key performance indicators of the WILEX Group. Particularly expenses related to the research and development activities of the projects constitute an important measure of performance. Expenses

are still significantly higher than income. Hence the Company's average cash usage remains a key financial indicator. The cash usage is defined as the average monthly cash flow from operating and investing activities during a specific period. The ratio of liquid funds to cash usage shows for how long sufficient cash will be available.

Additional non-financial performance indicators are used to manage the Company. Patient-related indicators include clinical findings regarding the safety, tolerance and efficacy of the drug and diagnostic candidates being developed. WILEX measures the efficiency of its internal processes using for example, the progress of clinical trials compared to schedules and budgets.

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The section entitled "Overall assessment of the financial year by the Executive Management Board of WILEX" in chapter 5, "Earnings, financial position and net assets", contains a qualitative and quantitative assessment of the Company's internal control system.

## 2. Economic conditions

### 2.1. Macroeconomic environment

Global economic output rose by about 2.6 % in 2011 *[source: IKB, IKB Capital Markets & Derivatives, January 2012]*, thus falling short of projected growth. The development of the euro zone countries' sovereign debt crisis dominated the year's second half in particular and depressed global economic growth.

In the view of the Federal Statistical Office, Germany survived the crisis fairly well, and its growth in 2011 puts it in the top group of European states. Germany's gross domestic product (GDP) increased by 3.0 % in 2011.

In contrast, developments in the stock were unsatisfactory for most companies and did not reflect their actual situation. The DAX index lost 15 % during the year. Most listed biotechnology companies are not satisfied with the performance of their stock; taken together, their value dropped by more than 28 %. WILEX's share price was down 25 % by the end of December 2011.

### 2.2. Sector environment

According to estimates of the US market research institute, IMS Health, in 2011 the global pharmaceutical market grew between 5 % and 7 % to roughly USD 880 billion. IMS Health says that the emerging countries in particular account for strong growth *[source: Pharmazeutische Zeitung, 42/2010]*. A study by RNCOS Industry Research Solutions forecasts that the global pharmaceutical industry will grow annually by about 6.5 % during the next three years as a result of both the increasing prevalence of diseases worldwide and the rising per capita income of consumers *[source: RNCOS, Global Pharmaceutical Market Forecast to 2012, February 2011]*.

The association of the German biotechnology industry, BIO Deutschland, reports that in 2011 the German industry's funding volume was lower year on year. A mere €141 million in venture capital were raised in 2011 (previous year: €656 million). But the expectations for future business are optimistic. The respective index rose slightly year on year from 95 points to 96 points *[source: BIO Deutschland e.V., press release dated 16 January 2012]*.

#### 2.2.1. Oncology

According to the American Cancer Society *[source: American Cancer Society, Facts & Figures 2011]*, over 12.4 million people worldwide were newly diagnosed with cancer in 2008, resulting in more than 7.4 million deaths. WHO estimates suggest that cancer causes more human deaths per year than AIDS, malaria and tuberculosis combined. The American Cancer Society expects the number of new cases to rise to about 21 million people

in 2030 and 13.2 million cancer-related deaths, for example to the general population growth and the population's rising average age *[source: American Cancer Society, Global Cancer Facts & Figures 2011]*. This means that there is an increasing need for cancer therapies that are both effective and well tolerated.

According to a report from Global Industry Analysts Inc. *[source: GIA, Cancer Therapies – Global Strategic Business Report, October 2011]*, the market volume for cancer therapies will continue to grow steadily over the next few years. The authors forecast a market volume of USD 225 billion by 2017. Personalised cancer therapies and immunotherapies constitute the highest-grossing drug therapies for cancer according to a Datamonitor study *[source: Datamonitor, Commercial Insight: Cancer Targeted Therapies and Immunotherapies, August 2010]*. In 2009, these therapies accounted for total sales of USD 19.5 billion in seven key markets – the United States, Japan, France, Germany, Italy, Spain and the United Kingdom. The aforementioned study predicts that the personalised cancer therapies and immunotherapies currently available in the market will generate total sales of USD 36.8 billion by 2019 in these seven markets based on an average annual growth rate of 6.6 % between 2009 and 2019.

### 2.2.2. Therapies using monoclonal antibodies (mAb)

Therapies based on monoclonal antibodies are currently considered among the most promising areas of treatment in medicine. By 2017, the market for these powerful types of molecule is predicted to have reached USD 31.7 billion, after growing at an annual rate of 10.6 % *[source: GBI Research, Monoclonal Antibodies Market to 2017 – Multiple Indication Approvals and the Potential for MAbs in Oncology and Autoimmune Diseases are Re-Shaping the Market, December 2011]*. Sales figures will rise in both existing and developing markets, and particularly in the US, Japan, China and India. The prospects for monoclonal antibodies are highly promising, since the demand for new therapies for cancers or autoimmune diseases will continue to grow.

There are plans to deploy the Girentuximab antibody for the diagnosis and/or treatment of non-metastatic clear cell renal cell cancer. Renal cancer affects both adults and children although it rarely occurs in people under the age of 45. According to the estimates of the American Cancer Society, there is a 1:67 risk of developing kidney cancer, with men being more susceptible than women *[source: http://www.cancer.org/Cancer/KidneyCancer/DetailedGuide/kidney-cancer-adult-key-statistics, June 2011]*. Currently, approximately 273,500 new cases of renal cancer are diagnosed annually worldwide and over 460,000 annually are forecast by 2030 *[source: GLOBOCAN 2008, IARC 11.01.2012]*. The highest rates occur in North America, the lowest in Asia and Africa. For the USA, over 60,920 new cases of renal cancer and 13,120 deaths were expected in 2011 *[source: American Cancer Society, Global Cancer Facts & Figures 2011]*. Clear cell renal cell cancer (ccRCC) is the most prevalent form of kidney cancer. While the majority of patients do not exhibit any remote metastases when they are diagnosed, there is an elevated risk of relapse following surgery depending on the tumour stage.

Glossary

For tumour diagnosis, imaging techniques such as positron-emission tomography (PET) – where radioactive substances are administered to render the tumour visible – play an increasingly important role. In the Company's view, the potential use of the radiolabelled diagnostic agent REDECTANE® could greatly enhance the precision of renal cancer diagnosis and thus bring about significant changes in therapy monitoring. WILEX is not aware of a similar imaging procedure for diagnosing clear cell renal cell carcinoma. The growing number of people with cancer also affects the growth prospects of the diagnostic market.

Numerous drugs including Torisel® from Wyeth, Sutent® from Pfizer, Nexavar® from Bayer/Onyx, Avastin® from Roche and Afinitor® from Novartis were approved in recent years for the treatment of advanced metastatic renal cell cancer. However, no drug has been approved to date either by the US Food and Drug Administration (FDA) or by the European Medicines Agency (EMA) for the adjuvant therapy of non-metastatic clear cell renal carcinoma after surgical resection. Other companies are also carrying out Phase III trials in this indication but they were initiated at a much later date than WILEX's and are not expected to be completed in the near future. As a result, RENCAREX® continues to address a high unmet medical need.

### 2.2.3. Small-molecule drugs

Therapies using small-molecule compounds present an attractive option for cancer therapy. To date, 12 drugs have been approved for a range of cancers, while 288 compounds for targeted therapies are currently in development. According to the latest report from Visiongain, the market for targeted cancer therapies based on small molecule compounds generated total income of USD 20.3 billion in 2010. A total of USD 27.3 billion is forecast by 2015 *[source: Visiongain, Small-Molecule Targeted Cancer Therapies: World Market 2011 – 2021, November 2011]*.

To the Company's knowledge, the small-molecule candidate **MESUPRON®** is the first uPA inhibitor worldwide in a clinical Phase II programme. The positive final data from a Phase II trial in the pancreatic cancer indication further underline WILEX's leading role in the field of uPA inhibition and provide a solid foundation for the continued development of MESUPRON®. MESUPRON® is currently being tested in a Phase II trial in the indication of HER2/neu-negative breast cancer. At present, only three other companies are working on uPA-based cancer therapies.

WILEX acquired a MEK inhibitor from UCB which entered development designated **WX-554**. MEK is a promising target for tumour therapy. Several pharmaceutical companies are currently involved in developing more than 20 MEK inhibitors. GlaxoSmithKline announced positive results for a MEK inhibitor from a Phase III trial earlier this year. WILEX sees itself well-positioned for using WX-554 to develop a highly promising and competitive therapy.

The preclinical substance **WX-037** is an inhibitor of the PI3K signalling pathway, which, like MEK, is a promising target for tumour therapies. More than ten companies are working on roughly 30 PI3K product candidates in this area.

### 2.2.4. In vitro diagnostics/companion diagnostics

*Glossary*

In vitro diagnostics (IVD) are based on bioanalytical methods that identify biomarkers in blood or tissue. Companion diagnostics require specific regulatory approval and are intended to provide information that can form the basis for the safe and effective deployment of a corresponding therapeutic agent. Companion diagnostics determine how patients will respond to specific medical therapies (patient selection) and monitor both the treatment regimen and its outcome. They are becoming increasingly significant especially in oncology. In an industry paper, the Boston Consulting Group *[source: BCG, Medizinische Biotechnologie in Deutschland, 2011]* reports a strong increase in biomarker use in clinical trials over the last 20 years, from approx. 4% before 1990 to a total of 20% of all industry-sponsored studies in the years since 2005. Over a third of all oncological trials are now conducted with the use of biomarkers. Visiongain estimates that the market for companion diagnostics in 2011 had a total volume of USD 1.57 billion *[source: http://www.visiongain.com/Report/675/Companion-Diagnostics-World-Market-Outlook-2011-2021]*. The budding era of personalised medicine is set to revolutionise the healthcare industry. The combination of companion diagnostics and targeted therapies ensures the provision of personalised, individual treatment. The objective is not only to achieve greater successes in treatment as a result of approaches tailored to an individual but also to reduce overall healthcare costs. Roche, Qiagen, Gene Probe, Abbott Molecular, Myriad and Siemens are the leading companies in this field *[source: WestLB, Theranostics, September 2009]*.

Companion diagnostics is still considered a fairly young discipline. However, the regulatory authorities in both the United States and Europe are already developing guidelines specifying requirements for the quality of diagnostics and for companion diagnostics. The FDA published a guidance for the development of companion diagnostics in 2011 *[source: FDA, Guidance for Industry E16 Biomarkers Related to Drug or Biotechnology Product Development: Context, Structure, and Format of Qualification Submissions, August 2011]* whilst the EMA already published a draft on this issue in 2010 *[source: EMA, Reflection paper on co-development of pharmacogenomic biomarkers and assays in the context of drug development, June 2010]*. Both authorities confirm the

increased application and need for companion diagnostics to personalise therapies by identifying patients that respond to the treatment or for whom the risk of side effects can be accurately assessed. Two of the largest consulting organisations in the US health care sector – Medco Health Solutions Inc. and CVS Caremark Corp. – recommend this new approach in order to save costs and improve treatment outcomes. Even major pharmaceutical companies are increasingly using companion diagnostics to ensure the success of their clinical trials and drug approval applications.

#### 2.2.5. ADC technology

Demand for new treatment alternatives based on antibodies and small molecules will remain high. Furthermore, new and innovative technologies such as antibody drug conjugates have opened new perspectives. Since ADCs offer a highly interesting combination of a targeted approach and high efficacy, they have attracted the interest of a number of pharmaceutical companies and are now a part of their development portfolios. The most advanced conjugate antibody compound is Adcetris by Seattle Genetics. This drug was approved by the FDA in August 2011 under an accelerated approval programme.

### 2.3. Legal and economic factors

As a biopharmaceutical company, WILEX operates in highly regulated markets. Drugs are subject to approval by the Food and Drug Administration (FDA) in the USA and the European Medicines Agency (EMA) in the European Union, and by other national regulatory and supervisory authorities.

Before marketing approval for a drug is granted, the regulatory authorities require comprehensive preclinical and clinical trials (subject to strict criteria) to be conducted for each indication. In the USA, a clinical trial can only be conducted after the FDA has issued an Investigational New Drug (IND) status. In the European Union, an Investigational Medicinal Product Dossier (IMPD) for the drug must be submitted in accordance with the guidelines for clinical studies to obtain approval for clinical trials (Clinical Trial Application, CTA). The manufacturer and the supplier of the substances must be certified in accordance with Good Manufacturing Practice (GMP).

Glossary

For a new drug to be granted marketing approval, an application must be compiled containing the results of all preclinical and clinical trials as well as other information pertaining to the drug.

## 3. Business performance in 2011

### 3.1. Research and development of the product candidates

WILEX has an attractive portfolio of therapeutic and diagnostic products. The acquisition of Heidelberg Pharma and Oncogene Science means that WILEX is now also active in the areas of in vitro diagnostic tests, preclinical contract research and ADC technology. WILEX started reporting on three operating segments with the 2011 half-yearly report: Therapeutics (Rx), Diagnostics (Dx) and Customer Specific Research (Cx).

#### 3.1.1. Therapeutics (= Rx)

##### 3.1.1.1. RENCAREX® – therapeutic antibody

RENCAREX® (INN: Girentuximab) is a (chimeric) monoclonal antibody made from human and murine genetic sequences that binds to a tumour-specific antigen (carbonic anhydrase IX or "CA IX"). This antigen is expressed in several types of cancer but is generally not present in healthy tissue. The fact that the antibody binds to the antigen makes the tumour visible to the endogenous immune system such that natural killer cells can bind to destroy the tumour. As CA IX is also present in bladder and colon cancer, for instance, developing the drug in these indications could also be considered. In developing Girentuximab, the Company decided to target the treatment of renal cell carcinoma with its drug candidate RENCAREX® first.

Renal cell cancer, or RCC, is the most common type of kidney cancer and accounts for more than 90 % of malignant kidney tumours. About 273,500 new cases of kidney cancer are expected to be diagnosed worldwide per year. Two-thirds of RCC patients with no evidence of metastases at the time of first diagnosis have a higher risk of relapse within a few years after surgery. Due to insufficient treatment options there is a high unmet medical need for the development of new treatments for non-metastatic RCC. WILEX is developing the product candidate RENCAREX® with the aim of preventing metastases (adjuvant therapy).

*Glossary*

RENCAREX® is currently undergoing a Phase III registration trial for adjuvant therapy (Adjuvant RENCAREX® Immunotherapy trial to Study Efficacy in non-metastatic Renal cell carcinoma, "ARISER trial"). The ARISER trial enrolled 864 patients who had either the whole kidney or the diseased part of the kidney removed and who had no detectable metastases after surgery. They also had to meet previously set criteria predictive of a high risk of recurrence. More than 140 centres in 14 countries are involved in the trial. The trial is multi centre, randomised and double-blind. Patient recruitment was completed in 2008, and the last patient finished the 24-week treatment in February 2009.

Patients received a once-weekly infusion of RENCAREX® or placebo for 24 weeks. The trial will have achieved its objective when disease-free survival of patients in the group treated with RENCAREX® (50 % of patients) shows a statistically significant improvement compared to the placebo group. The study protocol defines a number of analyses based on the number of relapses (occurrence of metastases or tumour relapse). The trial data are evaluated by an Independent Data Monitoring Committee (IDMC) in order to avoid unblinding the trial.

The first interim analysis for futility was carried out at the end of 2007 after the 100th relapse; following statistical analysis, the IDMC recommended continuing the trial because it would probably deliver a significant result.

In January 2011 WILEX announced that over 340 recurrences had been reported by the local trial centres. Therefore the process for the interim analysis of efficacy for RENCAREX® was started. In this process the data from all 864 patients were analysed by independent radiologists as well as transferred, blinded and quality-checked to a database. In November 2011 the IDMC recommended dispensing with an interim analysis and, instead, moving directly to completing the final analysis for the endpoint "disease-free survival". As a result of this recommendation, WILEX decided to halt work on the interim analysis and leave the trial blinded as before. Despite the blinded data – but due to the continued decline in the relapse rate in the past year – the consultants stated that the trial was sufficiently advanced for the final analysis to be conducted immediately and not, as originally planned, following the 512th relapse. This procedure was also independently discussed with the medical advisory board, the FDA, the Swedish and German regulatory authorities and WILEX's commercial partners. WILEX therefore plans to complete the final analysis immediately following the necessary approvals from the regulatory authorities. In the meantime the trial remains blinded.

The corresponding amendments to the trial protocol can potentially be submitted to the authorities during the first quarter of 2012. Once the regulatory agencies have approved the new protocol, the final analysis process can begin. Full study results may be expected in the fourth quarter of 2012. The approval application could then be submitted in Europe and the US during the first half of 2013.

WILEX was granted Fast Track designation for RENCAREX® by the US Food and Drug Administration (FDA) in October 2011. Fast Track is intended to expedite the review of drugs designed to treat serious diseases that fill an unmet medical need. Accelerated approval of the drug would make it available for patients earlier. The granting of the Fast Track status triggered a milestone payment of USD 2.5 million from Prometheus.

In the USA and the European Union, RENCAREX® has been awarded "orphan drug" status, which is assigned by the FDA and the EMA for rare diseases. This gives WILEX ten years of exclusive marketing rights in the EU and seven years in the USA after marketing approval has been granted. Currently no drug has been approved for the adjuvant therapy of clear cell renal cell carcinoma by the FDA or the EMA. Some drug candidates already approved for the treatment of metastatic renal cell carcinoma are also being tested for adjuvant treatment.

*Glossary*

### 3.1.1.2. MESUPRON® – oral uPA inhibitor

WILEX is developing a substance called MESUPRON® (INN: Upamostat) under the uPA programme to inhibit the Urokinase Plasminogen Activator (uPA) system. The uPA system seems to play a key role in tumour cell invasion and metastasis, as well as in primary tumour growth, of various solid tumours including breast, ovarian, gastric, colon and pancreatic cancer. The uPA programme of WILEX can be considered a promising new non-cytotoxic approach in cancer therapy to specifically block tumour metastasis in solid cancers.

The tumour-associated proteolytic factor uPA and its inhibitor PAI-1 enables doctors to predict the statistical likelihood of a patient's survival: Patients whose tumours exhibit high levels of uPA/PAI-1 have a statistically lower chance of survival than patients whose tumours exhibit low levels of uPA/PAI-1. This conclusion resulted from a meta-analysis of 18 different European studies involving 8,377 patients which examined survival times relative to the uPA/PAI-1 level in a tumour. uPA and its inhibitor PAI-1 are the only tumour biological factors to have achieved the highest "level of evidence" (LOE1) in terms of their prognostic significance. The determination of the uPA/PAI-1 content in a breast cancer patient's primary tumour was incorporated into the treatment guidelines of the American Society of Clinical Oncology (ASCO) in 2007.

With WX-UK1, WILEX developed a serine protease inhibitor designed to block the activity of tumour-relevant serine proteases such as uPA, plasmin and thrombin. It is administered intravenously and should inhibit the spread of metastases. WX-UK1 reduced the formation of metastases and inhibited the growth of primary tumours in preclinical studies. Orally-administered MESUPRON® is converted in the body into WX-UK1, and therefore has the same mode of action. In various clinical Phase I trials, WX-UK1 and MESUPRON® have been shown to be safe and well tolerated.

MESUPRON® has already been successfully tested in a Phase II trial in the locally advanced, inoperable and non-metastatic pancreatic cancer indication. The trial data presented at the ASCO conference in the summer of 2010 showed improvement in the tumour response rate, the median survival time, and the one-year survival rate of MESUPRON® administered together with the chemotherapeutic agent Gemcitabine, compared to treatment with Gemcitabine alone. The randomised, open, three-arm proof-of-concept trial involving 95 patients with locally advanced, inoperable, non-metastatic pancreatic cancer studied the activity of 200 mg and 400 mg of MESUPRON® given orally once a day in combination with the chemotherapeutic agent Gemcitabine (Gemzar®, Eli Lilly and Company, Indianapolis, IN, USA) compared with Gemcitabine alone.

MESUPRON® is currently being tested in a Phase II trial in patients with metastatic HER2 receptor negative breast cancer. Patient recruitment was completed in May 2011. In the study 132 patients were enrolled in 20 centres in five countries (Belgium, Brazil, Germany, Israel and USA). This randomised double-blind trial is designed to examine the efficacy of MESUPRON® in combination with the chemotherapeutic agent Capecitabine (Xeloda®, Hoffmann-La Roche AG, Basel, Switzerland) compared to Capecitabine alone. The patients receive the drugs in first-line treatment following the occurrence of metastases. The study evaluates the objective response rate, overall survival, safety and tolerance as well as pharmacokinetics. WILEX anticipates that data from this trial on its endpoint, "progression-free survival", will be available in 2012. Data on overall survival are expected to be available in 2013.

### 3.1.1.3. WX-554 – oral MEK inhibitor

*Glossary*

WX-554 is an inhibitor of mitogen-activated protein kinase (MEK), which has been shown to play a key role in signal transduction. MEK has been linked to a multitude of biological processes such as cell division, cell differentiation and cell death. The MEK signalling pathway is overexpressed in more than 30 % of cancers, resulting in uncontrolled cell growth and proliferation. The oral small-molecule MEK inhibitor WX-554 was acquired from UCB in the preclinical stage and brought to clinical development during the 2009 financial year.

The first Phase I trial with the intravenously administered substance WX-554 was successfully completed in the summer of 2010. The study, which was conducted in Germany, tested five increasing dose levels, each administered once by a 15-minute infusion of WX-554 in five volunteers. The substance was safe and well tolerated in the 25 healthy volunteers. The MEK signal transduction pathway was inhibited in a dose-dependent manner reaching complete inhibition at 1 mg of WX-554 per kg body weight.

In September 2011, WILEX started a Phase I trial with the orally administered agent WX-554 in healthy volunteers at a trial centre in Germany. This trial was completed in January 2012. The trial aims to investigate the safety, pharmacokinetics and pharmacodynamics involved in inhibiting the MEK system via an escalated WX-554 dosage regime. The study tested three increasing dose levels, each administered as capsules of WX-554 to four healthy male volunteers. WX-554 showed very good bioavailability and inhibition of the MEK signal transduction pathway in a dose-dependent manner achieving long-lasting inhibition at 100 mg. The substance was safe and well tolerated. One subject at the highest dose level experienced skin rash, a known class effect of MEK inhibitors. A Phase I/II dose escalation trial with cancer patients is scheduled to start during the first quarter of 2012.

### 3.1.1.4. WX-037 – PI3K inhibitor

Another project acquired from UCB is a small-molecule PI3K inhibitor, for which the drug candidate WX-037 was selected as the lead compound. The phosphatidylinositol-3-kinase/protein kinase (PI3K) signalling pathway sends a “growth” signal to the nucleus of a tumour cell. It has also been shown that mutations of the PI3K signalling pathway are present in many types of cancer. Identifying an inhibitor for the PI3K signalling pathway is thus of therapeutic interest. In the financial year just ended, GMP (good manufacturing practice) synthesis development began and the first toxicity studies were completed for WX-037.

With the WX-037 project, WILEX is participating in the m4 Personalised Medicine and Targeted Therapies initiative of the Munich-based m4 Biotech Cluster, the 2010 prize winners of the “Leading-Edge Cluster” competition run by the Federal Ministry of Education and Research (BMBF). Funding of around € 40 million granted to the m4 leading-edge cluster by the Federal BMBF will be matched by participating industry partners contributing at least the equivalent amount from their own resources. WILEX received a funding commitment of up to € 2.6 million from the BMBF. For more information, please see chapter 8, “Events after the reporting period“.

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### 3.1.1.5. Preclinical and research

Two of the three antibody-based projects acquired from UCB are currently in the research phase. The third project is no longer being pursued. The aim is to identify a specific antibody that binds to each new target structure. The unpublished molecular targets of the antibody-based projects play different roles in spreading cancer or are overexpressed on tumour cells of various carcinomas.

## 3.1.2. Diagnostics (= Dx)

### 3.1.2.1. REDECTANE® – diagnostic antibody

Even modern imaging procedures such as computer tomography or MRI scans are unable to provide a clear indication of whether a kidney tumour is benign or malignant. Satisfactory evidence can only be obtained by means of a histological examination after surgery when either the whole kidney or the diseased part of the

kidney has been removed. The most aggressive phenotype, clear cell renal cell carcinoma, occurs in about 65 % of patients with kidney cancer. In WILEX's view, the ability to diagnose aggressive clear cell renal cell carcinoma prior to surgery represents a significant medical need.

*Glossary*

REDECTANE® (INN: 124I-Girentuximab) is a radiolabelled form of the antibody Girentuximab, which binds to the antigen CA IX on clear cell renal cell carcinoma. Accumulation of this antibody in tumour tissue can be visualised by means of positron emission tomography (PET). Additional information provided by computer tomography (CT) can be used to localise the accumulation of the antibody.

The antibody-based radiopharmaceutical REDECTANE® with PET/CT is designed to support physicians in diagnosing renal cancers. Determining that no clear cell renal cell cancer is present constitutes an important goal. This could fundamentally change therapy planning for renal cancer patients and avoid unnecessary surgery. Furthermore, REDECTANE® may also prove suitable for monitoring response to treatment and for diagnosing other kinds of tumours.

WILEX conducted a Phase III trial with REDECTANE® and had, prior to the start of this trial, applied for a special protocol assessment (SPA) with the FDA, which it obtained in February 2008. With this SPA the FDA confirms that the design and planned analysis of the clinical trial adequately address the requirements for a regulatory submission for REDECTANE®. A total of 226 patients with suspected renal cancer were enrolled in 14 study centres in the USA. They were examined prior to surgery by PET/CT scan using the imaging agent REDECTANE®. All patients then had surgery and either the whole kidney or the diseased part of the kidney was removed. Subsequently, three radiologists and three specialists in nuclear medicine performed independent analyses of all patients' CTs and PET/CTs respectively to determine whether or not clear cell renal cell cancer is present. Histological examination of the surgically removed tumours was performed in parallel in order to review the analyses by the radiologists and nuclear medicine specialists. The Phase III REDECT trial served to determine whether combining REDECTANE® with PET/CT improves the diagnosis of kidney tumours compared to the current standard of CT alone. Sensitivity and specificity were the defined endpoints of the study.

The trial was completed and the trial results were announced in the second quarter of 2010. The endpoint sensitivity, i. e. the correct diagnosis that clear cell renal cell cancer is present, was reached with statistical significance (p-value, $p \leq 0.016$) compared to CT. The endpoint specificity, i. e. the correct diagnosis that clear cell renal cell cancer is not present, was confirmed with a highly statistical significance ($p < 0.001$). To rule out that the superiority of REDECTANE® resulted from the poor performance of CT, the endpoints of REDECTANE® were also compared to an arbitrary value of 75 % for specificity and sensitivity as defined in the study protocol. REDECTANE® achieved sensitivity of 86 % ($p \leq 0.002$) and specificity of 87 % ($p = 0.057$). The final data show that REDECTANE® can differentiate between clear cell and non-clear cell renal cell cancer. PET/CT with REDECTANE® was clearly superior to CT.

WILEX started to prepare the biological licence application (BLA) and applied for a so-called pre-BLA meeting in the months that followed. Such a meeting prior to a BLA serves to discuss the application for approval of a product and the approval process in advance of filing.

In the second quarter of 2011, WILEX attended the pre-BLA meeting at the FDA together with production and commercial partner IBA. In this preliminary meeting, the FDA addressed two topics. The FDA suggested that WILEX and IBA consider conducting an outcomes-based study to obtain additional evidence of the product's clinical benefit and thus strengthen the position in the approval process. The second set of issues discussed with the FDA concerns matters related to the manufacturing of REDECTANE®.

WILEX and IBA agreed with the FDA that a second trial could represent the next logical step in the development of REDECTANE®. This recommendation, a potential trial design and the subsequent strategy were also discussed in the following months with the medical advisory board and a second meeting was requested with the FDA.

In the fourth quarter of 2011, a Type C meeting took place at the FDA, in which the further development of REDECTANE® was outlined, including the scheduling of a second trial and the options to conduct an "outcomes-based study" or a "confirmatory" study of the candidate's diagnostic performance similar to the REDECT trial. As this product is first in class, the FDA suggested discussing the regulatory pathway, timing and design of a second study with an FDA Advisory Committee. Together with WILEX, the FDA will determine which Advisory Committee, if any, will be commissioned. Advisory Committees provide independent, expert advice on significant scientific, technical, and on specific regulatory decisions, such as product approvals, and general policy matters. The FDA will confirm upon completion of an internal review whether and how such a meeting could take place.

The topics concerning REDECTANE® production raised in the pre-BLA meeting were addressed in the second half of 2011. WILEX's manufacturing partner Avid Bioservices, Inc., Tustin, CA, USA, has successfully completed the production run of the third consecutive consistency lot for process validation of the naked antibody Girentuximab. The new production facility of IBA Molecular, Inc., Somerset, NJ, USA, has also been completed, including central manufacturing and quality control. IBA, which is responsible for the radioactive labelling of the antibody, is consolidating the data and the necessary documentation for commercial production, in particular as regards REDECTANE®'s product characterisation and process validation.

### 3.1.2.2. In vitro diagnostic tests

The subsidiary WILEX Inc. has been marketing biomarker tests in oncology since November 2010 under the brand name Oncogene Science with the aim of supporting treatment regimens for cancer patients. WILEX Inc. currently offers seven biomarker tests for a range of oncological target structures. These tests are intended to support not only scientists working in cancer research, but also drug researchers and developers at scientific institutions, universities and pharmaceutical companies.

Diagnostic tests are the basis for the future of personalised medicine – i. e. the provision of targeted and specific patient diagnostic options and therapies. The objective is to select patients with a disease for certain therapies based on specific medical parameters. This enables the classification of tumours that share morphological aspects, but behave differently as regards growth or dissemination (tumour aggression, metastasis), or differ in terms of therapeutic response. Patient selection that combines protein measurement with the corresponding bioanalytical methods may make it possible to predict whether and how patients will respond to a therapy and to monitor the progress of their treatment.

*Glossary*

WILEX Inc. focuses on the production and marketing of ELISA assays and IHC (immunohistochemical) assays. ELISA stands for **E**nzyme-**L**inked **I**mmuno**S**orbent **A**ssay. ELISA assays are used to detect antigens or proteins in the blood for instance. Measuring proteins in the blood and using the respective bioanalytical methods could make it possible to predict whether a patient will respond to a particular therapy. At the same time, the progression of the disease could be monitored. IHC assays are used for histological examinations of tissue.

In the "Research Use Only" (RUO) field, ELISA assays are available for CA IX, uPA, PAI-1, EGFr and TIMP. For patient use, the FDA-registered in vitro diagnostic tests HER2/neu ELISA and CA IX IHC are available.

The HER2/neu ELISA assay is the only FDA-cleared ELISA assay for quantifying the blood serum HER2/neu level deployable as part of treatment management and therapy monitoring for women with metastatic breast cancer.

The CA IX IHC assay for the identification of the CA IX antigen in tissue or cell samples was registered in the fourth quarter of 2011 as a "Class I 510(k)-exempt medical device". The protein CA IX is overexpressed in many types of cancer and its expression is strongly induced by hypoxia. In a variety of human cancers, tumour hypoxia is associated with an increased incidence of metastases. CA IX measurement has been reported as a potential biomarker for clear cell renal cell carcinoma.

The WILEX Inc. production facility in Cambridge, MA, USA, was certified to both ISO 9001:2008 and 13485:2003 in August 2011. The ISO certifications are the prerequisite for WILEX Inc. to proceed with its Oncogene Science business – to manufacture and distribute biomarker tests.

WILEX Inc. entered into an exclusive co-marketing and distribution agreement with American Laboratory Products Company Inc. (ALPCO Diagnostics), Salem, NH, USA, for the commercialisation of the Serum HER2/neu ELISA test in North America (USA and Canada) in October 2011. ALPCO Diagnostics is a developer and distributor of high quality immunoassays for use in both life science research as well as diagnostic testing applications. Under the terms of the agreement WILEX Inc. retains its own marketing and distribution rights for North America.

### 3.1.3. Customer Specific Research (= Cx)

The Customer Specific Research segment comprises the two areas of business of Heidelberg Pharma.

#### 3.1.3.1. ADC technology (antibody drug conjugates)

The subsidiary Heidelberg Pharma expands the WILEX portfolio with an innovative technology platform surrounding therapeutic antibody drug conjugates (ADCs) which is being developed following a product- and customer-specific approach. The technology consists of using a chemical compound ("linker") to crosslink a specific antibody to a toxin (= ADC). The role of the antibody is to transport the crosslinked toxin specifically to – and then into – the cancer cell. The antibody-toxin pair binds to the tumour cell, where it is taken up and releases the toxin within the cell. The released toxin then destroys the tumour cell without affecting healthy tissue.

*Glossary*

The combination of antibody specificity and toxin efficacy potentially offers new approaches to tumour therapy. Cytotoxic substances, as used in chemotherapy, are not usually tumour-specific and destroy all rapidly dividing cells, including healthy ones. They often have severe side effects and stress the patient's body. The selective treatment of tumours using cytotoxins via specific antibody drug conjugates could offer a solution to this problem.

Heidelberg Pharma has set itself the goal of developing new, innovative second-generation antibody drug conjugates for improved, targeted anti-tumour therapies. The second-generation ADCs will be characterised by improved efficacy as regards both dividing and quiescent tumour cells. Furthermore, there are indications that these ADCs could also be used to treat therapy-resistant tumours that no longer respond to standard chemotherapy or anti-tumour antibodies. Heidelberg Pharma carries out preclinical optimisation of the various linker structures, dosage and administration schemes for ADCs based on antibodies provided by the customer on a contract basis.

A joint licence agreement with the German Cancer Research Center (DKFZ) and Professor Faulstich (professor emeritus at the Max Planck Institute) gives Heidelberg Pharma access to know-how and patents concerning the amanitin toxin, which can be coupled to a range of antibodies. Amanitin is a member of the amatoxin group of naturally-occurring poisons. The best-known member of this group is alpha-amanitin, which occurs for example in the Death Cap mushroom (Amanita phalloides).

Heidelberg Pharma aims to enter into customer specific collaborative partnerships with research institutes as well as pharmaceutical and biotech companies and performs contract work for customers related to designing, optimising, profiling and manufacturing new ADCs. These collaborations take place under technology cooperation agreements and product licences and are intended to tap into short-term and long-term potential for generating sales revenue and creating added value.

### 3.1.3.2. Customer specific preclinical service business

Heidelberg Pharma provides customer specific preclinical services related to cancer as well as inflammatory and autoimmune diseases. The associated infrastructure and expertise are utilised within the Group and offered as a service to third parties. This business generates increasing sales revenue.

- Tumour implantation models
  Heidelberg Pharma uses both syngenic and human tumour implant models based on human tumour cells to conduct in-depth studies of potential oncological compounds. These models can be used to define parameters such as tumour growth, tumour regression or the metastasis process in comparison to clinical standards. The visualisation of metastases and orthotopic tumours via innovative imaging techniques is also part of the portfolio. Heidelberg Pharma complements its human tumour implantation programme with syngenic mouse and rat tumour models. For preliminary testing, in vitro models can also be offered, for which Heidelberg Pharma has access to more than 100 types of tumour cell.

- Inflammatory and autoimmune diseases
  In the field of inflammatory and autoimmune diseases, Heidelberg Pharma offers a broad range of models and methods for examining the mechanisms of new compounds. For this purpose, Heidelberg Pharma can draw on in vivo models for autoimmune diseases, such as for experimental autoimmune encephalomyelitis (EAE), for multiple sclerosis, for collagen-induced arthritis (CIA) and for Type 1 autoimmune diabetes.

*Glossary*

- Bioanalytics
  Bioanalytics analyses substance levels from in vivo experiments, particularly within the scope of pharmacokinetic investigations. This process involves determining the substance level in e. g. blood, serum or plasma, as well as a range of organs or tumours. In vitro analyses test substances in terms of e. g. protein binding and metabolic stability. All investigations can also be conducted with radiolabelled substances. In addition, Heidelberg Pharma also offers the identification, synthesis and the in vitro and in vivo profiling of metabolites aimed at determining the substance's biological activity profile.

- Molecular biology
  Heidelberg Pharma's molecular biology unit specialises in in vitro profiling of substances. This work involves target protein expression analysis in cell lines and in tissue, as well as standard assays and other specialised techniques. Complementing the assays for efficacy and signal transmission, a range of in vivo tests can also be used to test the ADME properties of the compounds.

## 3.2. Other key events in the 2011 financial year

### 3.2.1. Extraordinary General Meeting and acquisition of Heidelberg Pharma

WILEX AG held an Extraordinary General Meeting on 15 December 2010. A total of 12,477,011 shares (corresponding to an equivalent number of votes) of the share capital of €18,413,035 (which is denominated in 18,413,035 no par value bearer shares) were present at the voting. Two proposed resolutions were submitted for approval, which the Executive Management Board and the Supervisory Board had announced in the electronic Federal Gazette on 4 November 2010.

The Extraordinary General Meeting voted on Agenda item 1 regarding the planned acquisition of Heidelberg Pharma AG. On 3 November 2010, WILEX had signed an agreement, with the approval of the Supervisory Board, with all shareholders of Heidelberg Pharma regarding the acquisition of all shares in Heidelberg Pharma in return for WILEX shares. The agreement called for WILEX AG to acquire all of the shares in Heidelberg Pharma by way of a non-cash capital increase in return for issuing 3,200,000 new WILEX shares, excluding shareholders' subscription rights. This corresponds to a conversion ratio of 5.75:1 in relation to the enterprise values of WILEX AG and Heidelberg Pharma.

The resolution was adopted by a majority vote of 99.96 %. At the Extraordinary General Meeting, a shareholder represented by proxy filed an objection for the record; subsequently two parties filed an action for annulment of the shareholder resolution authorising the planned acquisition. WILEX AG and the two parties settled the matter in court, and the lawsuit was dropped. As a result, the acquisition was completed on 17 March 2011 with the recording of the non-cash capital increase in the Commercial Register.

As it constitutes a business combination pursuant to IFRS 3, a purchase price allocation was performed. For more details thereon, see chapter 7 of the notes to the consolidated financial statements entitled “Business combination, acquisition of and purchase price allocation for Heidelberg Pharma”.

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In a resolution on Agenda item 2, the Executive Management Board was authorised to increase the Company’s share capital, with the approval of the Supervisory Board, by up to € 9,206,517.00 by issuing up to 9,206,517 new no par value bearer shares in return for cash contributions and/or contributions in kind on one or several instances up to and including 14 December 2015. The resolution was adopted by a majority vote of 98.98 %. The new Authorised Capital was recorded in the Commercial Register in February 2011.

### 3.2.2. Conclusion of a shareholder loan

WILEX signed a loan agreement for up to €10 million with its two main shareholders, dievini and UCB, on 17 December 2010 subject to subordination and payable in two instalments. The share of dievini in this loan is € 7.5 million, and that of UCB € 2.5 million. Both lenders are paid interest of 6 % p. a.

The unsecured loans are not limited in time. The lenders have the right to call in their share of the loan. In that case, it would have to be repaid within one month. In lieu of asking for repayment, the lenders may also contribute their claims to repayment as an in-kind contribution in connection with a rights issue or convert it into shares subject to a convertible bond programme yet to be established. These two repayment options are subject to the proviso, that the rights issue or the convertible bond programme are adopted and carried out and that an external assesor confirms the value of the respective claim to repayment.

### 3.2.3. Commercial partnership for RENCAREX® with Prometheus

In late April 2011, WILEX AG signed a licence agreement with Prometheus concerning the US commercial rights for RENCAREX®. Under the terms of the agreement WILEX AG received USD 19.0 million upon signing and furthermore has the option either to be paid USD 15.0 million six months or USD 20.0 million twelve months after contract signing, or to be granted the European commercial rights to an undisclosed product from Prometheus. In addition, WILEX AG is entitled to receive milestone payments and royalties on net sales of RENCAREX® in the USA on meeting certain preconditions. Furthermore Prometheus will co-fund a portion of the ongoing development of RENCAREX®. Overall the agreement has a potential transaction volume of up to USD 145.0 million plus royalties in the United States. The contract covers the potential development of RENCAREX® in other indications.

## 4. Non-financial performance indicators

### 4.1. Drug manufacturing permit

WILEX possesses a drug manufacturing permit pursuant to Section 13 (1) German Medicines Act (Arzneimittelgesetz) for Girentuximab, MESUPRON® and WX-554. This permit authorises the Company to release, package and label the respective drug candidates for use in clinical trials involving healthy volunteers and patients. As before, the production, formulation and filling of the drug candidates are carried out by subcontractors certified by national and international supervisory authorities.

### 4.2. Manufacturing and supply

All of the Company's manufacturers and suppliers are certified subcontractors. Girentuximab (the antibody) is manufactured by Avid Bioservices, Inc., Tustin, CA, USA ("Avid"). Solupharm Pharmazeutische Erzeugnisse GmbH, Melsungen ("Solupharm"), and Rentschler Biotechnologie GmbH, Laupheim ("Rentschler"), fill the antibody Girentuximab manufactured by Avid into suitable containers (50 ml vials, 4 ml vials) and label them in accordance with statutory requirements.

Once Solupharm and Rentschler have completed the filling operations, the Girentuximab necessary for manufacturing (radiolabelling) REDECTANE® is delivered to IBA Molecular North America Inc., Dulles, VA, USA, a subsidiary of IBA Pharma S.A., Louvain-la-Neuve, Belgium ("IBA"). Radiopharmaceutical products used in medical diagnostics for imaging metabolic processes in the body have a very short half-life and must be made available quickly to medical centres. IBA possesses not only the production know-how but also the infrastructure required to supply the market with REDECTANE® rapidly and comprehensively once the drug has been approved. RENCAREX® is manufactured by Avid and Rentschler. Avid produces the antibody Girentuximab, which is then sent to Rentschler for filling.

For MESUPRON®, production and formulation are carried out by Bayer Schering Pharma AG, Leverkusen, and RIEMSER Specialty Production GmbH, Laupheim (formerly: Rentschler Pharma GmbH).

For WX-554, production and formulation operations are provided by Central Glass Germany GmbH, Halle/Westphalia, Formula GmbH, Berlin, and Thymoorgan Pharmazie Deutschland GmbH, Vienenburg, and RIEMSER.

Whilst Synpha-Base AG, Pratteln, Switzerland, is responsible for manufacturing the active pharmaceutical ingredient (API) of WX-037, PharmaVize N.V., Mariakerke, Belgium, is tasked with the formulation development.

### 4.3. Certification pursuant to GLP and GMP

*Glossary*

WILEX AG's laboratories in Munich are certified in accordance with the principles of Good Laboratory Practice (GLP). The GLP certification pursuant to Section 19b (1) German Chemicals Act (Chemikaliengesetz) enables WILEX to carry out analytical tests on biological substances and, to a limited extent, other types of examinations. Such certification is a prerequisite for the recognition by national and international supervisory authorities of preclinical or clinical data produced in the Company's laboratories. The Company's laboratories were certified by the respective authority in accordance with GLP for the first time in July 2002 and re-certified in October 2010.

Following a comprehensive GMP inspection, the Munich premises were re-certified by the Central Drug Monitoring Office of the government of Upper Bavaria in September 2010 as being in compliance with the principles and guidelines of Good Manufacturing Practice (GMP). At the same time, the manufacturing and import permit pursuant to Section 13 and Section 72 German Medicines Act for the production, testing and release of investigational medicinal products for clinical trials and drugs was updated. The GMP certificate is an important prerequisite, e. g. for marketing all of WILEX's product candidates.

WILEX Inc.'s production facility in Cambridge, MA, USA, has been ISO-certified, thus satisfying the requirements for the production of diagnostic tests marketed under the Oncogene Science brand. These certifications pursuant to ISO 9001:2008 and 13485:2003 confirm product properties such as quality, safety and reliability. They also enable simplified registration and licensing of the diagnostic tests for worldwide marketing and sales.

**4.4. Research cooperation**

The Company has also undertaken important research and development cooperation projects with academic and clinical institutes worldwide, including the Fox Chase Cancer Center (FCCC) in Philadelphia, PA, USA, the Ludwig Institute for Cancer Research (LICR) in New York, NY, USA and Melbourne, VIC, Australia, and the Memorial Sloan Kettering Cancer Center (MSKCC) in New York, NY, USA.

**4.5. Cooperation with clinical test centres and contract research organisations**

In conducting its trials, WILEX collaborates primarily with clinical test centres, clinical trial managers and clinical research physicians as well as contract research organisations ("CROs") and other service providers. This entails setting in motion a selection process of both trial centres and CROs during the planning phase of a clinical trial based on the specifications of the study protocol; the process culminates in the determination of the trial centres and CROs. As far as CROs are concerned, particular attention is paid to the scope of their experience in the respective indication and whether the network of trial centres will fulfil the trial's requirements given the number of patients.

WILEX carries out the selection process based on many years of experience with numerous service providers of this type. New providers that introduce themselves to WILEX at conferences or directly are also analysed on a regular basis. The providers submit their offer documents as part of a tender in accordance with WILEX's specifications. WILEX then compares the written offers and prepares a deviation analysis. Subsequently, selected CROs are invited to make a presentation and participate in detailed discussions of the planned clinical trial. WILEX expects these companies to bring experience in oncology as well as knowledge of the indication, the trial protocols to be applied, data quality and data archiving requirements. Regional presence, a professional infrastructure in terms of both human and financial resources, timelines, the price/performance ratio and personal relationships are equally decisive to the implementation of clinical trials.

**4.6. Patents**

WILEX AG owns 79 patents and has filed about 50 patent applications in more than 25 patent families. Whilst most of these patent families were developed by the Company itself, WILEX has expanded its industrial property rights in targeted ways through strategic acquisitions of patent portfolios.

Twelve patents and more than 15 patent applications apply to the Girentuximab antibody programme. WILEX owns a European patent that was issued in 2006 for the hybridoma cell line that produces the antibody Girentuximab. This patent covers the hybridoma cell line in and of itself as well as the production of the Girentuximab antibody or a pharmaceutical compound containing this antibody by means of the hybridoma cell line. Patents related to the aforementioned family have also been issued in Australia, Japan and Mexico; patent applications are pending in the United States, Canada and Mexico.

More than 60 patents concerning the uPA-based programme have been issued in Australia, Canada, Switzerland, China, Europe, India, Japan, Mexico, the Russian Federation, Singapore and the United States. In addition, approximately 35 patent applications concerning the uPA programme are pending. The patents and patent applications related to the uPA programme cover a variety of uPA inhibitors (including MESUPRON®, WX-UK1) developed by WILEX. Patent protection applies to both the active ingredients (claim to the compound, i. e. the chemical structure is patented) and the application of the given ingredients (claim to the medical preparations and the applications, i. e. the medical use of the ingredients), as well as to both formulation and production.

The oncological portfolio that was acquired from UCB comprises two small-molecule programmes and currently two antibody programmes. The four projects (WX-554, WX-037 and the two antibody programmes) are protected by nine patent families currently comprising 14 granted patents and more than 50 patent applications. Eight patents have been granted for the inhibitors and six patents concern the antibody programmes acquired and were issued in Europe, Australia and Japan.

WILEX Inc. gains access to industrial property rights that concern the biomarker tests as part of its acquisition of Oncogene Science's activities and by means of in-licensing from Siemens Healthcare Diagnostics Inc. Sixteen patents and roughly ten patent applications are related to the HER2/neu, EGFR, VEGF, PDGFR, p53, RAS p21 and uPA/PAI-1 programmes. A licence for numerous industrial property rights related to the CA IX programme was also acquired.

In addition to the in-licensed patents, Heidelberg Pharma has applied for two patents in the field of ADC technology; both of them concern components of the ADC technology. The first application was filed on 29 September 2011 as an international application in Patent Cooperation Treaty (PCT) member states by claiming priority of the first European filing dated 30 September 2010. The priority period for filing the international application for the second first filing expires on 10 March 2012. It too will be filed within the priority period as an international application in the PCT member states claiming seniority. Once the national phases occur, applications will definitely be filed in the United States and in Europe (specifying all states party to the European Patent Convention). Depending on the given country's relevance, national phases will also be initiated in Canada, Australia, Japan, China, Korea, Russia, South Africa and Mexico.

### 4.7. Employees

Employees are WILEX's most important asset. Their know-how and scientific expertise are the key to success. The development of a new generation of cancer drugs and diagnostic agents is owed to the special dedication of WILEX's employees. The positive relationships that WILEX employees maintain with scientists and potential cooperation partners in particular are critical to the successful development and commercial exploitation of its product portfolio and future enterprise value.

Including the members of its Executive Management Board, WILEX had 124 employees at the close of the financial year (30 November 2010: 80). This represents a total of 116.0 full-time equivalents (FTEs) (30 November 2010: 75.1). The employee figures are not fully comparable because the subsidiaries were added in 2011 and 2010, respectively.

| | 30.11.2011[1] | | 30.11.2010[2] | | 30.11.2009 | |
|---|---|---|---|---|---|---|
| **Employees in the WILEX Group** | **EMP[3]** | **FTE[3]** | **EMP** | **FTE** | **EMP** | **FTE** |
| Administration and business development | 31 | 27.0 | 21 | 19.7 | 20 | 18.7 |
| Research and development | 64 | 60.7 | 49 | 46.2 | 51 | 48.8 |
| Manufacturing, service and distribution | 29 | 28.3 | 10 | 9.2 | 0 | 0.0 |
| **Total** | **124** | **116.0** | **80** | **75.1** | **71** | **67.5** |

[1] Including WILEX Inc. and Heidelberg Pharma

[2] Including WILEX Inc. which has now been assigned to "manufacturing, service and distribution"

[3] EMP = employees, FTE = full-time equivalents

The Company has a performance-related compensation system for its employees. Every employee is paid variable compensation based on defined goals in addition to an annual fixed salary. In addition, the stock option plan gives employees a stake in the Company's performance. Employee inventions that lead to patent applications are compensated under the Patent Incentive Programme.

### Stock options

In the reporting year just ended, 57 (previous year: 62) employees participated in the stock option plan. WILEX AG issued a total of 1,161,431 subscription rights to employees and members of the Executive Management Board in connection with its Employee Stock Option Plan (ESOP). Of the 978,000 options outstanding at the end of the financial year, 729,335 were attributable to current and former members of the Executive Management Board and 248,665 were attributable to employees. During the financial year just ended, no new stock options were issued to members of the Company's Executive Management Board, executives of affiliates and non-executive employees of the Company or affiliates. In the financial year just ended, 8,491 stock options were returned. In future additional stock options may be granted under the new SOP 2011 under the authorisation by the 2011 Annual General Meeting to establish stock option plans or grant stock options. No stock options have been exercised to date.

## 5. Earnings, financial position and net assets

The 2011 financial year described below concerns the period from 1 December 2010 to 30 November 2011. All disclosures in this chapter concern the 2011 financial year.

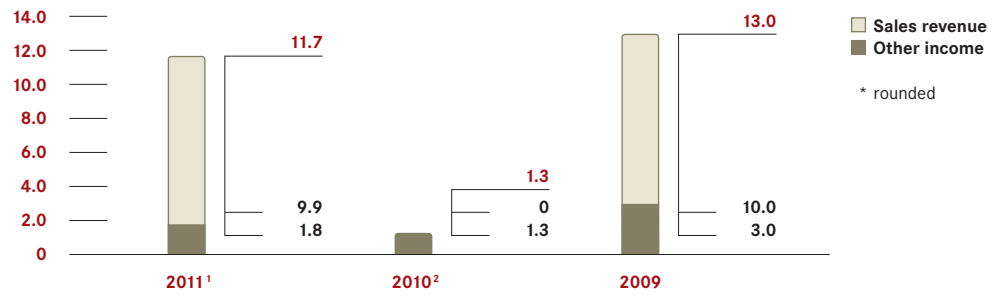
WILEX recognised earnings before tax of – €13.9 million (previous year: – €23.1 million) in the 2011 financial year. The net loss for the year was also €13.9 million (previous year: €23.1 million); income taxes were €2 k. Earnings per share improved from – €1.38 in the previous year to – €0.67. As expected, expenditures were higher than revenue and other income.

### 5.1. Sales revenue and other income

WILEX posted sales revenue of €9.9 million (previous year: €0), mainly due to the licence agreement with Prometheus for the US marketing rights to RENCAREX® in the 2011 financial year.

At €1.8 million, other income rose 38.5 % compared to the previous year (€1.3 million).

**Income** in € million*




[1] Including WILEX Inc. (1.12.2010 to 30.11.2011) and Heidelberg Pharma (17.3. to 30.11.2011)

[2] Including WILEX Inc. (25.10. to 30.11.2010)

Prepayments received on grants for research services are accrued and recognised as other income in line with project costs using the percentage-of-completion (PoC) method. The income from licence agreements was €64 k and thus substantially lower than the other income achieved the previous year (€1.0 million)

because the stipulated milestones for the two development projects REDECTANE® and RENCAREX® were achieved. As a result expenses in the 2011 financial year were substantially lower year on year, simultaneously lowering realised income due to the trials' progress. Income from the US Department of Defense grants for the uPA programme in the amount of €700k was higher than the previous year (€293k) because the accrual for 2011 was realised in full due to the project's degree of completion. The other grants concern Heidelberg Pharma's research projects subsidised by the Federal Ministry of Education and Research (BMBF). At €486k, gains on exchange rate differences are significant compared with previous years, which is why this item is shown separately for the first time. This is due to the euro's weakness against relevant foreign currencies (mainly the US dollar and the Swiss franc) and the Company's substantially higher cash and cash equivalents in US dollar on average during the reporting period than in previous financial years. In previous years, gains on and expenses for exchange rate differences were offset against each other due to being relatively insignificant.

| Other income[1] | 2011[2] € '000 | 2010[3] € '000 | 2009 € '000 |
|---|---|---|---|
| Grant provided by the US Department of Defense | 700 | 293 | 436 |
| Income realisation from licence agreements | 64 | 1,001 | 2,396 |
| Other grants | 549 | 0 | 0 |
| Income from exchange rate differences | 486 | 0 | 0 |
| Other | 37 | 20 | 181 |
| **Total** | **1,836** | **1,314** | **3,013** |

[1] rounded

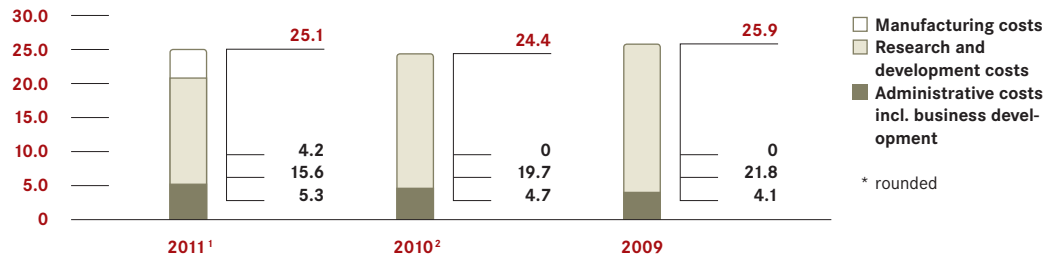
[2] Including WILEX Inc. (1.12.2010 to 30.11.2011) and Heidelberg Pharma (17.3. to 30.11.2011)

[3] Including WILEX Inc. (25.10. to 30.11.2010)

### 5.2. Operating expenses

Operating expenses including depreciation and amortisation rose to €25.1 million in 2011 (previous year: €24.4 million).

**Operating expenses** in € million*



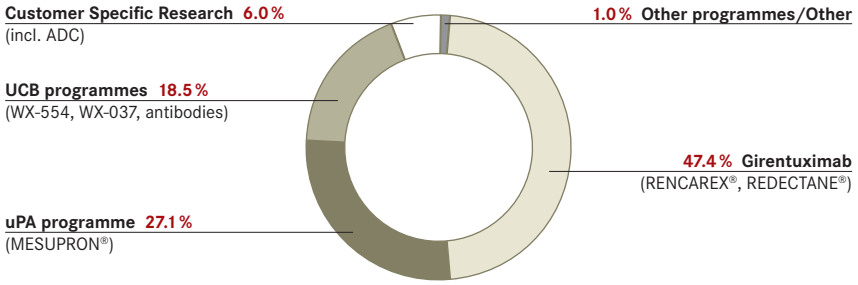

[1] Including WILEX Inc. (1.12.2010 to 30.11.2011) and Heidelberg Pharma (17.3. to 30.11.2011)

[2] Including WILEX Inc. (25.10. to 30.11.2010)

Manufacturing costs are being shown for the first time owing to the consolidation of the two subsidiaries and the cost reimbursements for development services. The cost reimbursements from Prometheus shown under sales revenue represent development costs for RENCAREX® for the same amount which were recognised in the manufacturing costs. This lowers the research and development costs accordingly. Manufacturing costs were €4.2 million, i.e. 16.7% of total costs.

Research and development (R&D) costs, which were €19.7 million the previous year, fell by 20.8% to €15.6 million and account for 62.2% of all costs (previous year: 80.7%).

**Share in R&D costs in 2011**




The research and development costs for the ongoing clinical development of the monoclonal antibody Girentuximab were lower year on year because the Phase III ARISER and REDECT trials, respectively, have made progress and have been completed. In the 2011 financial year, the Company incurred costs particularly in connection with the preparation of the interim analysis in the ARISER trial of RENCAREX® and for the regulatory work related to the approval application for REDECTANE®. At 47.4%, these items were at the previous year's level (47.6%). Expenses for the uPA programme involving the small-molecule drug candidate MESUPRON® fell to 27.1% (previous year: 34.8%) because the Company was still incurring costs for the Phase II trial in the pancreatic cancer indication the previous year. Comparatively speaking, the breast cancer trial incurred higher expenses in 2011 because patient recruitment was completed in the first half of 2011 and all planned trial centres are in operation. Whilst the costs for the UCB programmes (WX-554, WX-037 and antibodies) were lower year on year, relatively speaking they accounted for 18.5% of total costs (previous year: 16.9%). The 2011 financial year was also the first time WILEX incurred expenses for customer specific research including Heidelberg Pharma's ADC projects; they account for 6.0% of total costs. R&D costs related to the other programmes account for 1.0% of total costs (previous year: 0.7%) and thus do not constitute a significant figure.

Administrative costs including business development costs were €5.3 million (previous year: €4.7 million), corresponding to 21.1% of operating expenses. This increase is due to the expansion of WILEX's business through the two acquisitions and the resulting increase in the number of employees in administration, which corresponds to an increase in staff costs.

The operating expenses contain €0.2 million in expenses from exchange rate differences that are mainly attributable to the US dollar's strong fluctuations. Exchange rate gains and losses were not shown separately in previous years because they were immaterial.

### 5.3. Segment reporting

The WILEX Group comprises three operating segments, each of which is explained below, along with its separate core business and core projects.

The Therapeutics (Rx) segment comprises the following programmes: RENCAREX®, MESUPRON®, WX-554, WX-037 as well as all preclinical and research activities of WILEX AG. The Diagnostics (Dx) segment includes the development of WILEX AG's imaging diagnostic candidate REDECTANE® and the in vitro diagnostic and biomarker tests of WILEX Inc. The Customer Specific Research (Cx) segment comprises services related to the ADC technology platform and the preclinical services business. For more information, see chapter 3 of the notes to the consolidated financial statements entitled "Segment reporting in accordance to IFRS 8".

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| Segment results[1] | Rx € '000 | Dx € '000 | Cx € '000 | Not allocated € '000 | Consolidation € '000 | Group € '000 |
|---|---|---|---|---|---|---|
| Sales revenue | 8,397 | 283 | 1,618 | 0 | (422) | 9,877 |
| Other income | 764 | 0 | 549 | 523 | 0 | 1,836 |
| Operating expenses | (16,516) | (5,906) | (2,916) | (180) | 422 | (25,096) |
| **Net loss for the year** | **(7,357)** | **(5,772)** | **(771)** | **(26)** | **0** | **(13,926)** |

[1] rounded

### 5.4. Financing and liquidity

Finance income fell to €7 k in the reporting period (previous year: €25 k) due to the use of cash as planned and lower interest rates. The Company exclusively used short-term deposits for investing its liquid funds (e. g. overnight money). At no time did WILEX invest cash and cash equivalents in stock or share-based financial instruments. Finance costs were €548 k (previous year: €5 k); they contain interest expense and especially the interest element of the shareholder loan taken out in December 2010. The share of dievini in this loan is €7.5 million, and that of UCB is €2.5 million. Both lenders are paid interest of 6 % p. a.

The unsecured loans are not limited in time. The lenders have the right to call in their share of the loan. In that case, it would have to be repaid within one month. In lieu of asking for repayment, the lenders may also contribute their claims to repayment as an in-kind contribution in connection with a rights issue or convert it into shares subject to a convertible bond programme yet to be resolved. These two repayment options are subject to the proviso, for one, that the rights issue or the convertible bond programme are adopted and carried out and, for another, that an external assessor confirms the value of the respective claim to repayment.

The financial result in 2011 was – €541 k due to the finance costs (previous year: €20 k).

The Group had cash and cash equivalents of €3.4 million (30 November 2010: €1.9 million) at the close of the financial year. The Company's liquidity ratio (cash positions plus bank credit balances divided by current liabilities) was 17.0 % as of 30 November 2011 (previous year: 29.9 %).

### 5.5. Cash flow statement

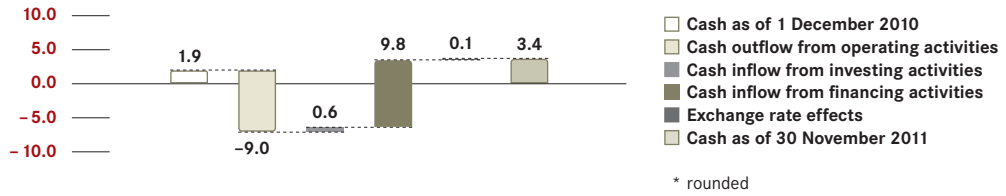
The net cash flow from operating activities during the reporting year was – € 9.0 million (previous year: – € 19.2 million). The significant improvement is due to the cash inflows from Prometheus during the financial year.

The total cash inflow from investing activities was € 0.6 million (previous year: cash outflow of € 0.5 million), largely due to the integration of the subsidiaries.

The net cash inflow from financing activities was € 9.8 million (previous year: € 18.2 million) and was due to the shareholder loan for € 10.0 million.

Total net inflow of cash and cash equivalents was € 1.5 million (previous year: net outflow of € 1.5 million). This corresponds to an average cash inflow of € 0.1 million per month in 2011 (previous year: cash outflow per month of € 0.1 million). Adjusted for the effects of the shareholder loan and the payments from Prometheus, WILEX's average use of cash per month in the reporting period was € 2.0 million (previous year: € 2.1 million, adjusted for the effects of the capital measures and the second milestone payment from UCB).

**Cash flow 2011** in € million*




* rounded

### 5.6. Assets

Total assets as of the close of the financial year were € 20.8 million and thus higher than the previous year's level of € 5.6 million. This is mainly due to the substantial year-on-year changes in all relevant balance sheet items arising from the acquisition of Heidelberg Pharma.

Non-current assets rose to € 12.8 million as of 30 November 2011 (previous year: € 2.2 million). This increase is mainly due to the recognition of Heidelberg Pharma's goodwill (€ 6.1 million) as well as the recognition of the intangible assets (€ 2.8 million) identified in connection with the purchase price allocation. In addition, property, plant and equipment as well as intangible assets of Heidelberg Pharma were consolidated at fair values, which correspond to the carrying amounts of € 1.6 million as of March 2011. For detailed disclosures on the purchase price allocation related to Heidelberg Pharma, see chapter 7 of the notes to the consolidated financial statements entitled "Business combination, acquisition of and purchase price allocation for Heidelberg Pharma".

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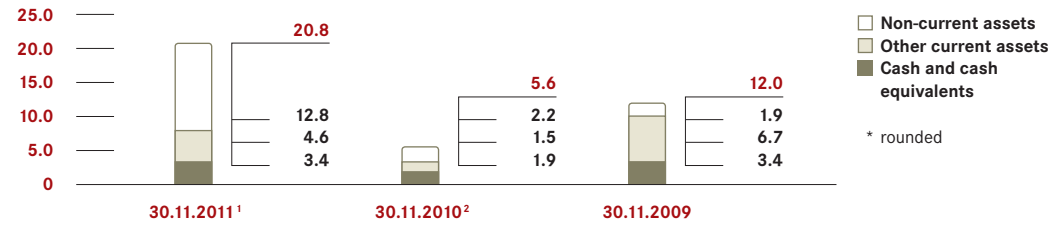
Property, plant and equipment also contains the laboratory equipment under construction, which was recognised in connection with the expansion of WILEX AG's laboratory. Property, plant and equipment as of 30 November 2011 was € 2.1 million. The asset value of a reinsurance policy was recognised at € 25 k under other non-current assets and thus at the previous year's level. Moreover, the pledged rent security in the amount of € 148 k as well as security for leased equipment in the amount of € 100 k are recognised under other non-current assets.

**Balance sheet structure – assets** in € million*




[1] Including WILEX Inc. and Heidelberg Pharma

[2] Including WILEX Inc.

Current assets rose to €8.0 million (previous year: €3.4 million). Cash and cash equivalents increased to €3.4 million (30 November 2010: €1.9 million) on account of Prometheus's payments and the completion of the shareholder loans during the financial year. The increase in other current assets to €4.6 million (previous year: €1.5 million) is due to receivables from Prometheus. WILEX is entitled to another payment of USD 15 million, which is being accrued as a receivable on a pro-rata basis each month over the estimated time remaining until the approval of RENCAREX®. In certain circumstances Prometheus will have to make a USD 20 million payment instead of a USD 15 million payment. At €1.0 million, prepayments mainly to service providers for implementing clinical trials were slightly lower year on year (€1.1 million). A total of €0.5 million in inventories (previous year: €0.2 million) as well as €0.2 million in trade receivables (previous year: €0.04 million) were also recognised as of the reporting date.

**5.7. Investments, depreciation and amortisation**

Non-current assets also rose substantially year on year due to the acquisition of Heidelberg Pharma. In addition to €1.6 million in property, plant and equipment as well as intangible assets acquired as of 17 March 2011, a total of €2.8 million in intangible assets were identified in connection with the purchase price allocation. The business combination with HDP also generated goodwill of €6.1 million.

The total of €0.6 million in groupwide additions to property, plant and equipment during the normal course of business substantially exceeded the total of €0.3 million in depreciation and amortisation. This is mainly due to the expansion of WILEX AG's laboratory as €0.1 million had to be recognised for construction in progress for the first time as of the balance sheet date. Besides expanding the laboratory, these investments served primarily to replace and buy laboratory equipment and furnishings as well as office furniture and equipment. New leased equipment was also acquired and recognised as laboratory equipment.

Investments in WILEX's development projects are not capitalised because they are not deemed as fulfilling the requirements of IAS 38 for capitalisation. They are expensed in full as current research and development costs.

### 5.8. Liabilities

Non-current liabilities rose from €0.4 million as of 30 November 2010 to €5.1 million. This is due in particular to other non-current liabilities, which contain a deferral for the payment from Prometheus that was already received in the second quarter of 2011 upon signing the agreement. This payment has not yet been fully shown in sales revenue because it is accrued over the planned remaining term of the ARISER trial of RENCAREX®. The non-current liabilities also contain deferrals related to rented offices, leasing liabilities, liabilities for service anniversaries and pension obligations.

Current liabilities also rose substantially to €20.2 million at the close of the reporting period (previous year: €6.5 million). They comprise €8.0 million in other current liabilities (previous year: €4.4 million) and €10.5 million in financial liabilities (previous year: €0), as well as €1.4 million in trade payables (previous year: €2.0 million) and €0.3 million in current liabilities from leases (previous year: €0.1 million).

The shareholder loans from dievini and UCB as well as accrued interest of €10.5 million are the main components of the financial liabilities (previous year: €0).

Accrued liabilities mainly to service providers (€2.6 million) were also recognised under other current liabilities. The accruals shown the previous year for the grants from the US Department of Defense and Esteve have been recognised as income. This item also combines the current element (€4.8 million) of the payment received from Prometheus upon signing, which has been recognised as deferred income, as well as provisions for employee bonuses, royalties, service anniversaries and liabilities for vacation not yet taken.

| Other current liabilities[1] | 30.11.2011[2] € million | 30.11.2010[3] € million | 30.11.2009 € million |
|---|---|---|---|
| Accruals US Department of Defense | 0 | 0.5 | 0.5 |
| Accruals licence agreements | 0 | 0.1 | 1.1 |
| Accrued liabilities | 2.6 | 3.4 | 4.3 |
| Accruals Prometheus | 4.8 | 0 | 0 |
| Other | 0.6 | 0.4 | 0.4 |
| **Total** | **8.0** | **4.4** | **6.3** |

[1] rounded

[2] Including WILEX Inc. and Heidelberg Pharma

[3] Including WILEX Inc.

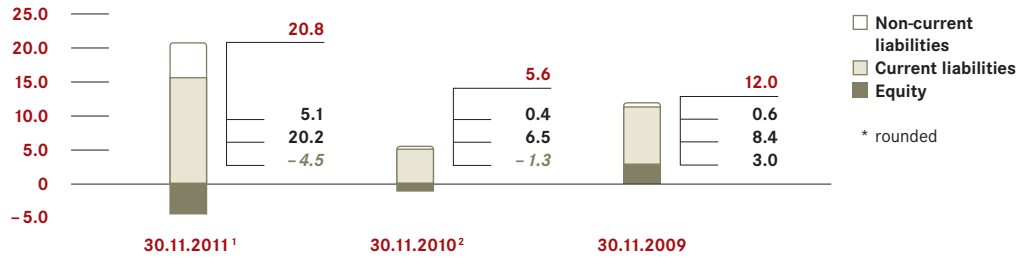
### 5.9. Equity

Equity as of 30 November 2011 was – €4.5 million (previous year: – €1.3 million). The subscribed capital rose to €21.6 million as of 30 November 2011 as a result of the non-cash capital increase in connection with the acquisition of Heidelberg Pharma (30 November 2010: €18.4 million). WILEX AG had acquired Heidelberg Pharma by issuing 3,200,000 new WILEX shares, excluding shareholders' subscription rights.

Capital reserves climbed to €135.0 million (previous year: €127.5 million) due to both the completed capital increase and the measurement of stock options. The price of the WILEX shares issued as of the acquisition date (17 March 2011) must be used to measure the purchase price of Heidelberg Pharma pursuant to IFRS. At a price of €3.39 per share on 17 March 2011, the purchase price amounts to €10.8 million. After deducting €3.2 million in subscribed capital, €7.6 million were allocated to capital reserves. The costs of the capital increase were deducted from the capital reserves.

The accumulated losses rose by the net loss of €13.9 million for the year to a total of €161.1 million (previous year: €147.2 million). A currency loss of €37.9 k arising on consolidation was recognised in equity. The equity ratio as of 30 November 2011 was –21.7 % (previous year: –23.2 %).

**Balance sheet structure – equity and liabilities** in € million*




[1] Including WILEX Inc. and Heidelberg Pharma

[2] Including WILEX Inc.

### 5.10. Overall assessment of the financial year by the Executive Management Board of WILEX

The Company made strategic decisions in the 2011 financial year that place its business model on three segments. Aside from expanding preclinical contract research at Heidelberg Pharma and building up the operations of WILEX Inc., WILEX's main focus was also on the ongoing development of its clinical product candidates. WILEX's activities centred on the regulatory approval process for REDECTANE® and the strategic decision to start the final analysis for RENCAREX® instead of the interim analysis.

As expected, the progress of the programmes and the extensive product portfolio led to a loss in 2011. But WILEX was able to lower it substantially thanks to the significant increase in income such that the funding of WILEX's programmes and projects was ensured. As to the current economic situation of the company the Executive Management Board expects a positive development.

**Comparison of target and actual performance in relation to certain targets and key indicators in the 2011 financial year:**

| Clinical targets | Target 2011 | Actual 2011 |
|---|---|---|
| REDECTANE® | • Request a pre-BLA meeting with the FDA | • Pre-BLA meeting held with FDA in first six months of 2011, two sets of issues to be addressed by WX and partner<br>• Second meeting with FDA prepared regarding topics from the pre-BLA meeting; Advisory Committee recommendation for clarification |
| | • Submit application for approval with the FDA | • Application for approval not submitted |
| RENCAREX® | • Prepare interim analysis for efficacy<br>• IDMC recommendations | • Interim analysis process initiated<br>• Consultation with the regulatory authorities and the recommendation of the IDMC resulted in the cancellation of the interim analysis and the preparation of the final analysis |
| MESUPRON® | • Phase II breast cancer trial: Complete patient recruitment | • Patient recruitment completed in the first six months of 2011 |
| WX-554 | • Continuation of the Phase I programme | • Trial started with oral WX-554 and healthy volunteers<br>• Protocol submitted for further study in patients |
| WX-037 | • Continuation of preclinical programme | • GMP production completed<br>• Participation in leading-edge cluster's m4 project and application for funding from BMBF |

| Commercial targets | Actual 2011 |
|---|---|
| Commercialisation and securing the Company's funding | • Licence agreement with Prometheus for US marketing rights for RENCAREX® (payment of USD 19 million on contract conclusion and USD 2.5 million as milestone payment, as well as co-funding a portion of costs)<br>• Perpetual shareholder loan for €10 million<br>• SEDA agreement running until 31 March 2013 (up to €20 million); not utilised to date |
| **WILEX Inc.:** | |
| • Establish operational business and achieve integration | • Integration successfully completed<br>• Marketing and distribution agreement with ALPCO |
| • Acquire customers and increase revenue | • Initial sales revenue generated |
| **Heidelberg Pharma:** | |
| • Complete transaction and integration | • Integration successfully completed |
| • Out-licencing agreement for ADC technology | • Several material transfer agreements concluded for trialling the technology, but no licence agreement |
| • Increase revenue in preclinical service business | • Revenue significantly increased |

*Glossary*

The Company's economic development was more positive than expected in the financial year. The financial targets that had been announced at the financial press conference in February 2011 were adjusted in July 2011 on account of the licence agreement with Prometheus for RENCAREX®. The adjusted targets for both revenue and income were surpassed thanks to higher revenue at Heidelberg Pharma and higher other income. Operating expenses were lower than expected. This is attributable to lower research and development costs, primarily due to the outcome of the discussions with the FDA in respect of REDECTANE® and the elimination of the interim analysis for RENCAREX®. Rising revenue and falling expenses caused the net loss for the year to be lower than expected in the adjusted July 2011 guidance. As a result, the Company's funding requirements for the current year were also lower than projected. Total assets were substantially higher year on year, due in particular to the acquisition of Heidelberg Pharma. Whilst equity pursuant to IFRS was negative as of the close of the reporting period, the capital measure in January 2012 helped to improve this (see Events after the reporting period).

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| Financial targets | Target 2011 (02/2011) € million | Adjustment (07/2011) € million | Actual 2011 € million |
|---|---|---|---|
| Sales revenue and other income | 3.0 – 4.5 | 9.0 – 11.0 | 11.7 |
| Operating expenses | 28.0 – 33.0 | 26.0 – 30.0 | 25.1 |
| Operating result | (24.0) – (29.0) | (16.0) – (20.0) | (13.4) |
| Funding requirement | 26.0 – 29.0 | 24.0 – 27.5 | 24.0 |
| Cash used per month | 2.2 – 2.5 | 2.0 – 2.3 | 2.0 |

## 6. Corporate governance

### 6.1. Statement on Corporate Governance pursuant to Section 289a German Commercial Code for the 2011 financial year

The Statement on Corporate Governance pursuant to Section 289a German Commercial Code contains the Declaration of Compliance of the Executive Management Board and the Supervisory Board with the German Corporate Governance Code (GCGC) pursuant to section 161 German Stock Corporation Act. Both corporate bodies had an in-depth discussion regarding compliance with the requirements of the GCGC as amended on 26 May 2010.

In addition, the Statement addresses the principles of proper corporate governance and makes relevant disclosures on the Company's actual corporate governance practices above and beyond statutory requirements. It also describes the procedures of the Executive Management Board and the Supervisory Board as well as both the composition and the procedures of their committees.

The Statement on Corporate Governance was posted at the WILEX website under the tab "Press + Investors > Corporate Governance" on 10 February 2012. @ *www.wilex.com*

### 6.2. Corporate governance report

Responsible corporate governance is integral to WILEX's philosophy. As an instrument of self-regulation, the German Corporate Governance Code (GCGC) contains recommendations and suggestions for transparent and exemplary corporate governance. The GCGC, compliance with which is voluntary, is designed to enhance the trust of the financial markets and the public in the management of listed companies based on transparent descriptions of management and control mechanisms as well the disclosure of the rules of corporate governance. Both the Executive Management Board and the Supervisory Board of WILEX AG expressly endorse the Code and have implemented it with exceptions.

#### 6.2.1. Compensation of the Executive Management Board and the Supervisory Board

WILEX AG complies with the recommendations of the German Corporate Governance Code to disclose all compensation paid to the Executive Management Board and the Supervisory Board broken down by individual. Please see the section entitled "Compensation Report" for more detailed disclosures on the compensation of the Executive Management Board members (broken down by fixed and variable components as well as other ancillary benefits) and the compensation of the Supervisory Board members. The compensation paid to the members of the Executive Management Board and the Supervisory Board is also disclosed on the Company's website under the tab "Press + Investors > Corporate Governance > Corporate bodies". @ *www.wilex.com*

#### 6.2.2. Directors' dealings

The German Securities Trading Act (Wertpapierhandelsgesetz) sets out that members of the Executive Management Board, the Supervisory Board and the inner circle of WILEX's executives and parties related to them must disclose any personal trading with WILEX shares, to the extent that such trading surpasses the statutory de minimis limit of € 5,000 per calendar year. WILEX's policy is to disclose each and every transaction irrespective of its volume.

In the 2011 financial year, the Company's executives reported the following transactions subject to disclosure in accordance with Section 15a German Securities Trading Act (Wertpapierhandelsgesetz) (Directors' dealings), which were also posted on WILEX's website under the tab "Press + Investors > Announcements > Directors' Dealings": @ *www.wilex.com*

| Name | Date | Trans-action | Market place | Price € | Number | Volume € |
|---|---|---|---|---|---|---|
| Professor Christof Hettich [1] | 15.12.2010 | Subscription obligation/ Purchase | OTC | 6.00 | 135,218 | 811,308.00 |

[1] In his capacity as Managing Director of NewMarket Venture Verwaltungs GmbH

### 6.2.3. Shares held by the Supervisory Board and the Executive Management Board

The following members of the Supervisory Board directly or indirectly held a total of 6,944,391 shares in the Company as of 30 November 2011; one member of the Executive Management Board directly holds 120,331 shares.

| Name | Function | Shareholdings | Number |
|---|---|---|---|
| Dr Georg F. Baur | Deputy Chairman of the Supervisory Board | Direct | 181,183 |
| Andreas R. Krebs | Member of the Supervisory Board | Direct | 40,000 |
| Professor Friedrich von Bohlen und Halbach | Member of the Supervisory Board | Indirect [1] | 6,587,990 |
| Professor Christof Hettich | Chairman of the Supervisory Board | Indirect [1]<br>Indirect [2] | 6,587,990<br>135,218 |
| Professor Olaf G. Wilhelm [3] | Chairman of the Executive Management Board | Direct | 120,331 |

[1] In his capacity as Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG

[2] In his capacity as Managing Director of NewMarket Venture Verwaltungs GmbH

[3] The wife of Professor Olaf G. Wilhelm, Dr Sabine Wilhelm, holds a further 120,331 shares

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Changes in the shareholdings of members of the Company's corporate bodies are posted at the Company's website under the tab "Press + Investors > Corporate Governance > Shareholdings".

### 6.2.4. Shareholders and Annual General Meeting

The shareholders of WILEX AG exercise their co-determination and control rights at the Company's Annual General Meeting, which takes place at least once a year. It resolves all matters determined by law with binding effect on all shareholders and the Company. Each share grants one vote at the Annual General Meeting. Every shareholder who registers in due time has the right to participate in the Annual General Meeting. WILEX makes it easy for its shareholders to exercise their voting rights without attending the Annual General Meeting in person through proxies bound by instructions. In addition, shareholders may also appoint proxies of their own choosing. WILEX makes the Executive Management Board's speech and presentation as well as all voting results available to all shareholders unable to attend the Annual General Meeting in person immediately after it has ended. The notice of the Annual General Meeting as well as the reports and information required for the resolutions are published in accordance with the requirements of German stock corporation law and are also made available at the WILEX website under the tab "Press + Investors > Annual General Meeting".

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### 6.2.5. Transparency and timeliness

WILEX AG regularly informs shareholders and analysts, as well as the media and the interested public, of the Company's position and any major changes; in so doing, it complies with all requirements of the German Corporate Governance Code in terms of transparency, timeliness, openness and equal treatment. WILEX's corporate communications aim first and foremost to make identical information available to all target groups at the same time and in a timely manner. It goes without saying that on this basis WILEX makes publications of the Company available in German and English simultaneously.

All information relevant to the capital markets – such as annual and quarterly reports, ad-hoc announcements, press releases, directors' dealings and voting share notifications – are posted on the Company's website under the "Press + Investors" tab. Presentations at conferences, investor and analyst meetings as well as all information related to the Company's Annual General Meeting are also posted there. The financial calendar contains information on dates relevant to the capital market, e. g. financial reports and Annual General Meetings. Analyst and media conferences are held at least once per year. In addition, the "Press + Investors" section also provides all disclosures related to corporate governance as well as the Declaration of Compliance, in both German and English, which are updated on a regular basis. This includes the Company's current Articles of Association, its corporate code, the information memorandum on insider trading laws as well as all declarations of compliance. The WILEX website also offers comprehensive information on the Company and its share.

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### 6.2.6. Compliance in the 2011 financial year

Ethical standards, professionalism and compliance with statutory requirements are among the key ingredients of WILEX AG's corporate philosophy. In the 2011 financial year, there were no deviations from the declaration of compliance applicable to this period. There were no conflicts of interest among members of the Executive Management Board as defined in Section 4.3 of the German Corporate Governance Code. Any conflicts of interest affecting members of the Supervisory Board pursuant to Section 5.5 of the German Corporate Governance Code were disclosed to the remaining members of the Supervisory Board, and the Supervisory Board members affected by the given conflict of interest acted as follows during the respective deliberations and resolutions of the Supervisory Board:

The Supervisory Board member, Professor Iris Löw-Friedrich, is Chief Medical Officer and Executive Vice President Global Projects and Development at UCB S.A., Brussels, Belgium. Professor Iris Löw-Friedrich did not participate in the Supervisory Board's deliberations or voting in connection with the closing of the shareholder loan agreement with UCB Pharma S.A. in December 2010.

Professor Christof Hettich and Professor Friedrich von Bohlen und Halbach – both members of the Supervisory Board – are managing directors of dievini Verwaltungs GmbH, which is the general partner of dievini Hopp BioTech holding GmbH & Co. KG (dievini). Both individuals did not participate in the Supervisory Board's deliberations or voting in connection with the closing of the shareholder loan agreement with dievini in December 2010. In their capacity as managing directors of dievini Verwaltungs GmbH, and in the case of Professor Christof Hettich also in his capacity as the managing director of NewMarket Venture Verwaltungs GmbH (shareholder of Heidelberg Pharma), they had a conflict of interest.

The role of Professor Christof Hettich, the Chairman of the Supervisory Board, as partner of the Rittershaus law firm, which provides legal consulting services for the WILEX Group, has been identified as a further potential conflict of interest by the Supervisory Board. To the extent that the services provided by the Rittershaus law firm were the subject of deliberations of the Supervisory Board, the Chairman of the Supervisory Board did not take part in these deliberations and abstained from any votes taken.

While some Supervisory Board members also hold positions on supervisory boards of other companies in the pharmaceutical and biotech sectors, none of these companies can be considered major competitors of WILEX, which complies with GCGC requirements.

WILEX has explained the legal regulations on insider trading to all members of its corporate bodies and employees and pointed out the need to handle sensitive information at WILEX in a responsible manner.

Under compliance rules, all of WILEX's employees are obligated to report violations of compliance rules to their supervisor or the responsible member of the Executive Management Board. Moreover, to comply with the applicable statutory requirements, WILEX has appointed numerous officers who monitor compliance with the respective statutory requirements in their given departments (e. g. drug safety, radiation protection, manufacturing, quality assurance, archiving, waste and safety, biological safety, data protection, IT security); they also analyse and report violations to the responsible member of the Executive Management Board and initiate the necessary measures in coordination with that Executive Management Board member. Many guidelines (so-called Standard Operating Procedures or corporate guidelines) have been issued for these areas, and both WILEX and its employees must comply with them; compliance is monitored by the compliance officers. Regular training sessions are also organised in this connection.

### 6.2.7. Risk management

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The responsible treatment of risks constitutes a material element of functional corporate governance. WILEX has established a systematic risk management, which enables the Executive Management Board to detect the relevant risks and market trends in due time and respond to them. Please see chapter 7, "Report on risks and opportunities" for details on the Company's risk management and for the risk report. The report on the internal control system relevant to the financial reporting process required under the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz) is a part of the Statement on Corporate Governance pursuant to Section 289a German Commercial Code, which has been published on the website under the tab "Press + Investors > Corporate Governance".

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Both of these systems are continuously refined and adjusted to the changing environment. The Executive Management Board discusses the given risk report and any actions that might be required at its meetings and regularly briefs the Supervisory Board on existing risks and their development.

### 6.2.8. Accounting and audit of financial statements

WILEX regularly informs both its shareholders and third parties by means of its consolidated financial statements and quarterly reports. As a corporation domiciled within the European Union, WILEX AG must prepare and publish its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), taking Section 315a German Commercial Code into account. Both the consolidated financial statements and the annual financial statements are prepared by the Executive Management Board, audited by the auditor and reviewed by the Supervisory Board. The auditor elected by the Annual General Meeting and commissioned by the Supervisory Board participates in the deliberations of both the Audit Committee and the Supervisory Board regarding the Company's financial statements and reports on the material findings of its audit. The Audit Committee uses this information for its own assessment of the Company's financial statements and reports. WILEX AG's annual financial statements and management report for the 2011 financial year, as well as the consolidated financial statements and the Group management report, are audited by KPMG AG Wirtschaftsprüfungsgesellschaft, Munich (KPMG). These audits also review the risk early warning system defined by Section 91 (2) German Stock Corporation Act as to its general suitability for the early detection of going-concern risks. KPMG reports to the Chief Financial Officer and the Audit Committee of the Supervisory Board. The auditor also checks whether the Declaration of Compliance in accordance with Section 161 German Stock Corporation Act (AktG) has been issued and published.

## 6.3. Disclosures under Section 315 (4) German Commercial Code as well as explanatory report

### 6.3.1. Summary of subscribed capital

The Company's subscribed capital amounted to € 21,613,035.00 at the end of the financial year. It is composed of 21,613,035 no par value bearer shares. These shares are fully paid in. The Company does not hold any treasury shares. After the close of the reporting period, the Company carried out a rights issue. Since having been recorded in the Commercial Register on 3 February 2012, the new share capital is € 24,814,963.00. It is composed of 24,814,963 no par value bearer shares.

### 6.3.2. Restrictions on voting rights or on the transfer of shares

The rights and duties related to the shares arise, in particular, from Sections 12, 53a ff, 118 ff and 186 of the German Stock Corporation Act and the Company's Articles of Association. There are no restrictions on voting rights or on the transfer of shares. No shareholder or shareholder group has special rights. Each share entitles the holder to one vote at the Annual General Meeting and is determinant for the proportion of the Company's profits the shareholder will receive.

Pursuant to the contribution agreement dated 3 November 2010 between WILEX AG and the shareholders of Heidelberg Pharma, Verwaltungsgesellschaft des Golf Club St. Leon-Rot mbH, NewMarket Venture Verwaltungs GmbH as well as Dr Jan Schmidt-Brand undertook towards WILEX to abide by a holding period of 12 months in regards to the WILEX shares to be subscribed by each of them from the date on which these WILEX shares were created. The capital increase in return for contributions in kind resolved by WILEX's Extraordinary General Meeting on 15 December 2010 for the purpose of executing this transaction was recorded in the Commercial Register on 17 March 2011 such that the holding period runs until 17 March 2012.

Beyond this, no shareholder is prohibited from selling, pledging or otherwise disposing of the Company's securities (shares and options).

### 6.3.3. Equity interests exceeding 10 % of voting rights

Section 315 (4) number 3 of the German Commercial Code requires any interest in a Company's capital in excess of ten percent of the voting rights to be disclosed.

| Entity with disclosure requirement | Voting interest[1] as of the reporting date | Voting interest[2] after the reporting date |
|---|---|---|
| dievini Hopp BioTech holding GmbH & Co. KG (dievini)[3] | 43.33 % | 44.01 % |
| UCB Pharma S.A. (UCB) | 15.38 % | 15.71 % |

[1] Base: share capital of 21,613,035 shares

[2] Base: share capital of 24,814,963 shares after capital increase on 3 February 2012

[3] Including the share of Verwaltungsgesellschaft des Golf Club St. Leon-Rot mbH (12.85 %)

### 6.3.4. Shares with special rights conferring powers of control

None of the shareholders have shares with special rights conferring powers of control. In particular, no individual may claim a right to be appointed to the Supervisory Board pursuant to Section 101 (2) of the German Stock Corporation Act.

### 6.3.5. Nature of voting control where employees have an equity interest and do not directly exercise their control rights

Any employees of WILEX AG who hold an equity interest in the Company exercise their voting rights directly.

### 6.3.6. Legal regulations and provisions of the Articles of Association on the appointment and dismissal of members of the Executive Management Board and on amendments to the Articles of Association

The members of the Executive Management Board are appointed for a maximum of five years by the Supervisory Board in accordance with Section 84 German Stock Corporation Act and Articles 7 – 9 of the Articles of Association. The appointment of members of the Executive Management Board may be renewed, or the term of office extended, provided that the term of each such renewal or extension does not exceed five years. The Supervisory Board may revoke appointments to the Executive Management Board for good cause as defined by Section 84 (3) of the German Stock Corporation Act.

If the Executive Management Board does not have the required number of members, a court shall make the necessary appointment in urgent cases in accordance with Section 85 German Stock Corporation Act.

Pursuant to Section 179 (1) German Stock Corporation Act, any amendment to the Articles of Association requires a resolution by the Annual General Meeting to be passed with a majority of at least three-quarters of the share capital represented at the adoption of the resolution.

### 6.3.7. Authority of the Management Board to issue and buy back shares

In accordance with Article 5 (3) of the Articles of Association, the share capital is contingently increased by up to €18,400.00 through the issue of up to 18,400 no par value bearer shares (Contingent Capital). The contingent capital increase serves to grant options to the Company's employees and Executive Management Board members as resolved by the Annual General Meeting on 20 July 2001 (Item 6 on the agenda) taking into consideration the amendments as resolved by the Annual General Meetings on 29 April 2005 and 8 September 2005. The contingent capital increase will only be implemented to the extent that the holders of options make use of their option rights. The shares participate in profits for the first time in the financial year for which – at the time of the effective submission of the option exercise notice – the Company's Annual General Meeting had yet to adopt a resolution concerning the allocation of net retained profits.

In accordance with Article 5 (4) of the Articles of Association, the Company's share capital is contingently increased by €986,491 through the issue of up to 986,491 new no par value bearer shares (Contingent Capital II). The contingent capital increase will only be implemented to the extent that holders of the stock options issued by the Company on the basis of and subject to the terms and conditions of the authorisation by the Annual General Meeting on 08 September 2005 (resolution in accordance with item 9.1) make use of their stock options. In accordance with item 9.1 (5) of the above-mentioned resolution by the Annual General Meeting, the shares will be issued at the exercise price set in each case as the issue price and also at the specific terms and conditions determined in this resolution. The new shares participate in profits from the start of the financial year in which they are issued.

In accordance with Article 5 (6) of the Articles of Association, the Company's share capital is contingently increased by €1,156,412.00 through the issue of up to 1,156,412 new no par value bearer shares (Contingent Capital 2011/I). The contingent capital increase is exclusively for the purpose of satisfying subscription rights issued on the basis of the authorisation resolved by the General Meeting on 18 May 2011 in respect of Agenda item 6. The conditional capital increase will only be implemented to the extent that the holders of the subscription rights issued under the "WILEX stock option plan 2011" exercise their right to subscribe for shares of the Company and the Company does not grant treasury shares or offer a cash settlement to satisfy the option rights. The new shares participate in profits from the start of the financial year for which, at the time they are issued, a resolution regarding the appropriation of net profits has not yet been adopted.

The Executive Management Board, with the approval of the Supervisory Board, and – to the extent that members of Executive Management Board are affected – the Supervisory Board are authorised to determine any other details concerning the contingent capital increase and its implementation in connection with all contingent capital. The Supervisory Board is authorised to change the wording of the Articles of Association to reflect the scope of the respective capital increase from Contingent Capital.

As of the reporting date, the Executive Management Board was authorised pursuant to Article 5 (5) of the Articles of Association to increase the Company's share capital, with the approval of the Supervisory Board, by up to €9,206,517.00 by issuing up to 9,206,517 new no par value bearer shares in return for cash contributions and/or contributions in kind on one or several occasions up to and including 14 December 2015 (Authorised Capital 2010/II). As a result of the rights issue for 3,201,928 shares completed in February 2012, the Company's Authorised Capital 2010/II now amounts to €6,004,589.00.

The shareholders generally have a subscription right in connection with cash capital increases. The shares may also be acquired by one or more banks, subject to the obligation to offer them to the shareholders for subscription. The Executive Management Board is authorised, however, subject to the approval of the Supervisory Board, to exclude shareholders' subscription right in connection with cash capital increases in the following cases:

(a) In the event of a cash capital increase, if the issue price of the new shares is not substantially lower than the market price and if the total share of the new shares issued in direct or analogous application of section 186 para. 3 clause 4 of the German Stock Corporation Act in return for cash contributions subject to the exclusion of shareholders' subscription right while this authorisation is in effect does not exceed a total of 10% of the share capital, specifically, neither at the date this authorisation takes effect nor at the time it is exercised. Shares that are, or shall be, issued for the purpose of satisfying bonds that are issued with conversion rights or options shall be counted toward this 10% limit of the share capital, to the extent that and insofar as these bonds are issued in analogous application of section 186 para. 3 clause 4 of the German Stock Corporation Act subject to the exclusion of shareholders' subscription rights while this authorisation is in effect; or

(b) to avoid fractions of shares.

The Executive Management Board is also authorised to exclude shareholders' subscription rights in connection with capital increases in return for contributions in kind with the approval of the Supervisory Board. Finally, the Executive Management Board is authorised to determine both the additional content of the rights embodied in the shares and the conditions of the share issue, subject to the approval of the Supervisory Board. The Supervisory Board is authorised to amend the wording of the Articles of Association to reflect the scope of the capital increase from Authorised Capital 2010/II.

The Company is not authorised at present to acquire treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act.

### 6.3.8. Key agreements entered into by the Company providing for a change of control following a takeover bid

WILEX and UCB agreed a strategic alliance on 8 January 2009, under which WILEX took over five oncological programmes from UCB. If WILEX AG is subject to a change of control following a takeover bid, UCB is entitled but not obligated to make use of its buyback option for the five programmes (so-called opt-in right) prematurely.

Initially, a change of control as defined by the agreement is deemed to have taken place in particular if a party holds at least 50 % of the shares in WILEX AG. The requirements of the German Stock Corporation Act regarding the allocation of voting shares shall apply. In the event of a takeover bid as defined in the German Securities Acquisition and Takeover Act, acceptance of an offer for 50 % or more of the voting shares suffices.

Furthermore, the transfer to a third party of all or essentially all assets of WILEX AG as well as the acquisition of the right to appoint or dismiss 50 % or more of the members of the Supervisory Board of WILEX AG are considered a change of control.

In particular, the parties also stipulated that if 50 % or more of the Company's Executive Management Board members and second management tier (vice presidents or higher) leave the Company within a period of three years from the closing of the strategic alliance, UCB may exercise the change of control provision inasmuch as these persons occupy key positions in regards to the expertise of WILEX, i. e. to develop and market drug candidates for oncological indications.

All stock options issued to employees and the Executive Management Board vest at the time of the change of control and may be exercised immediately without regard for any waiting period.

#### 6.3.9. Compensation agreements between the Company and members of the Executive Management Board or employees concluded in the event of a takeover bid

WILEX AG has not entered into any compensation agreements that provide for compensation to members of the Executive Management Board or employees in the event of a takeover bid.

### 6.4. Compensation report

The compensation report takes the provisions of the German Management Board Compensation Disclosure Act (Vorstandsvergütungs-Offenlegungsgesetz) as well as the requirements of the German Corporate Governance Code into account.

#### 6.4.1. Compensation of the Executive Management Board

The full Supervisory Board has been responsible for determining the compensation of the Executive Management Board since 1 September 2009 in accordance with Section 107 (3) German Stock Corporation Act. Compensation consists of a salary (fixed compensation), other benefits (non-cash compensation), a variable compensation component and a stock option programme with a long-term incentive and a risk element.

In the event of the termination of an Executive Management Board member's service for WILEX, there is no contractual entitlement to a settlement.

##### 6.4.1.1. Salary and benefits

The annual salary of members of the Executive Management Board is determined for the term of office and paid in equal amounts over twelve months. It depends on the financial position of WILEX and the level of compensation paid by competitors.

In addition to their salaries, members of the Executive Management Board receive the following benefits:

A company car is made available to Executive Management Board members Professor Olaf G. Wilhelm, Dr Paul Bevan and Peter Llewellyn-Davies. Executive Management Board member Dr Thomas Borcholte does not have a company car.

WILEX also pays the premiums for a personal pension plan up to the maximum amount permissible under Section 40b of the German Income Tax Act (Einkommensteuergesetz) and the premiums for an occupational disability insurance on behalf of Professor Olaf G. Wilhelm, Chairman of the Executive Management Board.

A pension commitment as part of a deferred salary plan was also granted to Professor Wilhelm in 1999, and a provision has been recognised for this. The allocation to the pension provision corresponds to the increase in the entitlements under the associated reinsurance policy and totalled €909 (previous year: €877). The Company has no such obligations towards any other Executive Management Board members.

For the Executive Management Board member Dr Paul Bevan, the Company covers the costs of up to 24 economy class flights between Germany and the UK per calendar year (return flight).

#### 6.4.1.2. Variable compensation

Variable compensation is contingent on the achievement of personal targets and the Company's performance targets. The performance-based compensation of the members of the Company's Executive Management Board is primarily tied to the corporate goals of WILEX, i. e. the achievement of defined milestones in clinical development, the securing of the Company's further funding and the performance of its shares.

The variable compensation of Professor Olaf G. Wilhelm amounts to a maximum of 50 % of his fixed compensation (previous year: 75 %) from 2011. For Dr Paul Bevan and Peter Llewellyn-Davies (previous year: 33 %) as well as Dr Thomas Borcholte (previous year: 31 %), it amounts to a maximum of 33 % of their respective fixed compensation. On account of the adjustment of the fixed salaries of Professor Wilhelm, Dr Bevan and Dr Borcholte during the financial year, the respective maximum bonuses in the 2011 financial year slightly exceeded the given value because the adjusted maximum bonus resulting from the higher fixed salary is granted for the full 2011 financial year for the first time even though the salary adjustments did not take effect until April and October 2011, respectively. In addition, the members of the Executive Management Board are entitled to stock options above and beyond their base salary as a component of their bonus, the granting of which depends on achievement of milestones; the 2011 calendar year is the first year to which this applies. In Professor Wilhelm's case, this might yield a maximum of 28,000 stock options a year, and a maximum of 8,000 stock options a year each for Dr Bevan, Mr Llewellyn-Davies and Dr Borcholte.

#### 6.4.1.3. Compensation component with incentive and risk features

The compensation component with incentive and risk features was previously based on the 2005 stock option plan adopted by the Annual General Meeting on 8 September 2005.

A total of 900,000 stock options could be granted to the Executive Management Board members under the 2005 stock option plan. No options were issued to members of the Executive Management Board in the 2011 and 2010 financial years. Including the options already issued to members of the Executive Management Board in financial years 2006 and 2007, the active members of the Executive Management Board held a total of 719,335 options at the reporting date 30 November 2011. At the reporting date 30 November 2011, a former member of the Executive Management Board held a total of 10,000 options. The stock options can be exercised after an initial waiting period of two years from the grant date. No stock options have been exercised to date.

Each of these options entitles the holder to the acquisition of one new share in return for payment of the exercise price, which was €4.10 as of the balance sheet date. The exercise price per stock option was reduced across the board to €3.10 in accordance with the option conditions of the 2005 stock option plan for all beneficiaries alike – i. e. both staff and members of the Executive Management Board – and thus corresponds to the subscription price per share that was fixed in connection with the capital increase executed in February 2012.

All options issued to the Executive Management Board could only be exercised until the reporting date if the average closing price of WILEX shares during the preceding ten trading days prior to the expiry of the waiting period or for ten consecutive trading days at any other point in time following this date exceeds by a minimum of 10 % the exercise price of €4.10 per share. Accordingly, the reference price was set at €4.51.

After the capital measure was completed, the reference price thus decreased to € 3.41 in line with the reduced exercise price. This means that the stock options may only be exercised if WILEX's share closes at € 3.41 at a minimum – i. e. at least 10 % higher than the exercise price of € 3.10 – on ten consecutive trading days prior to exercise of the stock option.

In future, this compensation component will also be based on the 2011 stock option plan adopted by the Annual General Meeting on 18 May 2011. Up to 173,462 stock options (30 % of the total volume) may be granted to the members of the Executive Management Board thereunder. This authorisation remains in effect through 1 July 2016. The stock options may only be exercised if they have vested and the performance target has been achieved. In order for the performance target to be achieved, the price of WILEX's share on the ten trading days preceding the onset of the respective exercise period must exceed the exercise price by a minimum of 20 % as well as surpass the gains of the TecDAX during the maturity of the given stock option. No stock options have been issued to date under the new stock option plan.

Overall, the following fixed and variable compensation components as well as non-cash compensation for Executive Management Board members were recognised as an expense in the 2011 financial year:

**Compensation in 2011 recognised as an expense**

| Executive Management Board member | Fixed compensation 2011 € | Variable compensation[1] 2011 € | Other compensation (non-cash compensation) 2011 € | Total compensation 2011 € |
|---|---|---|---|---|
| Professor Olaf G. Wilhelm[2] | 286,000 | 74,750 | 10,844 | 371,594 |
| Dr Paul Bevan[2] | 253,340 | 43,643 | 12,730 | 309,713 |
| Peter Llewellyn-Davies | 253,000 | 41,745 | 11,851 | 306,596 |
| Dr Thomas Borcholte[2,3] | 225,500 | 34,243 | 180 | 259,923 |
| **Total** | **1,017,840** | **194,381** | **35,605** | **1,247,826** |

[1] The exact variable compensation is usually determined and paid in the following financial year. The figures shown for the 2011 financial year are based on provisions that were determined on the basis of assumptions and historical data.

[2] Taking into account the contract adjustments made during the year.

[3] Dr Borcholte has waived his non-cash compensation in the form of a company car.

The following table shows the maximum variable compensation achievable in the 2010 financial year and the actual variable compensation paid in the 2011 financial year. The variable compensation for the 2009 and 2010 financial years was paid in 2011 because the Executive Management Board had voluntarily held back the given payments.

**Variable compensation paid in 2011**

| Executive Management Board member | Maximum variable compensation for 2010 € | Variable compensation for 2010 actually paid in the 2011 financial year € | Variable compensation for 2009 actually paid in the 2011 financial year € |
|---|---|---|---|
| Professor Olaf G. Wilhelm | 195,000 | 126,750 | 138,515 |
| Dr Paul Bevan | 75,900 | 49,335 | 64,644 |
| Peter Llewellyn-Davies | 83,490 | 52,966 | 52,947 |
| Dr Thomas Borcholte | 68,486 | 44,504 | 46,510 |
| **Total** | **422,876** | **273,555** | **302,616** |

Professor Olaf G. Wilhelm and Peter Llewellyn-Davies did not receive compensation for their activities as executive directors of WILEX Inc. in 2010 and 2011.

Based on the tables above, the following figures apply to 2010:

**Compensation in 2010 recognised as an expense**

| Executive Management Board member | Fixed compensation 2010 € | Variable compensation[1] 2010 € | Other compensation (non-cash compensation) 2010 € | Total compensation 2010 € |
|---|---|---|---|---|
| Professor Olaf G. Wilhelm | 260,000 | 137,800 | 10,844 | 408,644 |
| Dr Paul Bevan | 230,000 | 55,407 | 11,542 | 296,949 |
| Peter Llewellyn-Davies[2] | 228,250 | 61,710 | 13,524 | 303,484 |
| Dr Thomas Borcholte[3] | 220,000 | 46,570 | 180 | 266,750 |
| **Total** | **938,250** | **301,487** | **36,090** | **1,275,827** |

[1] The exact variable compensation is usually determined and paid in the following financial year. The figures shown here for the 2010 financial year are based on provisions that were determined on the basis of assumptions and historical data.

[2] Taking into account the adjustment made to Mr Llewellyn-Davies's contract during the year.

[3] Dr Borcholte has waived his non-cash compensation in the form of a company car.

| Variable compensation paid in 2010 | | |
|---|---|---|
| **Executive Management Board member** | **Maximum variable compensation for 2009 €** | **Compensation for 2009 actually paid in the 2010 financial year €** |
| Professor Olaf G. Wilhelm | 195,000 | 0 |
| Dr Paul Bevan | 75,900 | 0 |
| Peter Llewellyn-Davies | 72,600 | 0 |
| Dr Thomas Borcholte | 68,486 | 0 |
| **Total** | **411,986** | **0** |

The following overview shows the stock options held by members of the Executive Management Board during the year under review and changes in these holdings as well as the portion of staff costs per beneficiary attributable to these stock options:

| Executive Management Board member | 01.12.2010 Number | Additions Number | Expiry Number | Sales Number | 30.11.2011 Number |
|---|---|---|---|---|---|
| Professor Olaf G. Wilhelm | 262,770 | 0 | 0 | 0 | 262,770 |
| Dr Paul Bevan | 175,180 | 0 | 0 | 0 | 175,180 |
| Peter Llewellyn-Davies | 131,385 | 0 | 0 | 0 | 131,385 |
| Dr Thomas Borcholte | 150,000 | 0 | 0 | 0 | 150,000 |
| **Total** | **719,335** | **0** | **0** | **0** | **719,335** |

| Executive Management Board member | Expense in the statement of comprehensive income € | Fair value of the options[1] € |
|---|---|---|
| Professor Olaf G. Wilhelm | 0 | 631,599 |
| Dr Paul Bevan | 0 | 421,066 |
| Peter Llewellyn-Davies | 0 | 325,835 |
| Dr Thomas Borcholte | 21,197 | 423,469 |
| **Total** | **21,197** | **1,801,969** |

[1] As of the respective issue date

The year-on-year decrease in expenses arises from the across-the-board reduction in the exercise price of €4.10 as part of capital increase executed in the 2010 financial year. No expense was recognised for a former member of the Executive Management Board (previous year: €4k).

The following figures apply to the previous financial year:

| Executive Management Board member | 01.12.2009 Number | Additions Number | Expiry Number | Sales Number | 30.11.2010 Number |
|---|---|---|---|---|---|
| Professor Olaf G. Wilhelm | 262,770 | 0 | 0 | 0 | 262,770 |
| Dr Paul Bevan | 175,180 | 0 | 0 | 0 | 175,180 |
| Peter Llewellyn-Davies | 131,385 | 0 | 0 | 0 | 131,385 |
| Dr Thomas Borcholte | 150,000 | 0 | 0 | 0 | 150,000 |
| **Total** | **719,335** | **0** | **0** | **0** | **719,335** |

| Executive Management Board member | Expense in the statement of comprehensive income € | Fair value of the options[1] € |
|---|---|---|
| Professor Olaf G. Wilhelm | 97,451 | 631,599 |
| Dr Paul Bevan | 64,967 | 421,066 |
| Peter Llewellyn-Davies | 48,725 | 325,835 |
| Dr Thomas Borcholte | 153,166 | 423,469 |
| **Total** | **364,309** | **1,801,969** |

[1] As of the respective issue date

### 6.4.2. Compensation of the Supervisory Board

In accordance with the Company's Articles of Association, the members of the Supervisory Board receive a fixed compensation of €15,000 for each full financial year of service on the Supervisory Board. The Chairman of the Supervisory Board receives a fixed compensation of €35,000 and the Deputy Chairman €25,000. The Supervisory Board compensation is paid in four equal instalments on the last day of February and on 31 May, 31 August and 30 November of each financial year.

Members of a Supervisory Board committee are paid a flat fee of €3,000, while chairpersons of such committees are paid €7,000 per financial year and committee. In each case, compensation is limited to activities in a maximum of two committees. Over and above this individual limit, the Company does not pay more than €39,000 per financial year for committee activities. If this cap is not sufficient to cover all memberships and chairmanships of Supervisory Board committees, it is distributed proportionally among all committee members and chairpersons in line with the above provisions, unless the Supervisory Board unanimously resolves a different regulation.

An additional allowance is paid for attendance at a maximum of six Supervisory Board meetings in each financial year. Meeting chairpersons are paid a flat fee of €3,000 and all other members €1,500 each per meeting. Supervisory Board members who attend meetings by telephone receive only half of the allowance. This allowance must be paid with the Supervisory Board member's fixed compensation. Members of Supervisory Board committees do not receive an attendance allowance for committee meetings.

The compensation paid to Supervisory Board members who were not in office for a full financial year is pro rated in accordance with the duration of their membership on the Supervisory Board. The Supervisory Board members do not receive variable compensation, nor are they granted options or similar rights. Supervisory Board members are not entitled to a settlement if their membership ends. The total compensation paid by WILEX to the Supervisory Board for the 2011 financial year amounted to € 219,000 plus expenses (previous year: € 201,668). The table below shows the individual compensation.

| Supervisory Board member | Fixed compensation 2011 € | Attendance allowance 2011 € | Committee fee 2011 € | Total compensation 2011 € |
|---|---|---|---|---|
| Professor Christof Hettich (Chairman) | 35,000 | 18,000 | 7,000 | 60,000 |
| Dr Georg F. Baur (Deputy Chairman) | 25,000 | 9,000 | 7,000 | 41,000 |
| Dr Alexandra Goll | 15,000 | 8,250 | 6,000 | 29,250 |
| Professor Friedrich von Bohlen und Halbach | 15,000 | 7,500 | 10,000 | 32,500 |
| Andreas R. Krebs | 15,000 | 9,000 | 6,000 | 30,000 |
| Professor Iris Löw-Friedrich | 15,000 | 8,250 | 3,000 | 26,250 |
| **Total** | **120,000** | **60,000** | **39,000** | **219,000** |

The table below shows the individual compensation for the 2010 financial year:

| Supervisory Board member | Fixed compensation[1] 2010 € | Attendance allowance 2010 € | Committee fee 2010 € | Total compensation 2010 € |
|---|---|---|---|---|
| Professor Christof Hettich[2] (Chairman) | 11,499 | 4,500 | 1,244 | 17,243 |
| Dr Georg F. Baur[3] (Deputy Chairman) | 28,518 | 12,750 | 6,494 | 47,762 |
| Dr Alexandra Goll[3] | 18,518 | 8,250 | 2,567 | 29,335 |
| Professor Friedrich von Bohlen und Halbach | 15,000 | 8,250 | 4,028 | 27,278 |
| Andreas R. Krebs[2] | 7,944 | 4,500 | 1,067 | 13,511 |
| Professor Iris Löw-Friedrich | 15,000 | 6,750 | 533 | 22,283 |
| Dr David Ebsworth[4] | 16,559 | 10,500 | 3,310 | 30,369 |
| Dr Rüdiger Hauffe[4] | 7,137 | 5,250 | 1,500 | 13,887 |
| **Total** | **120,175** | **60,750** | **20,743** | **201,668** |

[1] The fourth instalment for the 2010 financial year was paid after the end of the 2010 financial year.

[2] Professor Hettich and Mr Krebs have been members of the Supervisory Board since 21 May 2010. Professor Hettich has been Chairman since 27 September 2010.

[3] Dr Baur and Dr Goll were Chairman and Deputy Chairman, respectively, from 21 May 2010 to 26 September 2010.

[4] Dr Ebsworth and Dr Hauffe left the Supervisory Board effective at the end of the Annual General Meeting on 21 May 2010.

## 7. Report on risks and opportunities

### 7.1. Risk strategy

Managing and controlling risk is important to the management of WILEX. The tasks involved include the recording and assessment of risk, as well as the efficient controlling of operational and strategic risks. All potential risks with substantial ramifications and a reasonable probability of occurring are closely monitored at regular intervals. All overriding entrepreneurial decisions are made after a comprehensive assessment of all related risks.

The Company's risk strategy is defined by the Executive Management Board and coordinated with the Supervisory Board. The Chief Financial Officer at WILEX is responsible for risk management and control. The Controlling department regularly reports the current status of risk management to the full Executive Management Board.

WILEX is exposed to relatively high risks, since it is engaged in research and development in the biopharmaceutical industry and has not yet achieved sustainable earnings. Such risks may affect various operational functions and have a significant negative impact on profit and loss, net assets and financial position, as well as on the Company's enterprise value.

### 7.2. Risk management and control

WILEX has established a comprehensive and efficient system across the Group including its subsidiaries, functions and processes in order to detect, assess, communicate and manage risks. Risk management serves to detect risks as early as possible, use suitable measures to keep operating losses at a minimum and avert going-concern risks. WILEX uses an IT-based risk management system for purposes of early risk identification; the system complies with the requirements of the German Control and Transparency in Business Act (Gesetz zur Kontrolle und Transparenz im Unternehmensbereich). WILEX uses this system to identify and assess risks as well as to monitor the measures aimed at minimising risk. Potential risks are classified into 16 risk areas, and all risks are unequivocally assigned to specific risk officers, most of whom belong to WILEX's second management tier (depending on the significance of the given risk). Risks are assessed in terms of their quantifiable effect on the WILEX Group even before any risk management measures or the process of mitigating the given risk have been initiated.

All material risks are addressed in a risk report that is made available to the Executive Management Board fortnightly; shorter intervals are adopted to report on material risks should the need arise. In addition, the risk report is discussed with the Supervisory Board on a regular basis. Comprehensive risk ratings are carried out on a quarterly basis as part of a systematic process designed to ensure that all material risks related to the different departments and the subsidiaries are included.

WILEX distinguishes ~~b~~etween short-term risks that might affect the Company in the next 12 months and longer-term strategic risks that are particularly important to WILEX's programmes of developing its own products with development cycles of ten to 15 years. Unforeseen risks are discussed alongside the usual risk management process, and countermeasures are put in place on short notice. The risk management system is described in detail in both a Risk Manual and a company guideline. These documents are regularly updated and made available to all employees. WILEX's risk early warning system is reviewed by the Company's auditor at least once a year in order to ensure that it meets requirements.

### 7.3. Internal control system for financial reporting

Pursuant to Section 315 (2) number 5 German Commercial Code, the Executive Management Board is responsible for ensuring compliance with and due reporting on an effective internal control system designed to ensure reliable financial reporting. The Company's internal control system is an integral part of its risk management system and serves primarily to ensure that its financial statements comply with all rules and regulations.

It is the sum of all principles, methods and actions aimed at ensuring the effectiveness, economy and propriety of the Company's accounting system as well as ensuring compliance with material legal requirements. WILEX fulfils the requirements of the German Commercial Code.

In this connection, both the Executive Management Board and the Supervisory Board of WILEX have the obligation to conduct regular reviews of the functionality of the internal control system that ensures reliable financial reporting. Internal reviews have not uncovered any material weaknesses, and minor defects were remedied immediately. These matters are also reported to the Supervisory Board's Audit Committee on a regular basis, and the activities related to the reviews are discussed with it.

To ensure reliable financial reporting, WILEX observes the International Financial Reporting standards (IFRS) and the provisions of the German Commercial Code (HGB). In addition, WILEX uses an internal control system (ICS) which follows the framework named "Internal Control – Integrated Framework" of the Committee of Sponsoring Organizations of the Treadway Commission (COSO Framework). In keeping with the COSO Framework, the ICS has the following components:

- Control environment,
- Risk assessment,
- Control activities,
- Information and communication as well as
- Monitoring the internal control system.

WILEX's internal control system is intended to ensure compliance with applicable accounting principles to ensure reliable financial reporting. The system comprises actions that are managed automatically and manually. Preventive and downstream risk controls are carried out. Care is taken in that connection to maintain both the division of responsibilities in Finance and compliance with corporate guidelines (e. g. four-eyes principle when approving expenditures). These controls also include the utilisation of automated solutions that define different access and permission rights and thus grant limited access, especially in connection with the Group's finance and accounting system.

In addition, WILEX also includes external experts in the process, e. g. in connection with questions related to the measurement of stock option grants, the preparation of securities prospectuses and purchase price allocations.

Specific risks related to the Group's financial reporting process may arise from unusual or complex transactions. Transactions that are not routinely processed also entail inherent risks. Additional risks related to the financial reporting process arise from the latitude given to employees in regards to the recognition and measurement of assets and liabilities. To prevent these risks, WILEX consults with renowned auditing firms, e. g. the auditor of the Company's annual financial statements, and has established a team of professional finance specialists. These risks are monitored both as part of the monthly reporting system and during the year via the internal control system (ICS). External third-party opinions are solicited and the Audit Committee is consulted in connection with special topics.

However, all aspects of the internal control system that serve to provide a proper and reliable financial reporting process ensure complete and timely recording of all transactions in compliance with all requirements under the law and the Company's Articles of Association. These control activities also serve to ensure that the bookkeeping records provide reliable and plausible information.

WILEX is convinced therefore that all of the measures it has put in place significantly reduce the risk of negative effects on the Company's financial reporting. The internal control and risk management system makes it possible to record, process and measure all transactions pertaining to the Company as well as their appropriate

presentation through the Group's accounting thanks to WILEX's organisational, control and monitoring structures. However, personal discretion, defective controls, criminal acts or other circumstances cannot be precluded by the very nature of the matter at hand and, as a result, may limit the effectiveness and reliability of the internal control and risk management system such that even groupwide application of the systems utilised cannot guarantee with absolute certainty complete, accurate and timely recording of transactions as part of the financial reporting process. The risk management system is adjusted, as necessary and in a timely manner, to account for changes in the risk environment.

**7.4. General business risks**

WILEX is exposed to the risks typical for a biotechnology company, namely those arising from the development and production of drugs used in cancer therapies. The time between the commencement of drug development and marketing approval spans many years. Even though WILEX's portfolio matured further in the 2011 financial year, there is a continued risk that none of the drug and diagnostic candidates in the current product pipeline will receive marketing approval.

Although health care costs are generally less exposed to economic fluctuations, health care reforms and price reductions for drugs in the US, Europe and Japan – key markets all – will increase the pressure on health care budgets and thus on the pharmaceuticals market on the whole. Overall, this situation could cause potential cooperation partners or investors to refrain from making new commitments. This could also pose a risk for WILEX.

**7.5. Product development risks**

The development of WILEX's core drug and diagnostic candidates – either by WILEX alone or in cooperation with partners – could fail for a variety of reasons. These include difficulties related to patient recruitment or involving cooperation with clinical study sites or contract research organisations. To date, none of the product candidates have successfully completed all clinical trials and also achieved regulatory approval. It is impossible to make any predictions based on preclinical and early clinical trials and such trials do not offer any certainty in regard to issues of safety and efficacy in a later trial. WILEX cannot eliminate the possibility that the approval of a drug candidate might be delayed or rejected even after a successful registration trial, for instance if the documentation concerning the manufacturing process, quality control or methods of analysis does not satisfy regulatory requirements.

A Phase III trial for the product candidate REDECTANE® has been completed, and talks have been held with the FDA on how to proceed with the further development of this diagnostic agent. The discussion also concerned the scheduling of a second trial and the option to conduct an "outcomes based study" or a "confirmatory study" of the candidate's performance similar to the REDECT trial. The FDA has offered us the option of discussing the regulatory pathway, timing and design of a second study with an FDA Advisory Committee. The FDA is expected to confirm the Advisory Committee discussion after internal verification of the logistics for the meeting. This means that the procedure for the application process will be open until the Advisory Committee makes its recommendation. The approval of REDECTANE® will be at risk if the FDA and the Company do not reach an agreement on the next steps.

**7.6. Manufacturing risks**

WILEX AG does not maintain production facilities of its own at its Munich site and therefore obtains all material for its clinical trials from subcontractors. This situation involves risks, including potential problems concerning quality or capacity, or problems arising from the interruptions of supplies in the event of the termination of a contract.

Authorities have the right to inspect production facilities at any time. If an inspection by an authority reveals any defects, WILEX or manufacturers it has commissioned might be required to remedy the defects, suspend production or even close the production facilities. This would interrupt the manufacturing process and might

hamper deliveries of the affected drugs, diagnostic agents or product candidates. WILEX might be required furthermore to interrupt or suspend current clinical trials and the placing on the market and sale of the affected drugs, diagnostic agents or product candidates might be prohibited altogether.

Changes in the manufacturing process (including the manufacturing methods) or changes in the place of manufacture or the manufacturer could also be subject to inspection, approval or re-approval by authorities. This might make it necessary to redo or repeat clinical trials. The related inspections might be time-consuming and cost-intensive and might delay or completely prevent the approval and market launch of a drug or diagnostic candidate.

All this can have a negative effect on Group's net assets, financial position and earnings.

WILEX Inc. engages in the production and sales of biomarker tests. The attendant risk resides in not manufacturing these diagnostic tests to the quality customers desire and not fulfilling delivery commitments in a timely manner. Furthermore, FDA restrictions on the Company's existing manufacturing permit could make it impossible for WILEX Inc. to supply key markets and customers.

**7.7. Risks arising from collaboration with service providers**

In conducting its preclinical and clinical trials, WILEX collaborates primarily with clinical test centres, clinical trial managers and clinical research physicians as well as clinical contract research organisations ("CROs") and other service providers. Although WILEX conducts reviews and audits of its CROs and other providers at regular intervals, despite contractual agreements these entities might fail to comply with applicable study protocols as well as with requirements governing data quality, the archiving of documents and data, the human and financial resources invested for implementing clinical trials, other rules and regulations and the timelines. These entities might neglect WILEX's projects or fail to satisfy their obligations in other ways if the fees WILEX pays to its CROs and service providers are lower than those paid by its competitors or if these fees fail to cover the expenses of these entities. In turn, this could have a negative impact on the development of WILEX's drug and diagnostic candidates and delay or prevent their approval. In addition, any violation by the trial centres, CROs or service providers of the respective clinical study protocols and other rules and regulations could harm the reputation of WILEX itself or that of its products.

**7.8. Risks resulting from competition and technological change**

Those in competition with WILEX include pharmaceutical, chemical and biotechnology companies that have access to greater financial, technological and sales resources than WILEX. Some biotechnology companies have also set up alliances with established companies with the aim of intensifying the research, development and marketing of competitive products. Likewise, various research and scientific institutes operate in areas similar to those in which WILEX is active. The first product that is marketed generally has a considerable advantage over products launched at a later date, since subsequent market players must prove that their products possess improved features when compared to established products. Like other pharmaceutical and biotechnology companies, WILEX operates with the risk that competing technologies could turn out to be safer, more economical and more effective than its own technologies. In addition, there is the risk that the technology could be used to produce products that reach the market earlier and might be more successful than the products developed by WILEX. Additional risks arise from the fact that competitors might offer their technology to cooperation partners at a lower cost, with the intention of gaining market share.

**7.9. Marketing risks**

WILEX AG has not yet generated revenue from products and does not possess a distribution or marketing structure. The Company thus must cooperate with other entities to market its drug and diagnostic candidates. Hence WILEX's sales revenue will also depend on the performance of its cooperation partners. The extent to which WILEX can influence the given entities is limited moreover. WILEX will generally participate in the

revenue generated from its products through licence fees and milestone payments. The Group's net assets, financial position and earnings might be negatively affected to a material extent if WILEX fails to close the requisite distribution and marketing cooperation agreements at reasonable terms, if such cooperation agreements do not bring about the expected success or if existing cooperation agreements are terminated or if their terms are modified.

A decision by WILEX to establish its own distribution and marketing organisation in certain regions would entail a substantial expenditure in terms of money and time. The establishment of such entities can also run into unforeseen difficulties or fail altogether. In turn this could delay the market launch of WILEX's products. This could have a significantly negative impact on the Group's net assets, financial position and earnings.

**7.10. Risks related to industrial property rights**

Any termination of the licence agreements for the Girentuximab antibody and the CA IX target antigen would have far-reaching negative consequences. Such an event might make it impossible for WILEX to continue the clinical trials of RENCAREX® and REDECTANE® and market these products. Any infringement by third parties of the patents that WILEX utilises and of the industrial property rights belonging to WILEX or any of its licensees could have a negative impact on the Company's business operations. WILEX must protect its own products through patents and other industrial property rights and enforce all related rights. In the absence of patent protection WILEX might not be able to generate sufficient revenue to cover its development costs or generate sufficient profits. WILEX in turn might infringe the industrial property rights of third parties, including those of which it is unaware. This could lead to time-consuming and cost-intensive litigation or force WILEX to purchase licences from third parties for developing or marketing its drug and diagnostic candidates.

**7.11. Product risks**

The marketing and sale of pharmaceuticals and services for specific indications is subject to product liability risks. WILEX cannot exclude product liability actions against itself at a later stage. In connection with this, there is no guarantee that WILEX would be able to purchase insurance coverage at both a reasonable cost and acceptable terms or that such insurance would be sufficient to protect WILEX from lawsuits or a loss.

**7.12. Risks and dependencies related to the provision of health care and spending by the pharmaceutical industry**

WILEX is dependent on various sources of income, in particular, licence fees and milestone payments from licensees and cooperation partners. The framework within which public health authorities, research institutes, private health insurance providers and other organisations operate also impacts WILEX's business activities. Many cooperation and out-licensing agreements provide milestone payments due upon fulfilment of specific criteria. WILEX has no influence over the achievement of these milestones by cooperation partners or licensees, or over the decision of Company partners to even continue to develop a particular product. Competitors may also attempt in-licensing of products that have progressed further than products from WILEX. As a result, product candidates in WILEX's pipeline may not reach a sufficiently advanced development stage to be of interest for a certain period of time. There is no guarantee that stable sales revenue can be generated from existing or future partnerships.

**7.13. Environmental and health risks**

WILEX uses hazardous substances in its research and development programmes, one example being the use of radioactive material. These activities are subject to health and environmental laws and regulations; non-compliance with these may result in financial losses.

**7.14. Legal risks**

No litigation is pending at present.

### 7.15. Risks from acquisitions and subsidiaries

#### 7.15.1. Heidelberg Pharma

The ADC technology developed by Heidelberg Pharma is still in its development and the customer specific research business involving the ADC platform is not yet profitable. WILEX cannot preclude that the technology might turn out to be useless or unsuitable for the market. In such a case WILEX would have to rethink Heidelberg Pharma's business model. It cannot be precluded that Heidelberg Pharma would require further financial support of WILEX AG if it fails to achieve a stable level of profitability in the medium term. Such financial support – for instance through additional shareholder loans or capital increases – might also become necessary because its business continues to generate deficits. WILEX cannot preclude that Heidelberg Pharma might need additional funds from WILEX AG to avoid insolvency despite the letter of comfort including subordination and the loan. In such a case most of WILEX's investments related to Heidelberg Pharma would be lost.

WILEX has carried out a purchase price allocation for the business activities of Heidelberg Pharma that were newly added to the Group. This purchase price allocation gave rise to an adjustment in WILEX's balance sheet of the goodwill of Heidelberg Pharma that was determined in connection with the measurement of the transaction. The goodwill of Heidelberg Pharma will be tested annually for impairment and might change as a result. Any resulting impairment could have a negative effect on the Company's balance sheet. The aforesaid circumstances might negatively affect the net assets, financial position and earnings of the WILEX Group.

#### 7.15.2. WILEX Inc.

WILEX Inc. engages in the production and sales of biomarker tests. The attendant risk resides in not manufacturing these diagnostic tests to the quality customers desire and not fulfilling delivery commitments in a timely manner. Furthermore, FDA restrictions on the Company's existing manufacturing permit could make it impossible for WILEX Inc. to supply key markets and customers.

WILEX Inc. is not profitable at this time. WILEX Inc. can only be expected to become profitable once its marketing activities have been strengthened and its customer base in the US has been successfully reactivated. It cannot be precluded that future marketing activities might fail to bring about the desired outcome and that WILEX Inc. will remain unprofitable. In such a case WILEX AG might be forced to continue to provide financial support to WILEX Inc. to prevent an insolvency. The facts mentioned above can have a negative effect on WILEX's net assets, financial position and earnings.

### 7.16. Dependence on employees

The Company mainly employs experts in clinical development, quality assurance and regulatory affairs. To date, WILEX has not had any problems recruiting suitable executives and research staff. However, in terms of recruitment effort, WILEX must succeed in the face of competition from other companies, universities, public and private sector research institutes and other organisations. Success in recruiting employees and maintaining low employee turnover also depends on total compensation, including stock options. If the share price falls, WILEX could become less attractive for both potential and existing employees. Any failure on the part of WILEX in recruiting qualified staff in the future could delay implementation of the Company's business strategy and considerably impair its business prospects.

### 7.17. Currency risks

WILEX works with several service providers worldwide and is thus exposed to currency risks, particularly in connection with currency positions in US dollars and Swiss francs. Any appreciation of the US dollar or the Swiss franc against the euro could increase expenses reported in euros. In the future, WILEX expects an increasing proportion of revenue and costs to be denominated in US dollars or Swiss francs. This proportion will include a share of the revenue from R&D cooperation agreements. The effects of exchange rate fluctuations on the Company's earnings and financial position may increase as a result. WILEX does not currently engage in hedging transactions.

### 7.18. Financing risk

It is reasonable to assume that WILEX will continue to have a considerable capital requirement in future. This depends on numerous factors. Whilst the Company's ability to identify commercialisation partners and enter into cooperation deals is essential, the success of such cooperation agreements with respect to sales revenue and future licence fees and/or milestone payments is also an important factor in determining the Company's future capital requirements. In addition, the scope of the Company's future capital requirements also depends on whether one of the drug and diagnostic candidates WILEX is currently developing is successfully approved and when such an approval is granted, making it possible to generate revenue from the product's marketing. Whether funds will be available at financially reasonable terms as needed is not certain. WILEX will have to raise equity capital by issuing new shares under a public or private offering of shares if the funds required cannot be raised through borrowings or by entering into partnerships and cooperation agreements. This might dilute the shareholdings of existing shareholders. Raising funds via the capital market also depends largely on the price of WILEX's share, which must be deemed very volatile. Raising additional funds by means of development and marketing agreements or other cooperation and licence agreements might force WILEX to surrender material rights to its technologies or drug and diagnostic candidates or entail the granting of licences at terms unfavourable to WILEX. This could have a lasting negative impact on WILEX's ability to continue expanding its business.

If WILEX were unable to raise sufficient funds at financially reasonable terms as needed, the Company might not be able to continue expanding its business or might have to limit or even terminate the development or marketing of its drug and diagnostic candidates in future. All this can have a significantly negative effect on Group's net assets, financial position and earnings.

### 7.19. Balance sheet risks

#### 7.19.1. Halving of the Company's share capital through rising losses carried forward

WILEX is not yet a profitable company and has posted operating losses in all of its past financial years. Given the scope of its research and development expenses, these losses have accumulated over time into large losses carried forward that are offset against equity. Although it is unlikely given the Company's current equity situation in accordance with the relevant annual financial statements prepared under the German Commercial Code, WILEX cannot preclude that the Company might have to file a report that its share capital has been halved. Pursuant to Section 92 (1) German Stock Corporation Act, this would immediately require us to convene an Extraordinary General Meeting. Such a meeting would entail both organisational and financial costs for WILEX and might also have a negative impact on the Company's share price.

#### 7.19.2. Risks related to the allowance of tax losses carried forward

By notice of assessment dated 25 August 2011, the appropriate tax office assessed WILEX AG's loss carryforwards until 31 December 2010, which comprise losses carried forward of €149.8 million (corporation tax) and €147.3 million (municipal trade tax). The tax office has reserved the right to review its assessment.

By notice of assessment dated 9 March 2011, the appropriate tax office assessed Heidelberg Pharma's loss carryforwards until 31 December 2009, which comprise tax losses carried forward of €37.7 million (corporation tax and municipal trade tax). The tax office has reserved the right to review its assessment.

WILEX Inc. contributes €1.7 million to the Group's total loss carryforwards.

Section 8c German Corporation Tax Act (Körperschaftsteuergesetz) – which was added in connection with the German Business Tax Reform Act 2008 (Unternehmensteuerreformgesetz 2008) – replaced the provisions of Section 8 (4) German Corporation Tax Act, which had been applicable until the end of 2007; it is binding on transfers of shares effective 1 January 2008 or later. Accordingly, transferring 25% to 50% of the subscribed capital already leads to the pro-rated elimination of tax loss carryforwards whilst any transfer of more than

50 % of the subscribed capital results in the complete elimination thereof. This could result in the elimination of tax losses carried forward accumulated until that time and thus have a negative impact on the after-tax results and equity of WILEX in future, particularly in connection with previous and further capital measures. The loss carryforwards Heidelberg Pharma accumulated up to the acquisition date are also largely at risk because WILEX acquired all shares in Heidelberg Pharma. According to the German Growth Acceleration Act (Wachstumsbeschleunigungsgesetz), however, losses from share transfers made after 31 December 2009 in the amount of undisclosed reserves that are attributable to the equity acquisition, are not eliminated in accordance with Section 8c German Corporation Tax Act. As a result, an elimination of tax losses carried forward can be avoided if undisclosed reserves exist which are taxable in Germany. Given this statutory requirement, at least the loss carryforwards equivalent to the undisclosed reserves of € 7.9 million from the acquisition of Heidelberg Pharma can undoubtedly be offset against future profits.

**7.20. Going-concern risks**

Cash and recognised receivables as of the 30 November 2011 reporting date were insufficient to pay current liabilities (including accrued liabilities). The loan recognised under liabilities has an indefinite term. As far as the Company knows, the creditors are not planning at this time to demand repayment on short notice. Whilst the WILEX Group substantially reduced its net loss in the 2011 financial year thanks to revenue from licence agreements, it is still not in a position to close a year with a positive result because the required expenses for clinical research and development are high. The rising revenue of the Company's subsidiaries, Heidelberg Pharma and WILEX Inc., is not yet sufficient to make a positive contribution to consolidated earnings either.

Raising funds is thus very important for the Company and for securing its development programmes. Due to this WILEX completed a rights issue in February 2012, generating proceeds of € 9.93 million (for more details see "Events after the reporting period").

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Furthermore, WILEX has been entitled since October 2011 to a guaranteed payment under the agreement with Prometheus, the US commercial partner for RENCAREX®, of USD 15 million – or USD 20 million from May 2012 – if the decision is made not to market a Prometheus product in Europe. The cost and income planning is based on the assumption that additional payments will be forthcoming from WILEX's commercial partners, Prometheus and Esteve, starting in the first quarter of 2013 upon achievement of certain clinical milestones, especially positive data on RENCAREX® at the end of 2012.

This income will continue to improve in 2012 through rising sales revenue from WILEX's subsidiaries' product sales (Dx) and customer specific research (Cx) business. The cost planning already provides for another REDECTANE® trial although it has not yet been possible to make a final decision on the trial's timing (before or after approval).

These steps would help ensure the Company's liquidity at least until mid-2013.

In 2012 WILEX will work on closing yet another commercialisation agreement for one of its product candidates. RENCAREX® is available for partnerships in Northern Europe and Asia/Pacific. WILEX will intensify talks with potential partners for MESUPRON® if the data on progression-free survival from the breast cancer trial is positive. But the ADC technology also offers opportunities for a range of alliances. An additional licence agreement would significantly improve the Company's financial position. However, the Executive Management Board cannot predict with any certainty from today's standpoint when and at what terms such an agreement might be made because the ongoing clinical development of the product candidate in question, the manufacturing terms and the marketing parameters must be negotiated along with the financial terms. The Executive Management Board aims to ensure that the product candidate generates the greatest possible return for the Company.

However, it is possible that negotiations with a potential partner might take longer than the cash forecast provides. For instance, partners might postpone negotiations regarding RENCAREX® until the data related to the final analysis for efficacy are available. If WILEX is unable to raise additional funds, the Company is authorised to increase its share capital, with the approval of the Supervisory Board, by up to €6,004,589.00 by issuing up to 6,004,589 new no par value bearer shares in return for cash contributions and/or contributions in kind on one or several occasions up to and including 14 December 2015 (Authorised Capital 2010/II).

This authorised capital could be used to raise fresh funds e. g. in connection with another capital increase or draw on the standby equity distribution agreement (SEDA) with Yorkville Advisors. The SEDA runs until March 2013 and contains a commitment of up to €20 million. In future WILEX could draw up to €1 million in cash per month under this agreement until it expires. The actual amount that can still be drawn under the SEDA at this time depends on the agreement's remaining term as well as on the contractually defined procedure for determining both the price of WILEX's share and the trading volume.

WILEX's existence as a going concern would be at risk if the Executive Management Board, in contrast to its expectations, is unable to enter to into a commercialisation agreement for a product candidate and/or raise additional capital via the capital market. In this case, WILEX might be unable to satisfy its payment obligations and/or become overindebted from the second quarter of the 2013 financial year.

### 7.21. Overall assessment of the risk situation

From today's perspective, WILEX does not perceive any risks that would jeopardise the Company's existence as a going concern in the short term, notwithstanding all aforementioned risks and provided the Company successfully taps all available funding options. WILEX is convinced that the Company's opportunities clearly outweigh the risks that are associated with the development of drugs and diagnostic agents or arise from the funding of biotechnology companies. WILEX has pushed the clinical development of its product candidates to a very advanced stage in recent years and succeeded in lowering its risk by building up a broad portfolio.

WILEX expanded its business model in the 2011 financial year, thus reducing its dependence on successes in clinical development. Its subsidiaries, WILEX Inc. and Heidelberg Pharma, are not yet in a position to contribute positive cash flows to consolidated earnings. But both companies have made progress in broadening their business and increasing revenue.

WILEX's primary goal is to achieve the key clinical milestones for its advanced product candidates in order to generate income in the long term. The Company's funding must be ensured until it reaches those milestones. This could be achieved by means of another capital measure or a licence agreement. If new inflows of capital cannot be generated through these options, cost reductions which would also entail an organisational restructuring and reductions in the research programmes could improve the Company's financial position and ensure its existence as a going concern. The Company might not be able to satisfy its payment obligations and/or might become overindebted if it were to fail to implement the steps described in the section "Going-concern risks" in 2013, jeopardising the Company's existence as a going concern.

### 7.22. Opportunities

#### 7.22.1. Market opportunities

WILEX has specialised in the development of drugs and diagnostic agents for cancer diseases and has built a broad and advanced product portfolio. Tumour diseases are amongst the most frequent causes of death in industrialised countries, and the number of cancer diagnoses will continue to rise as a result of numerous factors such as higher life expectancy, unhealthy lifestyles or changes in the environment. According to the

estimates of the American Cancer Society, roughly 27 million new cases of cancer will be diagnosed in 2050 and there will be 17.5 million deaths from cancer. Accordingly, there is an urgent medical need for cancer therapies that are both effective and well tolerated.

### 7.22.2. Business opportunities

WILEX established its presence in the field of personalised medicine early on and is developing different approaches for controlling cancers as a chronic disease in future. The Company focuses on two therapeutic approaches with its drug candidates: On the one hand, WILEX develops cancer therapies that attack tumour cells without having a non-specific cytotoxic effect – unlike certain conventional treatments such as chemotherapy. On the other hand, WILEX concentrates on therapies designed to inhibit the further progression of cancer by preventing tumour growth and metastasis.

Its RENCAREX® product candidate is in a Phase III registration trial and important data are imminent. RENCAREX® has already demonstrated a high degree of safety, tolerance and efficacy in two clinical Phase I trials and three clinical Phase II trials. According to an interim analysis for futility carried out by the IDMC during the Phase III registration trial in December 2007, the trial could deliver a significant result. The IDMC recommended in November 2011 that WILEX dispense with another interim analysis and carry out the final analysis of the trial data. This means that a clear timeline has been defined, limiting the timing risk. Additional milestone payments will be due from WILEX's commercial partner Prometheus if the data are positive and an approval application is filed. The existence of a timeline for obtaining final data improves the prospects for signing further commercialisation agreements in respect of the rest of the world. To date neither the FDA nor the EMA have approved any drug for the adjuvant therapy of clear cell renal cell carcinoma. WILEX believes that RENCAREX® can reach an annual peak sales potential of around USD 500 million in the indication clear cell renal cell carcinoma alone.

Key data for MESUPRON® are also expected from the Phase II trial involving patients with metastatic breast cancer. MESUPRON® and WX-UK1, a substance that is administered intravenously, both successfully completed clinical Phase I trials. The Company believes that they proved to be safe and well tolerated in these trials. MESUPRON® facilitates the long-term treatment of patients because it can be administered orally in capsule form. Impressive data for the Phase II trial with MESUPRON® involving patients with non-metastatic pancreatic cancer were published in June 2010. To the best of WILEX's knowledge, MESUPRON® is the first uPA inhibitor worldwide to have entered a clinical Phase II trial. WILEX believes that MESUPRON® could reach a potential annual peak sales volume of USD 1 billion. The Executive Management Board is confident that it will be able to continue talks with partners in the pharmaceutical industry on the out-licensing and further development of MESUPRON® based on positive Phase II data.

The strategic alliance with UCB in January 2009 enabled WILEX to take over UCB's entire preclinical oncological portfolio for purposes of ongoing development. These promising candidates complemented and expanded the Company's own advanced oncological pipeline. In UCB, WILEX has not only found an important partner but also a strong strategic investor to support the Company's successful future development. UCB retains exclusive rights to buy back each of the programmes, following completion of initial clinical proof of concept studies for each drug, and assume the responsibility for further development and commercialisation of each product. In this case, WILEX will receive development and commercialisation milestone payments and royalties from UCB. Alternatively, in the event UCB does not exercise its buyback right for a given programme, WILEX will retain rights to develop as well as commercialise that programme and UCB will receive milestone

and royalty payments from WILEX. Furthermore, the two partners may jointly develop the programmes after the successful completion of the proof of concept studies. At this time, the Phase I programme for WX-554 is being continued on the basis of two additional trials and the second project, WX-037, is being prepared for clinical development.

The diagnostic agent REDECTANE®, which is currently under development, is intended to improve tumour detection and post-treatment therapy monitoring. REDECTANE® has confirmed in a Phase III trial that imaging with REDECTANE® and PET/CT can improve diagnosis compared to the standard procedure (CT only). This means that REDECTANE® could determine whether a patient has clear cell renal cell carcinoma before surgery. Therefore, REDECTANE® could significantly improve and simplify treatment planning for patients suspected of having renal cancer. WILEX is not aware of a similar imaging procedure existing today for clear cell renal cell carcinoma. The FDA will notify us whether and how it will put together an Advisory Committee for this issue and suggest the next steps. WILEX signed a licence agreement with IBA concerning the worldwide marketing, distribution and sale of REDECTANE® in June 2008. The partners believes that REDECTANE® can reach an annual peak sales potential of USD 100 million in clear cell renal cell carcinoma diagnosis alone.

WILEX AG already started in the 2011 financial year to improve its quality assurance infrastructure by expanding its Munich laboratory and thus ensure the success of these programmes' clinical development. The expansion of the laboratory, which is included in the Company's planning, is to be completed in 2012; this expansion essentially involves costs of approximately €0.4 million for construction work and investments in equipment.

The acquisition of Oncogene Science has enabled WILEX to expand its diagnostic expertise and broaden its portfolio by companion diagnostics, an increasingly important field for personalised medicine. WILEX Inc. complements WILEX's therapeutic approach through the biomarker tests sold under the Oncogene Science brand. WILEX has access to strategically important patents, rights and licences for both CA IX and uPA, the target proteins of RENCAREX®, REDECTANE® and MESUPRON®, and thus will be able to decisively expand its leading position in these important areas. Aside from the biomarker tests for research purposes, two tests have been registered with the FDA for use in in trials involving patients as well. The revenue stream from the product sale of biomarker tests will be expanded. WILEX entered into a marketing and distribution agreement with ALPCO that is intended to acquire new customers and open up new sales channels for the only FDA-cleared HER2/neu ELISA assay.

Heidelberg Pharma gives WILEX access to a novel conjugate platform technology for therapeutic antibodies (ADC). This ADC platform can be used in the ongoing development of the antibodies that WILEX owns and is to be tested and out-licensed by means of contract research for third parties. Heidelberg Pharma also offers research capacities for pharmaceutical companies and institutions; it can also conduct preclinical trials for WILEX's product portfolio. Significant sales potential could result from the research and development alliances for therapeutic antibodies with the ADC platform.

WILEX's portfolio of products and services now comprises the development of therapeutic and diagnostic product candidates as well as oncological biomarker tests that can be used by pharmaceutical companies and research groups in product development. The antibody projects of WILEX AG will be supplemented with the ADC platform for therapeutic antibodies. A preclinical services business will also be offered in that connection as part of contract research. The Company will maintain its exclusive focus on oncology; to that end, it has extended the value chain from research to marketing and sales.

## 8. Events after the reporting period

Heidelberg Pharma completed the change in its legal structure from an AG (German stock corporation) to a GmbH (German limited liability company) as of 1 December 2011.

Dr Goll stepped down from the Supervisory Board effective 14 December 2011.

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WILEX completed the Phase I trial of the orally administered MEK inhibitor WX-554 in healthy volunteers in January 2012. For more details, see chapter 3.1 entitled “Research and development of the product candidates”.

On 9 January 2012, WILEX AG resolved, with the approval of the Supervisory Board, to raise the Company’s share capital using Authorised capital from € 21,613,035.00 by up to € 3,201,928.00 to up to € 24,814,963.00 by issuing up to 3,201,928 new no par value bearer shares with a pro rata interest in the Company’s share capital of € 1.00 each and full rights to dividends from 1 December 2011 in return for cash contributions. The new shares were offered to existing shareholders solely by means of an indirect subscription right at a ratio of 27 existing shares to 4 new shares. The subscription period ran from 17 January 2012 to 30 January 2012. The subscription price was € 3.10. There was no organised trading in subscription rights.

With the approval of the Supervisory Board, on 1 February 2012 the Executive Management Board fixed the scope of the capital increase at 3,201,928 new shares. Shareholders exercised subscription rights for a total of 2,417,077 new shares, which corresponds to a subscription ratio of more than 75 %. The Company’s main shareholders, dievini Hopp BioTech holding GmbH & Co. KG, Verwaltungsgesellschaft des Golf Club St. Leon-Rot mbH and UCB Pharma S.A. exercised all of their subscription rights. A total of 784,851 additional new shares were made available to the shareholders; they were fully allotted to and subscribed by the shareholders via the depository banks. About 68 % of these additional shares were allocated to a multitude of free float shareholders. WILEX AG plans to use the gross proceeds of about € 9.93 million to finance its ongoing clinical studies and continued growth as well as to enhance its equity base. The capital increase was completed when it was recorded in the Commercial Register on 3 February 2012. The new shares were listed without a prospectus in the Regulated Market of the Frankfurt/Main stock exchange (Prime Standard) on 6 February 2012 and traded for the first time on 7 February 2012. Given the difference in participation rights, the new shares will be traded separately under the ISIN DE000A1ML992 until the planned inclusion in the Company’s current listing (after the Annual General Meeting on 25 May 2012). Landesbank Baden-Württemberg, Stuttgart (LBBW), was the sole lead manager of the capital measure.

In February 2012 WILEX received a funding commitment of up to € 2.6 million from the Federal Ministry of Education and Research (BMBF) for the preclinical and clinical development of the PI3K inhibitor WX-037. The money will be provided as part of the Munich Leading-Edge Cluster initiative “m4”. WILEX will use the grant to push forward with preclinical development work for WX-037 in 2012 and prepare clinical development as well as Phase I trials. Within the project, WX-037 is to be tested in the next few years in clinical models as a monotherapy and in combination with the MEK inhibitor WX-554 before being transferred to clinical development with cancer patients.

## 9. Anticipated developments

The following paragraphs contain forecasts and expectations regarding future developments. These forward-looking statements are neither promises nor guarantees but instead are contingent on many factors and uncertainties, some of which are beyond the management's control and could have a decisive impact on the statements made here.

### 9.1. Economic environment

Pursuant to its January 2012 assessment, the World Bank expects subdued global growth and an imminent recession in Europe. The global economy is now expected to grow by only 2.5 %. In June of last year, the World Bank was still forecasting growth of 3.6 %. It provides two reasons for this forecast. First, the euro zone will obviously slip into a recession in connection with the sovereign debt crisis; the forecast for the euro zone was lowered from 1.8 % to –0.3 %. Second, growth in the emerging countries such as China, Brazil and India will also weaken substantially. Growth of 5.4 % is expected for all emerging and developing countries together (June 2011 forecast: 6.2 %). The estimates of the United Nations – 2.6 % at best – are more or less on the same level. Germany's gross domestic product is expected to grow by about 1 % in 2012.

Demand for drugs and therapies is expected to rise in both industrialised and emerging countries. Demand for new treatment alternatives based on antibodies and small molecules is expected to remain high. New and innovative technologies such as the ADC technology have opened new perspectives for the industry. The first ADC product was approved in 2011, and an approval application for another ADC drug has been filed. Applications of specific diagnostic agents and companion diagnostics in both drug development and therapy will also continue to grow. Interesting new applications are continually being identified in the diagnostics market and diagnostic agents help to avoid unsuitable therapies.

Cuts are expected and price reductions will be imposed by the state in the health care industry, not just in respect of expenditures. Pharmaceutical companies as well are working to enhance the efficiency of their R&D and battling dramatic downturns in sales as patents expire; they must also compete with generics. The trend toward cooperation agreements between and takeovers or mergers of pharmaceutical and biotech companies is unlikely to change because biotech is the engine for innovations with highly promising drug candidates, diagnostic agents and technologies as well as full development pipelines.

Entering into cooperation agreements with major pharmaceutical companies has evolved into a key funding alternative for biotechnology companies. There has been a further decline in the willingness of venture capital companies and institutional investors to underwrite the industry's risks – especially at the early stage of a development project. Investors now increasingly tend to be interested in companies that have a more balanced risk profile and can be expected to generate cash flows. The out-licensing of products, milestone payments under partnerships, as well as successes in both clinical development and regulatory decisions are the factors driving the growing interest in investments in biotech companies.

### 9.2. Strategy

In 2011 WILEX placed its business model on three segments and strengthened the parent company's core business – clinical development – by means of complementary activities. Heidelberg Pharma offers a preclinical services business for third parties and is working intensively on furthering its customer specific research on ADC technology, which offers attractive marketing opportunities as a platform technology. Out-licensing will take place exclusively for specific antigens (biological target proteins) and is intended to bring about alliances with various partners for different products and indications. The biomarker tests manufactured and marketed by WILEX Inc. perfectly supplement WILEX's existing business model and IP portfolio. The diagnostic tests are designed to broaden WILEX's clinical development expertise in oncology by corresponding

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companion diagnostics. The ISO certification and the two in vitro diagnostic tests registered with the FDA have enabled WILEX Inc. to establish a good foundation for expanding its customer base and increasing revenue. Additional development and marketing alliances are planned.

WILEX AG is focused on pursuing the successful development of its product candidates. Its focus is on the data from the Phase III ARISER registration trial of RENCAREX® and the continued clinical development of and the approval strategy for the diagnostic candidate REDECTANE®. But the data from the Phase II trial of MESUPRON® in the breast cancer indication will also break new ground for the ongoing development of the uPA inhibitor. All candidates shall enable specific treatment and detection of various types of cancer and shall be used in indications where the unmet need is high and the benefits for patients are large.

In the first half of 2012, WILEX plans to make its decision as to which of the options defined in the licence agreement with Prometheus it will exercise: either USD 15 million by the end of April 2012, USD 20 million starting in May 2012 or the European marketing rights to a Prometheus product.

WILEX's corporate strategy is aimed at commercialising its entire portfolio. WILEX has already entered into attractive cooperation and partnership agreements resulting in milestone and licence payments. Once product approval has been obtained, revenue and licence payments shall make a substantial contribution to the value chain. Commercialising and out-licensing the marketing rights for the remaining available markets in the rest of the world (excepting the United States and Southern Europe) for RENCAREX® and worldwide for MESUPRON® are the next steps if the data is positive.

WILEX's strategic goal is to finance its research and development programmes from its operating cash flow within a few years. Until then it will be necessary, as in previous years, to meet the cash needs of WILEX as a growing biotechnology company and ensure that it can bring its product candidates to market. Likewise, WILEX will continue to maintain a cost-conscious approach to its work in order keep the outflow of funds as low as possible. Besides focusing on efforts to close lucrative commercialisation agreements for WILEX's product candidates, it might also become necessary to raise additional funds via the capital market.

### 9.3. Segment development

#### 9.3.1. Therapeutics (= Rx)

Therapeutics will remain the largest segment within the WILEX Group; it comprises the clinical development and commercialisation of its drug candidates.

An amendment of the study protocol for the Phase III ARISER trial of RENCAREX® will be agreed with the authorities and all trial centres. The process related to the final analysis of efficacy of the antibody RENCAREX® will be started in the second quarter. All available data on the 864 patients included in the trial will be compiled. This entails centrally re-evaluating the 521 patients that had not progressed at the start of the interim analysis. Subsequently the final data will be evaluated by the Independent Data Monitoring Committee (IDMC). The results are anticipated for the fourth quarter of 2012. If the data are positive, WILEX will file an approval application in the first half of 2013, first in Europe and then in the United States.

Data from the Phase II trial of MESUPRON® in the breast cancer indication are expected in the course of 2012.

A trial of the MEK inhibitor WX-554 involving cancer patients is set to start in the first quarter of 2012. Data from this Phase Ib/II trial are also expected to be available in 2012.

Preclinical research and development for the PI3K inhibitor WX-037 and UCB's two antibody programmes will also continue in the 2012 financial year.

### 9.3.2. Diagnostics (= Dx)

The Diagnostics segment comprises the REDECTANE® product candidate for which WILEX expects the FDA's decision on convening an Advisory Committee. This FDA Advisory Committee is to deliberate the next steps in the drug's development and the timeline for a second clinical trial. The application could be delayed if it comes to the conclusion that a second trial should furnish additional evidence of the diagnostic performance of REDECTANE® prior to its approval. WILEX cannot forecast when the FDA might issue its approval decision.

WILEX plans to expand the manufacture and marketing of the biomarker tests by its US subsidiary, WILEX Inc., and increase its sales revenue. Additional development and marketing alliances are planned. The goal is to become profitable in the medium term.

### 9.3.3. Customer Specific Research (= Cx)

The Customer Specific Research (Cx) segment comprises a preclinical services business and the ADC platform technology for which customer specific development work is performed under research contracts. WILEX plans to increase sales revenue from the services business and acquire new customers for this segment. Additional partnerships planned for the ADC technology shall provide the basis for successfully commercialising this platform. Expenses are likely to be higher than income because the business activities related to the ADC technology are still in an early stage.

## 9.4. Expected earnings

If the projects proceed as planned, the Executive Management Board expects the WILEX Group to generate between €14.0 million and €16.0 million in revenue and other income (2011: €11.7 million) in the 2012 financial year. Most of this revenue and other income (between €11.0 million and €12 million) is to be generated by the Therapeutics segment (Rx) from the Prometheus payments and from grants. The Diagnostics (Dx) segment is to generate between €0.5 million and €1 million in sales revenue; this target is based solely on the marketing of WILEX Inc.'s biomarker tests. The Customer Specific Research (Cx) segment is to generate higher revenue in the 2012 financial year from the preclinical services business and cooperation agreements related to the ADC technology platform as well as between €2.0 million and €3.0 million in other income from government grants; the 2011 financial year was only consolidated as an abbreviated eight-month financial year. The earnings target for 2012 does not include potential sales revenue from a new licence agreement for RENCAREX® or MESUPRON®.

Operating expenses will be in the range of €25.0 million to €29.0 million if business proceeds as planned, thus surpassing the previous year's level (€25.1 million). Research and development costs, which are part of operating expenses, are projected to be between €15.0 million and €17.0 million (2011: €15.6 million). Other expenses concern manufacturing costs, administrative costs and other operating expenses.

Earnings before interest and taxes (EBIT) in the 2012 financial year are expected to be between –€10.0 million and –€14.0 million (2011: –€13.4 million).

Additional milestone payments are planned for the subsequent years under current licence agreements as well as new licence agreements or partnerships. Earnings in coming years will largely depend on the clinical results for RENCAREX® in the fourth quarter of 2012 and the next steps in the approval process for REDECTANE®. WILEX also expects to continue increasing revenue from the marketing of the biomarker tests (Dx) and the customer specific research (Cx). If the clinical data are successful, the Executive Management Board expects both sales revenue and other income in 2013 to be higher than in 2012. As a result, earnings could further improve in the 2013 financial year even though expenses will continue to be higher than income.

### 9.5. Expected net assets and financial position

If income and expenses develop as anticipated, the net change in cash and cash equivalents in the 2012 financial year is expected to be between – € 20.0 million and – € 24.0 million. This corresponds to an average monthly use of cash of € 1.7 million to € 2.0 million. The proceeds from the capital increase completed in February 2012 lower the net cash usage to between € 10 million and € 14 million.

This planning does not take into account additional potential cash inflows. WILEX has the option of drawing either USD 15 million by the end of April 2012, USD 20 million starting in May 2012 or the European marketing rights to a Prometheus product. Moreover, the marketing rights for the rest of the world (excepting the United States and Southern Europe) for RENCAREX® and worldwide for MESUPRON® are available for outlicensing. Additional cash inflows could be generated from the marketing of the ADC technology. Drawdowns from the existing standby equity distribution agreement (SEDA) or authorised capital could also be used in future to enhance the Company's funding. The current planning does not take into account a possible repayment of the shareholder loans from dievini and UCB. Based on the assumptions in respect of the funding options set out in the "Going-concern risks" section of chapter 7, "Report on risks and opportunities", WILEX would be funded through the middle of 2013.

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Equity (30 November 2011: – € 4.5 million) rose by approximately € 9.9 million after the end of the reporting period on account of the capital increase. Given the anticipated loss for the 2012 financial year, equity will decline or even become negative if no steps aimed at boosting equity such as a further capital measure are taken or sales revenue that substantially surpasses current planning is generated to lower the loss. All measures being discussed in view of improving the Company's financial situation are described in detail in the "Going-concern risks" section of chapter 7, "Report on risks and opportunities".

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| Financial outlook for the 2012 financial year | Actual 2011 [1] € million | Plan 2012 € million |
|---|---|---|
| Sales revenue and other income | 11.7 | 14.0 – 16.0 |
| Operating expenses | 25.1 | 25.0 – 29.0 |
| Operating result | (13.4) | (10.0) – (14.0) |
| Total funding requirement | 24.0 | 20.0 – 24.0 |
| Funds required per month | 2.0 | 1.7 – 2.0 |

[1] Includes Heidelberg Pharma from 17 March 2011 to 30 November 2011 (only about 8 months)

# CONSOLIDATED FINANCIAL STATEMENTS

**Contents** **Page**

# Consolidated statement of comprehensive income (IFRS)

for the financial year from 1 December 2010 to 30 November 2011

| | Note | 2011 € | 2010 € |
|---|---|---|---|
| Revenue | 22 | 9,877,293 | 0 |
| Other income | 23 | 1,835,858 | 1,314,138 |
| **Income** | | **11,713,151** | **1,314,138** |
| Manufacturing costs | | (4,165,054) | 0 |
| Research and development costs | 24 | (15,641,219) | (19,703,806) |
| Administrative costs | 24 | (5,289,977) | (4,722,338) |
| **Operating expenses** | | **(25,096,251)** | **(24,426,144)** |
| **Operating result** | | **(13,383,099)** | **(23,112,005)** |
| Finance income | 27 | 6,599 | 25,228 |
| Finance costs | 27 | (547,618) | (5,480) |
| **Financial result** | | **(541,019)** | **19,748** |
| **Earnings before tax** | | **(13,924,118)** | **(23,092,257)** |
| Income tax | 28 | (1,608) | (6,370) |
| **Net loss for the year** | | **(13,925,727)** | **(23,098,627)** |
| Net currency gain from consolidation | | (47,324) | 9,398 |
| **Comprehensive income** | | **(13,973,051)** | **(23,089,229)** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share | | (0.67) | (1.38) |
| Average number of shares issued | | 20,683,720 | 16,733,765 |

Rounding of exact figures may result in differences.

# Consolidated balance sheet (IFRS)

as of 30 November 2011

| Assets | Note | 30.11.2011 € | 30.11.2010 € |
|---|---|---|---|
| Property, plant and equipment | 10 | 2,074,278 | 864,376 |
| Intangible assets | 9 | 4,355,771 | 1,165,644 |
| Goodwill | 8 | 6,111,166 | 0 |
| Other non-current assets | 11 | 276,563 | 161,942 |
| **Non-current assets** | | **12,817,778** | **2,191,962** |
| Inventories | 12 | 514,627 | 165,599 |
| Other assets and prepayments | 13 | 952,400 | 1,123,569 |
| Trade receivables | 14 | 159,254 | 40,242 |
| Other receivables | 14 | 2,949,762 | 126,401 |
| Cash and cash equivalents | 15 | 3,420,640 | 1,943,151 |
| **Current assets** | | **7,996,682** | **3,398,962** |
| **Total assets** | | **20,814,460** | **5,590,924** |

| Equity and liabilities | Note | 30.11.2011 € | 30.11.2010 € |
|---|---|---|---|
| Subscribed capital | 16 | 21,613,035 | 18,413,035 |
| Capital reserve | 16 | 135,030,430 | 127,484,817 |
| Accumulated losses | 16 | (161,128,070) | (147,202,343) |
| Net currency gain/loss from consolidation | | (37,926) | 9,398 |
| **Equity** | | **(4,522,532)** | **(1,295,093)** |
| Pension provisions | 18 | 25,319 | 24,410 |
| Lease liabilities | 19 | 218,421 | 82,155 |
| Other non-current liabilities | 19 | 4,887,989 | 275,651 |
| **Non-current liabilities** | | **5,131,729** | **382,216** |
| Trade payables | 20 | 1,412,070 | 2,039,573 |
| Liabilities arising from leases | 20 | 251,625 | 57,992 |
| Financial liabilities | 20 | 10,548,169 | 0 |
| Other current liabilities | 20 | 7,993,400 | 4,406,237 |
| **Current liabilities** | | **20,205,263** | **6,503,801** |
| **Total equity and liabilities** | | **20,814,460** | **5,590,924** |

Rounding of exact figures may result in differences.

# Consolidated statement of changes in equity (IFRS)

for the financial year from 1 December 2010 to 30 November 2011

| | Note | Shares | Subscribed capital € | Capital reserve | | Currency translation differences € | Accumulated losses € | Total € |
|---|---|---|---|---|---|---|---|---|
| | | | | Capital measures/ premium € | Measure-ment of stock options € | | | |
| | | | | 111,172,673 | 2,194,945 | | | |
| **As of 1 December 2009** | | **13,780,935** | **13,780,935** | **113,367,618** | | **0** | **(124,103,716)** | **3,044,837** |
| Measurement of stock options | 25 | | | | 470,425 | | | 470,425 |
| Net currency gain/loss from consolidation | | | | | | 9,398 | | 9,398 |
| Net loss for the year | | | | | | | (23,098,627) | (23,098,627) |
| Capital increase after accounting for capital procurement costs | | 4,632,100 | 4,632,100 | 13,646,775 | | | | 18,278,875 |
| **Net change in equity** | | | | | | | | **(4,339,930)** |
| | | | | 124,819,448 | 2,665,370 | | | |
| **As of 30 November 2010** | | **18,413,035** | **18,413,035** | **127,484,817** | | **9,398** | **(147,202,343)** | **(1,295,093)** |
| | | | | | | | | |
| | | | | 124,819,448 | 2,665,370 | | | |
| **As of 1 December 2010** | | **18,413,035** | **18,413,035** | **127,484,817** | | **9,398** | **(147,202,343)** | **(1,295,093)** |
| Measurement of stock options | 25 | | | | 97,089 | | | 97,089 |
| Net currency gain/loss from consolidation | | | | | | (47,324) | | (47,324) |
| Net loss for the year | | | | | | | (13,925,727) | (13,925,727) |
| Capital increase after accounting for capital procurement costs | | 3,200,000 | 3,200,000 | 7,448,523 | | | | 10,648,523 |
| **Net change in equity** | | | | | | | | **(3,227,439)** |
| | | | | 132,267,971 | 2,762,459 | | | |
| **As of 30 November 2011** | | **21,613,035** | **21,613,035** | **135,030,430** | | **(37,926)** | **(161,128,070)** | **(4,522,532)** |

Rounding of exact figures may result in differences.

# Consolidated cash flow statement (IFRS)

for the financial year from 1 December 2010 to 30 November 2011

| | Note | 2011 € | 2010 € |
|---|---|---|---|
| **Net loss for the year** | | **(13,925,727)** | **(23,098,627)** |
| **Adjustment for items in the statement of comprehensive income** | | | |
| Measurement of stock options | 25 | 97,089 | 470,425 |
| Depreciation/amortisation | | 524,153 | 216,509 |
| Increase in pension obligations | 18 | 909 | 877 |
| Finance costs | 27 | 547,318 | 6,128 |
| Finance income | 27 | (6,582) | (25,877) |
| Tax expense | 28 | 936 | 6,370 |
| | | **1,163,824** | **674,432** |
| **Changes in net working capital** | | | |
| Inventories | | (228,583) | 0 |
| Trade receivables | | 55,169 | 4,977,623 |
| Other receivables | | (2,701,298) | 195,211 |
| Prepayments | | 172,568 | 225,507 |
| Other non-current assets | | (314,754) | 0 |
| Trade payables | | (976,818) | (60,565) |
| Other liabilities | | 7,774,425 | (2,172,777) |
| | | **3,780,708** | **3,164,998** |
| **Cash flow from operating activities** | | **(8,981,195)** | **(19,259,197)** |
| Finance costs paid | | (24,408) | (5,493) |
| Finance income received | | 6,732 | 25,228 |
| **Net cash flow from operating activities** | | **(8,998,871)** | **(19,239,462)** |
| **Cash flow from investing activities** | | | |
| Purchase of property, plant and equipment | 10 | (280,988) | (45,876) |
| Purchase of intangible assets | 9 | (21,753) | (4,002) |
| Acquisition of Oncogene Science | | 0 | (425,659) |
| Cash effect from acquisition of Heidelberg Pharma | | 885,316 | 0 |
| **Net cash flow from investing activities** | | **582,576** | **(475,537)** |
| **Cash flow from financing activities** | | | |
| Proceeds from capital increases | | 0 | 18,991,610 |
| Capital increase costs | 16 | (72,578) | (712,735) |
| Contribution of shareholder loan | | 10,000,000 | 0 |
| Other financing activities | | 39,835 | 0 |
| Repayment of finance leases | | (146,117) | (37,518) |
| **Net cash flow from financing activities** | | **9,821,140** | **18,241,357** |
| Influence of foreign exchange effects on cash and cash equivalents | | 72,644 | 5,730 |
| **Net change in cash and cash equivalents** | | **1,477,489** | **(1,467,912)** |
| **Cash and cash equivalents** | | | |
| at beginning of period | | 1,943,151 | 3,411,063 |
| at end of period | 15 | 3,420,640 | 1,943,151 |

Rounding of exact figures may result in differences.

# Consolidated notes

## 1. Business and the company

WILEX was established in 1997 in Munich, Germany, as WILEX Biotechnology GmbH by a team of physicians and oncologists at the Technical University of Munich.

In accordance with the shareholders' resolution of 14 December 2000, amended on 28 February 2001, the company changed its legal form to become a stock corporation called Wilex AG (WILEX AG hereinafter). The change of name was entered into the commercial register at the district court in Munich on 9 April 2001, under registration number HRB 136670. The Company's registered office is Grillparzerstrasse 10, 81675 Munich, Germany. Since 13 November 2006, WILEX shares have been listed in the Regulated Market/Prime Standard of the Frankfurt/Main stock exchange using the symbol WL6, the securities identification number 661472 and ISIN DE0006614720.

"WILEX" will be used as a synonym for the Group hereinafter. Each entity's full corporate name is used whenever facts specific to WILEX AG as the parent company or the subsidiaries are reported.

WILEX AG is a biopharmaceutical research company that focuses on the research, development, manufacturing, approval and marketing of drugs and diagnostic agents in oncology. The Company has a balanced portfolio of attractive product candidates that cover all stages, from research to advanced clinical trials. WILEX aims to develop new compounds for cancer therapy that are not cytotoxic, but instead target tumour-specific features which play a role in the formation and development of cancer. Innovative cancer therapies will be developed, which are more effective, better tolerated and more cost-effective than traditional therapies. WILEX aims to market and sell the drugs and diagnostic agents after they have been approved.

### 1.1. Consolidated companies

#### 1.1.1. WILEX Inc.

WILEX Inc., a wholly-owned subsidiary of WILEX AG that is domiciled in Cambridge, MA, USA, was founded at the end of the 2010 financial year and launched its operations on 17 November 2010. The staff of WILEX Inc. comprises eleven people in the fields of science, management and marketing, most of them previous employees of Oncogene Science. Oncogene Science is a former business unit of Siemens Healthcare Diagnostics Inc. WILEX Inc. focuses exclusively on the production, quality assurance, approval, marketing and sale of the developed diagnostic assays and sells them under the Oncogene Science brand to both existing and new customers in the pharmaceutical industry and to reference laboratories. WILEX Inc. offers WILEX the opportunity to gain a foothold in the United States and locally manage its drug approval processes in North America. WILEX Inc.'s financial year runs from 1 December of a given year to 30 November of the following year.

Because WILEX AG wholly owns its subsidiary, WILEX Inc., it is the latter's controlling shareholder and thus must fully consolidate it pursuant to IAS 27 in the Group's consolidated financial statements.

#### 1.1.2. Heidelberg Pharma AG (HDP)

On 3 November 2010, WILEX signed an agreement, with the approval of the Supervisory Board, with all shareholders of Heidelberg Pharma AG (hereafter also referred to as "HDP") regarding the acquisition of all shares in HDP in return for WILEX shares. Following the Extraordinary General Meeting's approval on 15 December 2010 and the recording of the capital increase in the Commercial Register on 17 March 2011, WILEX acquired all of the shares in HDP by way of a non-cash capital increase in return for 3,200,000 new WILEX shares subject to the exclusion of shareholders' subscription rights.

Upon recording in the Commercial Register on 17 March 2011 ("acquisition date"), HDP became a wholly-owned subsidiary of WILEX AG and thus an integral part of the WILEX Group. In contrast to WILEX Inc., which has been fully consolidated in accordance with IAS 27 due to its foundation in the previous financial year and

subsequent launch of operations in 2011, HDP is consolidated in these financial statements with effect from the date of integration in the Group.

**1.2. Basis of consolidation**

The consolidated financial statements comprise WILEX AG, WILEX Inc. and HDP; identical items such as assets, liabilities, equity, income and expenses are combined by means of addition. Intra-group balances, transactions, profits and expenses were eliminated in full as required. All transactions of WILEX Inc. were thus consolidated in the consolidated financial statements under IAS 27 for the entire financial year, whereas the figures of HDP have been included in the 2011 consolidated financial statements since 17 March 2011, the acquisition date. As a result the number of companies included in the consolidated financial statements of WILEX has increased. The comparative figures for the preceding 2010 financial year concern the consolidated financial statements comprising WILEX AG and WILEX Inc. Comparability with the previous year's figures is therefore limited.

These consolidated financial statements were prepared by the Executive Management Board on 10 February 2012 and released for publication in accordance with IAS 10. The Supervisory Board may amend the consolidated financial statements and the Group management report released by the Executive Management Board. The reporting period begins on 1 December 2010 and ends on 30 November 2011. It is referred to hereafter as the "2011 financial year" ("2010 financial year" for the previous period).

## 2. Summary of significant accounting policies

**2.1. Basis of preparation**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The accounting policies have not changed compared to the previous annual period but extended to reflect new content for the financial year just ended.

The following standards and interpretations, which were adopted by the EU, must be applied for financial years beginning on or after 1 December 2010:

| | |
|---|---|
| Amendments to IAS 32: | Classification of Rights Issues |
| Amendments to IFRS 1: | Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters |
| Amendments to IFRS 2: | Group Cash-settled Share-based Payment Transactions |
| Various: | Improvements to IFRSs (April 2009) |
| IFRIC 15: | Agreements for the Construction of Real Estate |
| IFRIC 19: | Extinguishing Financial Liabilities with Equity Instruments |

The first-time application of the standards listed does not have any effect on the consolidated financial statements.

The following standards and interpretations, which were adopted by the EU, may be applied for financial years beginning on or after 1 December 2010:

| | |
|---|---|
| Various: | Improvements to IFRSs (May 2010) |
| IAS 24 (rev. 2009): | Related Party Disclosures |
| Amendments to IFRS 7: | Disclosure requirements for the transfer of financial assets |

Early application of the above standards and interpretations would not significantly affect recognition and measurement, but would require additional or more extensive disclosures in the notes.

The following standards and interpretations were adopted by the IASB. However, they have not yet been adopted by the EU:

| | |
|---|---|
| Amendments to IAS 1: | Presentation of Items in Other Comprehensive Income |
| Amendments to IAS 12: | Taxes on Investment property |
| IAS 19 (rev. 2011): | Employee Benefits |
| Amendments to IAS 27: | Separate Financial Statements |
| Amendments to IAS 28: | Investments in Associates and Joint Ventures |
| Amendment to IAS 32: | Offsetting Financial Assets and Financial Liabilities |
| Amendments to IFRS 1: | Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters |
| Amendments to IFRS 7: | Disclosures – Offsetting Financial Assets and Financial Liabilities |
| IFRS 9: | Financial Instruments |
| IFRS 10: | Consolidated Financial Statements |
| IFRS 11: | Joint Arrangements |
| IFRS 12: | Disclosures of Interests in Other Entities |
| IFRS 13: | Fair Value Measurement |
| Amendments to IFRIC 14: | Prepayments of a Minimum Funding Requirement |
| IFRIC 20: | Stripping Costs in the Production Phase of a Surface Mine |

The preparation of the consolidated financial statements is based on historical cost, reduced by the revaluation of available-for-sale financial assets and financial assets and liabilities recognised at fair value. Assuming continuing operations, which is explained by the Executive Management Board in note 5, WILEX realises its assets and liabilities in the normal course of business.

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When preparing financial statements in accordance with IFRS, certain critical estimates need to be made with regard to the accounting policies. The application of the accounting policies calls for management to use discretion. Note 6 explains which areas require a higher degree of assessment or complexity and which assumptions and estimates are relevant to the financial statements.

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In accordance with Section 325 (3) German Commercial Code, WILEX publishes these IFRS consolidated financial statements in the electronic Federal Gazette (Bundesanzeiger). These consolidated financial statements exempt WILEX from preparing consolidated financial statements in accordance with the German Commercial Code.

**2.2. Currency translation**

The annual financial statements of WILEX AG have been prepared in euros (€), the company's functional and reporting currency. The Group has one subsidiary domiciled outside of the euro zone. The local currency (i. e. the US dollar) is the functional currency of WILEX Inc. because the company is an independent foreign economic entity. Transactions settled in currencies other than the respective local currency are recognised in the separate financial statements at the foreign exchange rate on the transaction date. Monetary items in foreign currencies (cash and cash equivalents, receivables, liabilities) and non-monetary items in foreign currencies measured at historical cost are translated at the reporting date exchange rate. Non-monetary assets and liabilities in foreign currencies that are recognised at fair value are translated at the foreign exchange rates in effect on the date the fair value is determined. Gains and losses from foreign currency translation are recognised in the income statement.

These financial statements are translated into euros for the purposes of the consolidated financial statements. They are translated based on the functional currency approach of IAS 21 "The Effects of Changes in Foreign Exchange Rates" using the modified closing rate method.

Consequently, assets and liabilities are translated using the closing rate, equity is translated at the historical rate and both expenses and income are translated at the average annual exchange rate except where substantial fluctuations in exchange rates have occurred. Currency translation differences arising from consolidation are recognized in other comprehensive income as currency gains or losses. These foreign exchange differences are recognised in the income statement upon disposal of the subsidiary.

The translation of US dollar amounts within the Group was based on the following euro exchange rates:

- Closing rate: €1 = USD 1.3336 (previous year: €1 = USD 1.31916)
- Average exchange rate: €1 = USD 1.3927 (previous year: €1 = USD 1.34725)

Foreign currency transactions are translated into the functional currency using the exchange rates on the transaction date. Gains and losses from the settlement of such transactions as well as from the translation of monetary assets and liabilities reported in a foreign currency at end of period exchange rates are recognised in the statement of comprehensive income.

For purposes of preparing the consolidated financial statements, WILEX Inc.'s assets and liabilities were translated using the reporting date exchange rate whilst its expenses and income were translated at average exchange rates to simplify matters. Currency effects resulting from acquisition accounting are recognised in other comprehensive income.

WILEX also carries out transactions in US dollars, Swiss francs (CHF), British pound (GBP) and, to a smaller extent, in other foreign currencies as well.

Differences may result from commercial rounding of exact figures.

**2.3. Property, plant and equipment**

WILEX does not own plots of land or buildings. All office and laboratory premises used at present are rented. Property, plant and equipment consists mainly of laboratory and office equipment, which is recognised at historical cost less accumulated depreciation. Depreciation to the net carrying amount is on a straight-line basis, applying the following expected useful lives, which are reviewed annually and adjusted where necessary:

- Laboratory equipment 8 to 14 years
- Other office equipment 3 to 23 years

Expenses for repairs and maintenance and the replacement of subordinate items are recognised in income at the time they arise. Extensive replacements and new fixtures and fittings are capitalised where they create a future economic benefit. Replacements are depreciated over their expected useful life. In the event of disposal, the cost and associated accumulated depreciation are derecognised. Any gains or losses resulting from such disposal are recognised in income in the financial year.

WILEX subjects property, plant and equipment to an impairment review at least once a year. If there is indication of an impaired asset, its recoverable amount is estimated. The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. An impairment loss is recognised if the recoverable amount is less than the carrying amount of the asset. Impairment losses are recognised in the statement of comprehensive income.

The Company also recognises construction in progress concerning laboratory expansion under property, plant and equipment. Depreciation begins when property, plant and equipment has been finally placed in service.

WILEX has not pledged any property, plant or equipment as collateral for contingent liabilities.

### 2.4. Intangible assets

**(a) Licences**
Licences are recorded at cost as of the acquisition date and upon initial recognition. In subsequent periods, they are recognised at cost less accumulated amortisation. They are amortised on a straight-line basis to distribute the licence costs over the expected useful life (12.5 to 20 years).

**(b) Patents**
Patents are recognised at cost. In subsequent periods, they are recognised at cost less accumulated amortisation. They are amortised on a straight-line basis to distribute the patent costs over the expected/protected useful life.

**(c) Software**
Software licences acquired are capitalised on the basis of the costs incurred in connection with their acquisition and installation, less accumulated amortisation. These costs are amortised using the straight-line method over the expected useful life of three years.

**(d) Customer base and order book**
Consumable intangible assets were identified and recognised in connection with the acquisition of HDP and the subsequent purchase price allocation. They concern a customer database that was taken over and the order book acquired. The assets acquired are measured at fair value and amortised over their estimated useful life on a straight-line basis. The customer base will be amortised over a period of nine years, and the order book over one year.

Both the useful lives and the amortisation method are reviewed at every reporting date.

**(e) In Process Research & Development (IP R&D)**
*Glossary*
A novel platform technology for therapeutic antibody drug conjugates (ADC), which is still being developed and is not yet ready for use (definded as “In Process Research & Development”, hereafter referred to as IP R&D ADC technology), was identified as an intangible asset in connection with the purchase price allocation.

The ADC technology has the potential to enhance and improve the efficacy of many antibody-based therapies, including those marketed.

The ADC technology will not be amortised until its development has been successfully completed and the technology can thus be deemed ready for use, i. e. a therapeutic agent can be marketed. Subsequent costs are recognised through profit and loss as research and development expenses. They are not capitalised pursuant to IAS 38 in keeping with the treatment of other development costs and given WILEX’s industry-related specificities. It is typical for the biotechnology industry that particularly the technical feasibility pursuant to IAS 38.57 (a) as well as any future economic benefits pursuant to IAS 38.57 (c) are uncertain, even in projects where the research has largely been completed.

An impairment test pursuant to IAS 36 is carried out at least once a year.

**(f) Research and development costs**
In accordance with IFRS, the costs incurred for a drug and a diagnostic agent during its development stage are only capitalised if WILEX can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.

- Its intention to complete production of the intangible asset and use or sell it.

- Its ability to use or sell the intangible asset.

- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Since not all of these requirements have been met at this time, research and development costs were not capitalised as intangible assets. At present, all research and development costs are therefore recognised in the income statement for the financial year in which they arise.

**2.5. Goodwill**

The difference between the consideration transferred and the acquiree's net assets must be capitalised as goodwill in accordance with IFRS 3.

The goodwill recognised arises from the business combination with HDP. The assets and liabilities acquired as well as the deferred tax assets and liabilities are recognised separately as of the acquisition date.

Goodwill of €6.1 million was identified in connection with the acquisition of HDP and the subsequent purchase price allocation; it will be tested for impairment annually in accordance with IAS 36 (see note 9). *Page 106*

In contrast to the intangible assets with indefinite useful lives, an impairment loss on goodwill cannot be reversed once it has been recognised in profit or loss.

**2.6. Other non-current assets**

In 1999, WILEX granted a pension commitment to a managing director (the current chairman of the Executive Management Board) as part of a deferred benefit. This pension obligation is recognised in the amount of the asset value of the related reinsurance policy, which is classified as a non-current asset.

WILEX assumes that no additional payments to the plan will be necessary. WILEX had provided a lease security deposit to the landlord at the time the lease was signed. The bank created an escrow account to that end. Since the lease runs for more than 12 more months, this account is shown under other non-current assets.

**2.7. Inventories**

Inventories comprise raw materials, consumables and supplies, (contract) work in progress and finished products.

Inventories are measured at the lower of cost and net realisable value. The manufacturing costs for internally generated inventories contain all directly attributable costs as well as a reasonable percentage of the general overhead costs. Raw materials, consumables and supplies are measured at the fixed value because the aggregate value is secondary to the Group and because the changes in both the value and the composition of the inventories are minor.

**2.8. Trade receivables**

Trade receivables are recognised at the initial invoice amount net of any impairment losses or adjustments for doubtful accounts. Such adjustments are based on an assessment by management of the recoverability and aging structure of specific receivables.

**2.9. Other assets and prepayments**
The other assets and prepayments, e. g. to service providers or insurers, are either recognised in income in accordance with progress on the relevant order or offset against the final supplier invoice.

**2.10. Other receivables**
Receivables are initially recognised at fair value and subsequently at amortised cost using the effective interest method, less any impairment losses. An impairment of other receivables is recognised if there is an objective, substantial indication that not all of the amounts due according to the original contractual terms and conditions are recoverable. The impairment corresponds to the difference between the carrying amount of the asset and the present value of the expected future cash flows, discounted at the current market interest rate. The impairment is recognised in profit and loss.

**2.11. Cash and cash equivalents**
Cash and cash equivalents comprise credit balances with banks with a remaining term of no more than three months at the date of acquisition as well as cash positions.

**2.12. Financial Instruments: Disclosures**
Disclosures under IAS 39/IFRS 7, financial instruments are classified according to type:

- Financial assets or financial liabilities at fair value through profit or loss. This category comprises two subcategories:

  – Financial assets or liabilities held for trading (AFVPL-Tr.): This category comprises the financial assets and liabilities held for trading such as for instance interest-bearing securities, shares and borrower's note loans. In particular, the liabilities held for trading include derivative financial instruments with a negative fair value. Financial assets and liabilities held for trading are recognised at the fair value at every balance sheet date. The remeasurement gains or losses are recognised in the statement of comprehensive income. No such assets or liabilities were recognised in the period under review.

  – Financial instruments designated at fair value through profit or loss (AFVPL-Des.): Under the fair value option, financial instruments may be subjected to a voluntary fair value, including recognition of remeasurement gains or losses in the statement of comprehensive income. The irrevocable decision to use the fair value option must be made on initial recognition of the financial instrument. The fair value option may be applied to a financial instrument for example if it eliminates or significantly reduces a measurement or recognition inconsistency. No such assets or liabilities were recognised in the period under review.

- Available-for-sale financial assets: In particular, this concerns interest-bearing securities, shares and equity interests. They are measured at the fair value. Equity instruments shall be measured at amortised cost if their fair value cannot be reliably determined. No such assets or liabilities were recognised in the period under review.

- Financial assets held to maturity: Non-derivative financial assets with fixed or determinable payments and fixed maturity may be allocated to this category if an entity has the positive intention and ability to hold them to maturity. They are measured at amortised cost, which is identical to their carrying amount.

- Loans and receivables: Non-derivative financial instruments with fixed or determinable payments for which there is no active market are allocated to this category. They are measured at amortised cost. Any impairment is recognised in profit and loss at the time the amortised cost is determined. A financial asset is impaired if there are objective indications of impairment which, in turn, arise from events that may have

occurred after the initial measurement and have a negative effect on the value that was recognised on addition. Depending on the type and nature of the respective financial asset, the insolvency of a debtor for instance or even a reduction in the performance and fair value of an investment or other financial assets may constitute indications of and events leading to impairment. Premiums or discounts are recognised in net financial result over the relevant term. They are also measured at amortised cost, which is identical to their carrying amount.

- Lease liabilities (see note 2.18): These are classified as financial liabilities at amortised cost due to the interest and repayment portion they contain. They are initially measured at cost and adjusted over the term of the liability using the effective interest method pursuant to the payment plan.

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These financial assets and financial liabilities are classified on initial recognition. WILEX reviews the carrying amounts of these financial assets at regular intervals or at least at every reporting date as to whether there is an active market for the respective assets and whether there are indications of impairment (for example, because the debtor is having substantial financial difficulties).

The net profit always contains all other expenses and income associated with the financial instruments in the given measurement category. Besides interest income and dividends, in particular this includes the results of both the initial and the subsequent measurement.

In addition, financial instruments are divided into current or non-current assets or liabilities as of the balance sheet date depending on their remaining life. Financial instruments with a remaining life of more than one year at the reporting date are recognised as non-current financial instruments while those with a remaining life of up to one year are recognised as current assets or liabilities.

A class of financial instruments encompasses financial instruments that are grouped in accordance with the disclosures required under IFRS 7 and the features of the financial instruments an entity uses. An entity thus must fix these classes individually. There are merely two classes at WILEX given the absence of a subclassification specific to it.

For one, financial instruments recognised at amortised cost (loans and receivables, financial assets held to maturity, other financial liabilities) and, for another, assets and liabilities recognised at fair value (available-for-sale assets, financial assets/liabilities at fair value through profit or loss).

The trade and settlement dates generally do not coincide in regular cash purchases or sales of financial assets. There is the option to use either trade date accounting or settlement date accounting in connection with such regular cash purchases or sales. The WILEX Group uses trade day accounting in connection with regular cash purchases and sales of financial assets at the time of both initial measurement and disposal.

WILEX does not utilise hedge accounting for hedging currency risks. Potential currency risks concern the US dollar in particular, which is the reporting currency of WILEX Inc. Some cash and cash equivalents are held in US dollars to minimise risk.

### 2.13. Equity and equity management

#### 2.13.1. Composition of equity

The Company's equity consists of common bearer shares with a pro-rata interest in the company's share capital of €1.00 each. Additional costs directly attributable to the issue of new shares and a capital measure are recognised under equity as a deduction from the issue proceeds.

### 2.13.2. Equity management

The Company's capital comprises its share capital, capital reserves and loss carryforwards. In addition, foreign currency reserves from consolidation were recognised directly in equity under "other comprehensive income" because WILEX Inc. has a different functional currency. The equity management programme of WILEX serves to create a strong equity base and to strengthen it in a sustainable manner. Given the losses the company has incurred it focuses mainly on using cash to fund the ongoing development of its technology and product pipeline and, not least, to maintain the confidence and trust of investors and business partners alike in the company. Management regularly monitors the equity ratio and the sum of the items recognised in equity. There were no changes during the reporting year in the company's strategy or objectives as they relate to its capital management programme.

According to its current level of planning, WILEX's Executive Management Board assumes that it will be able to generate cash flows in the coming financial year through existing or new cooperation deals and/or product out-licensing. Nevertheless, in 2012 income might be lower than the other expenses incurred in the same period, which could reduce equity further at the next reporting date. If WILEX is unable to enter into additional cooperation and out-licensing agreements, it would have to pursue other funding opportunities and/or another capital increase.

Furthermore, the current drug and diagnostic candidates are to be developed for marketing in the short and medium term, which means that sales revenue could also be generated in the future, especially with RENCAREX® and REDECTANE®. This would improve WILEX's capitalisation in the long term and enable it to break even, generate profits and finance itself from its cash flows from operating activities without having to take capital measures of any nature.

In principle, WILEX is interested in furthering its constructive, trustful and, in most cases, long-standing cooperation with its providers of equity. The company's goal is still to allow its employees and Executive Management Board a large share in the company's success as shareholders. To this end, Contingent Capital was created in connection with the issue of stock options (see note 2.17.1).

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### 2.14. Liabilities

Liabilities are recognised if a legal or constructive obligation exists towards third parties. Liabilities are carried at their settlement amount whereas financial liabilities are carried at their fair value. All liabilities that fall due within at least one year are recognised as non-current liabilities; they are discounted to their present value.

### 2.15. Taxes on income

Deferred income taxes are recognised by applying the balance sheet liability method for temporary differences which arise between the recognition of the assets and liabilities in the tax accounts and their carrying amounts in the financial statements according to IFRS. Deferred income taxes are to be measured in accordance with the tax rates (and tax regulations) that are applicable as of the reporting date or that have essentially been passed as law and are expected to be applicable during the period in which an asset is realised or a debt is settled.

Deferred tax assets are recognised to the extent it is probable that a taxable profit will be available against which the temporary differences can be applied. Deferred tax assets for tax loss carryforwards are recognised to the extent it is probable that the benefit arising will be realised in future.

### 2.16. Earnings per share

Undiluted earnings per share are calculated as that proportion of net profit or loss for the year available to common shareholders, divided by the weighted average number of common shares outstanding during the period under review. The Treasury Stock Method is used to calculate the effect of subscription rights. The pro-

ceeds assumed from the issue of potential common shares with dilutive effect must be calculated as if they had been used to repurchase common shares at fair value. The difference between the number of common shares issued and the number of common shares which would have been issued at fair value must be treated as an issue of common shares for no consideration and is reflected in the denominator when calculating diluted earnings per share. The profit or loss is not adjusted for the effects of stock subscription rights.

The conditional increase of the share capital to grant stock option rights to employees and members of the Executive Management Board (see note 2.17.1) could potentially dilute the diluted earnings per share in future. Because the stock options issued are currently not dilutive given WILEX AG's loss, the diluted and basic earnings per share are identical.

### 2.17. Employee benefits

#### 2.17.1. Share-based payment

As in previous years, WILEX's liabilities towards employees resulting from the issue of stock options were reported pursuant to IFRS 2 in the 2011 financial year. These liabilities are calculated using a binomial model at the time the options are granted (see note 25). The fair value of the work provided by the employees in return for the options granted to them is charged against the capital reserve, i. e. recognised in equity. The total expense to be recognised until the time at which the options become vested is determined by the fair value of the options granted, excluding effects of exercise thresholds that are not based on capital market parameters (e. g. profit and sales growth targets). Such non-capital-market exercise thresholds are considered in the assumptions regarding the number of options that are expected to become exercisable. Settlement is carried out in equity securities. The estimate of the number of options expected to become exercisable is reviewed on every reporting date. The effects of any adjustments that have to be considered with regard to initial estimates are recognised in the statement of comprehensive income as well as by adjusting equity accordingly.

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#### 2.17.2. Profit-sharing scheme

WILEX recognises both a liability and an expense for bonus entitlements of both Executive Management Board members and employees. A liability is recognised if there is a contractual obligation or if an obligation is assumed to have arisen as a result of past business practice.

Bonus entitlements and variable compensation are contingent on the achievement of personal targets and the company's performance targets. The performance-based compensation of the members of the Executive Management Board and non-executive personnel is based for one on corporate goals and for another on performance targets that are fixed on an individual basis. These goals and targets comprise and essentially refer to the achievement of defined milestones in clinical development, the securing of the company's further funding and the performance of its shares.

### 2.18. Leases

The lease of equipment for which essentially all opportunities and risks associated with ownership are transferred to WILEX is deemed to represent a finance lease under IAS 17. Finance leases are recognised at the beginning of the lease at the lower of fair value or present value of the minimum lease payments. Each lease payment is split into an interest and repayment portion so as to produce a constant interest rate on the remaining balance of the liability. The relevant lease liabilities are contained in liabilities arising from leases. The interest portion of the financing costs is recognised in income over the term of the lease using the effective interest method. If there is sufficient certainty that ownership will transfer to the lessee at the end of the term of the lease, the asset acquired under a finance lease is depreciated over its expected useful life. Otherwise, the asset is depreciated over the shorter of its useful life or the term of the lease.

Leases, where the risks and benefits associated with ownership remain essentially with the lessor, are deemed to be operating leases. Any payments made under operating leases are recognised in income on a straight-line basis over the term of the lease.

**2.19. Recognition of revenue and earnings**

WILEX's business activities are aimed at generating revenue from cooperation agreements and/or out-licensing agreements (depending on the design of the given contract in the form of upfront payments, milestone payments, cost reimbursements and royalties). WILEX also generates sales revenue from the sale of goods and services.

Revenue is recognised when the work is performed, the material risks of ownership have been transferred to the customer, the revenue from the consideration is likely to be received and the amount of the revenue can be reliably measured. WILEX recognises sales revenue from the services rendered and the goods sold at fair value net of VAT, rebates and trade discounts in the period in which the services were rendered.

Up-front payments are due as prepayments at the start of a given cooperation. Revenue recognition requires an analysis of the overall circumstances and is therefore contingent on the content of the relevant contract. Revenue is recognised upon invoicing, provided all conditions in IAS 18.14 ff. have been met. Where individual conditions have not been met, the revenue is recognised as deferred income and recognised in profit or loss over the term of the defined work to be performed.

Milestone payments are contingent upon achievement of contractually stipulated targets. Milestones and the resulting sales revenue are not posted as such until the respective targets triggering the payments have been met in full.

The cooperation agreements also generate sales revenue through cost reimbursements for ongoing project development with the respective partner.

Depending on each individual case and the applicable contractual provisions, non-refundable prepayments and other non-refundable time-based payments received in connection with specific research and development activities are recognised as sales revenue or other income over the period of the underlying activities in the proportion of costs incurred to date to the total expected cost of the activities.

With regard to other income, no distinction is made between private sector income (i. e. cooperation agreements with pharmaceutical companies) or so-called government grants such as those paid by the US Department of Defense or the Federal Ministry of Education and Research (BMBF). The consideration received is usually cash. If rendering of the underlying services is deferred to the receipt of the cash, the cash amount received in advance is recognised according to the stage-of-completion method of the underlying service period.

**2.20. Manufacturing costs**

Manufacturing costs are defined as staff costs, material costs and other costs directly attributable to manufacturing in reference to the respective goods and services sold.

**2.21. Research and development**

Research and development activities comprise all associated costs, including staff costs, consulting costs, material and manufacturing costs, third party services, laboratory costs and fees for legal advice. They are recognised as expenses in the period in which they are incurred. Research and development equipment is capitalised and depreciated over its expected useful life.

**2.22. Interest income**
Interest income is recognised in the statement of comprehensive income at the time it is generated, taking into account the effective yield on the asset.

**2.23. Interest expense**
Borrowing costs are recognised as an expense in the period in which they are incurred.

**2.24. Impairment of assets and goodwill**
WILEX tests assets (property, plant and equipment as well as intangible assets including goodwill) in accordance with IAS 36.2 based on their determined value in use or fair value less any future costs to sell. Intangible assets with infinite useful lives and/or intangible assets not yet ready for use as well as goodwill are tested for impairment whenever there is a reason to expect, due to certain events or changed circumstances, that the valuation no longer corresponds to the carrying amount. Impairment tests are conducted at least once a year. Indications of possible impairments of intangible and tangible assets as well as goodwill are also monitored in connection with regular risk reporting under the risk management system.

WILEX tested the ADC technology platform (IP R&D) and goodwill for impairment in November of the financial year just ended. An impairment loss is recognised when the carrying amount of the asset (or the group of assets that constitutes a cash generating unit) exceeds the recoverable amount, which corresponds to the higher of fair value less costs to sell or the value in use. The value in use of an asset or a cash generating unit is determined by estimating the discounted future cash flow of the asset or the cash generating unit where the weighted average cost of capital (WACC) reflects the risk related to every asset and every cash generating unit. The measurement of the net cash flow of the future use is based on detailed medium-term earnings planning. Estimating the discounted future cash flow before taxes requires considerable judgement by management. Impairment losses are shown in a separate item under “operating expenses” in the statement of comprehensive income. An impairment loss on property, plant and equipment as well as intangible assets excluding goodwill is reversed if the estimates used to determine the value in use have changed and if the value of an asset for which an impairment loss was recognised has risen as a result. But this applies only to the extent that the amount recognised for the asset does not exceed the amount (less depreciation or amortisation) that would have been recognised if no impairment loss had been recognised. Goodwill may not be written up.

## 3. Segment reporting in accordance with IFRS 8

According to IFRS 8, an operating segment is a component of an entity whose business activities may generate sales revenue and incur expenses, whose operating results are regularly monitored by the entity’s primary decision maker, i. e. the full Executive Management Board, and for which separate financial data are available.

Segment information is furnished for the Group’s operating segments. Segmentation is based on the Group’s management structure and the structure of its intragroup reporting. Segment results contain components that may be attributed directly to a single segment or, if possible, allocated to all segments on a reasonable basis. Intragroup pricing between segments is determined on an arm’s length basis involving third parties.

In accordance with IFRS measurements and based on its internal management and organisational structure WILEX has been reporting on three operating segments since the financial year just ended, all of which have materially different risk/reward profiles. The WILEX Group comprises three operating segments, each of which is explained below, along with its separate core business and core projects.

### 3.1. Therapeutics (Rx)

WILEX AG is a biopharmaceutical company focused on oncology. It develops therapeutic products for the targeted treatment and detection of various types of cancer. The compounds are based on antibodies and small molecules aimed at inhibiting tumour growth and preventing metastases while displaying a low side effect profile. The Therapeutics segment comprises the following product candidates: RENCAREX®, MESUPRON®, WX-554, WX-037 as well as all preclinical and research activities of WILEX AG.

### 3.2. Diagnostics (Dx)

WILEX Inc.'s acquisition of Oncogene Science in November 2010 added in vitro diagnostics to WILEX's portfolio. WILEX Inc. focuses on the production and marketing of a multitude of in biomarker tests related to oncology. It is the objective of WILEX to offer new approved tests for the clinical oncological immunodiagnostic market in order to improve treatment for cancer patients worldwide.

WILEX AG's imaging diagnostic candidate REDECTANE®, which has completed the Phase III trial and for which positive final data were announced in May 2010, is also allocated to the Diagnostics segment.

### 3.3. Customer Specific Research (Cx)

The acquisition of HDP was completed in March 2011. For one, HDP provides customer specific services in connection with a novel platform technology for therapeutic antibody drug conjugates, which is still being developed. In that connection, HDP aims at entering into collaborative partnerships with research institutes as well as pharmaceutical and biotech companies and performs contract work related to manufacturing, optimising and profiling new ADCs based on antibodies that are owned by the respective customers.

A possible ADC collaboration can be broken down into three steps:

- Material Transfer Agreements (MTA)
  This phase concerns a non-exclusive agreement on testing a customer's antibodies. The MTA phase takes about nine months.

- Technology License Agreements (TLA)
  In this phase, the antibody that was tested during the MTA phase is further refined and tied to a toxin linker.

- Product License Agreement (PLA)
  In this phase, the drug candidate developed during the PLA Phase is further refined by the customer and subject to additional research in clinical trials. HDP receives milestone and licence payments for achieving the individual trial phases as well as for commercialisation.

In its preclinical service business, HDP performs work on drug metabolism, pharmacology and pharmacokinetics especially in oncology.

The two fee-for-service areas cannot be clearly separated from each other because they are interdependent.

At this time HDP's business is based solely on the fee-for-service model, which means that HDP's services are billed individually.

### 3.4. Segment result

| Segment results | Rx € '000 | Dx € '000 | Cx[1] € '000 | Not allocated € '000 | Consolidation € '000 | Group € '000 |
|---|---|---|---|---|---|---|
| **Sales revenue** | **8,397** | **283** | **1,618** | **0** | **(422)** | **9,877** |
| External sales revenue | 8,397 | 260 | 1,220 | 0 | 0 | 9,877 |
| Intersegment sales revenue | 0 | 23 | 399 | 0 | 0 | 422 |
| **Other income** | **764** | **0** | **549** | **523** | **0** | **1,836** |
| **Operating expenses** | **(16,516)** | **(5,906)** | **(2,916)** | **(180)** | **422** | **(25,096)** |
| of which manufacturing costs | (1,309) | (1,387) | (1,469) | 0 | 0 | (4,165) |
| of which depreciation and amortisation | 0 | (33) | (287) | (204) | 0 | (524) |
| **Finance income** | **0** | **12** | **0** | **49** | **(54)** | **7** |
| **Finance costs** | **0** | **(161)** | **(23)** | **(418)** | **54** | **(548)** |
| Earnings before tax | (7,355) | (5,772) | (771) | (26) | 0 | (13,924) |
| **Net loss for the year** | **(7,357)** | **(5,772)** | **(771)** | **(26)** | **0** | **(13,926)** |

[1] HDP was integrated into the Group from 17 March 2011.

The Group's intersegment sales revenue amounted to €422 k. The Diagnostics (Dx) segment generated sales revenue of €23 k with the Therapeutics (Rx) segment, and the Customer Specific Research (Cx) segment generated sales revenue of €399 k with the Therapeutics segment.

The Therapeutics segment accounted for most of the external sales revenue, 99.7 % of which was generated through a single customer in connection with the out-licensing and cooperation agreement for RENCAREX® in the US market. Hence sales revenue of €8,651 k – which comprises 99.7 % of the revenue from the Therapeutics segment as well as all external revenue from the Diagnostics segment – is allocated to the US market. Revenue from customer specific services and customer specific research was generated solely in the European market.

Consolidated non-current assets amount to €12,818 k. They are broken down as follows by business location and segment, taking into account consolidation effects:

- A total of €10,436 in non-current assets are located in Germany, €10,204 k of which concern the Customer Specific Research (Cx) segment. Merely €232 k of these non-current assets are allocable solely to the Therapeutics (Rx) segment.

- A total of €779 k of the non-current assets concern solely the Diagnostics (Dx) segment and thus are located in the United States.

- A total of €1,603 k of the non-current assets cannot be allocated to a specific segment but are located in Germany.

Taking into account consolidation effects, the investments in non-current assets were €16 k in the Dx segment and €10,910 k in the Cx segment, €10,484 k of which stem from the business combination of WILEX and HDP as well as the resulting goodwill.

## 4. Financial risk management

### 4.1. Financial risk factors

Given its business activities, WILEX is exposed to certain risks, in particular market risks (including currency risks, interest and price risks), liquidity risks, default risks and, to a smaller extent, credit risks. WILEX's risk management focuses on the unpredictability of the financial markets and aims to minimise any potential adverse effects on the company's ability to finance its business activities. WILEX does not use embedded derivatives or other derivative financial instruments to hedge against risks.

Responsibility for groupwide risk management rests with the full Executive Management Board. It has implemented an effective groupwide risk management system for the WILEX Group and monitors compliance with the risk management principles approved by the Supervisory Board with the help of the respective individuals responsible for the individual fields of risk identified as well as in cooperation with Controlling. The Executive Management Board specifies written principles for all risk management aspects. The Risk Officer identifies, assesses and communicates financial and corporate risks in close cooperation with the Executive Management Board. Moreover, all potential risks, particularly financial risks with substantial ramifications and a reasonable probability of occurring are closely monitored and discussed by the company's Executive Management and Supervisory Boards at every quarterly reporting date.

The groupwide risk management system serves to identify and analyse risks to which WILEX is exposed, making it possible to take appropriate countermeasures as necessary. The principles underlying the risk management system are reviewed and adjusted in a regular and ongoing process in order to ensure that any changes in and requirements of WILEX's business environment are covered. Internal guidelines and training ensure that every employee is aware of their tasks and duties in connection with the risk management system and duly carries them out.

#### 4.1.1. Market risk

##### 4.1.1.1. Currency risk

WILEX has one subsidiary reporting in a foreign currency and also cooperates with several service providers worldwide and is therefore exposed to currency risks in connection with currency positions, mainly in US dollars (USD), Swiss francs (CHF), British pound (GBP) and, to a lesser extent, in other foreign currencies. This risk includes the relative decrease or increase of the euro vis-à-vis the other currencies during the period until payment of the liability or receivable.

As the currency risk is still limited overall, WILEX has not yet concluded any hedging transactions but is attempting to achieve financial hedging by matching cash inflows and outflows in the same currency.

##### 4.1.1.2. Price risk

WILEX is not exposed to risks from share price fluctuations related to equity securities, nor to risks from changes in the price of raw materials.

#### 4.1.2. Default, liquidity and interest risk

Mainly cash, cash equivalents and receivables constitute financial instruments that might expose WILEX to concentrations of default, liquidity and interest rate risks. WILEX has no obligations under long-term financial investments. WILEX has a detailed cash planning system, which is updated regularly, at least once a month. It serves to ensure that WILEX is aware of the available cash and cash equivalents and the due dates of its liabilities at all times in order to be able to pay liabilities as they fall due. The financial liabilities recognised concern the company's short-term payment obligations toward a bank and are not subject to a fixed residual term.

Given the contractually fixed interest rates and short maturities, market-driven interest rate fluctuations do not have a direct effect on the financial assets and liabilities such that the interest rate risk plays a secondary role for WILEX.

#### 4.1.3. Bad debt risk

WILEX is exposed to bad debt risks in connection with receivables. No material past due trade or other receivables were recognised as of the reporting date. Bad debt risks were perceived as a potential risk in the course of the WILEX's development and included in its risk management system.

The maximum default risk is €159 k and corresponds to the trade receivables balance sheet item. The maximum default risk from other receivables is €2,950 k, of which €2,801 k are due to a claim being accrued on a pro-rata basis under the licence agreement with Prometheus. Another €137 k concern claims against tax authorities.

All financial assets are deemed to be fully recoverable and are neither past due nor impaired.

#### 4.1.4. Cash flow and fair value interest rate risk from financial instruments

WILEX invests its liquid funds only in interest-bearing bank accounts or short-term fixed deposits. Market interest rate fluctuations may therefore affect the company's ability to generate sufficient interest income from these financial instruments. This conservative investment approach ensures that there is no nonpayment risk (see note 2.12).

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Furthermore, WILEX maintains domestic credit balances only with major banks that belong to the German Deposit Insurance Fund and/or the German Savings Banks Organisation's deposit assurance fund. The credit balances of WILEX Inc. that are deposited with a US bank are also protected through a comparable deposit insurance system. The default risk in connection with these credit balances is therefore minimal.

### 4.2. Determination of fair value

The carrying amounts of financial assets and liabilities such as cash and cash equivalents as well as trade receivables and payables are more or less equal to their fair value on account of the short maturities.

## 5. Going concern risk

Cash and recognised receivables as of the 30 November 2011 reporting date were insufficient to pay current liabilities (including accrued liabilities). The loan recognized under current liabilities has an indefinite term. As far as the Company knows, the creditors, dievini Hopp BioTech holding GmbH & Co. KG (dievini) and UCB Pharma S.A. (UCB), are not planning at this time to demand repayment on short notice. Whilst the WILEX Group substantially reduced its net loss in the 2011 financial year thanks to revenue from the licence agreement with Prometheus, it is still not in a position to close a year with positive earnings particularly because its necessary costs for clinical research and development are high. The rising revenue of the company's subsidiaries, HDP and WILEX Inc., is not yet sufficient either to make a positive contribution to consolidated earnings.

Raising funds is thus very important for WILEX. This is why it carried out a cash rights issue in January 2012, which was completed in February 2012 and which generated gross cash proceeds of €9.93 million for WILEX (see note 35).

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Furthermore, WILEX has been entitled since October 2011 to a guaranteed payment from Prometheus of USD 15 million until the end of April 2012 – or USD 20 million starting in May 2012 – under its agreement with this US commercial partner for RENCAREX® if the decision is made not to take over the marketing rights for a Prometheus product in Europe.

WILEX's cost and earnings planning is based on the assumption that additional payments will be forthcoming from the commercial partners, Prometheus and Esteve, starting in the first quarter of 2013 upon achievement of certain clinical milestones, especially positive data on RENCAREX® at the end of 2012. These earnings are also to be improved through rising sales revenue from our subsidiaries' product sales (Dx) and customer specific research (Cx) business. The cost planning already provides for another REDECTANE® trial although it has not yet been possible to make a final decision on the trial's timing (before or after approval).

These steps would help ensure the company's liquidity at least until mid-2013.

In 2012 WILEX will work on closing yet another commercialisation agreement for one of its product candidates, which could significantly improve the company's financial position. RENCAREX® is available for partnerships in Northern Europe and Asia/Pacific. WILEX will intensify talks with potential partners for MESUPRON® if the data on progression-free survival from the breast cancer trial is positive. The ADC technology offers options for a range of alliances in respect of customer specific research. However, the Executive Management Board cannot predict with any certainty from today's standpoint when and at what terms such an agreement might be made because the ongoing clinical development of the product candidate in question, the manufacturing terms and the marketing parameters must be negotiated along with the financial terms. The Executive Management Board aims to ensure that the product candidate generates the greatest possible return for WILEX.

However, there is the possibility that the negotiations with a potential partner might take longer than the cash forecast provides. For instance, partners might postpone negotiations regarding RENCAREX® until the data related to the final analysis for efficacy are available.

If WILEX is unable to raise additional funds, the company is authorised to increase its share capital, with the approval of the Supervisory Board, by up to € 6,004,589.00 by issuing up to 6,004,589 new no par value bearer shares in return for cash contributions and/or contributions in kind on one or several occasions up to and including 14 December 2015 (Authorised Capital 2010/II).

This authorised capital could be used to raise fresh funds e. g. in connection with another capital increase or draw on the standby equity distribution agreement (SEDA) with Yorkville Advisors. The SEDA runs until March 2013 and contains a commitment of up to € 20 million. In future up to € 1 million in cash can be drawn per month under this agreement until it expires. The actual amount that can still be drawn under the SEDA at this time depends on the agreement's remaining term as well as on the contractually defined procedure for determining both the price of WILEX's share and the trading volume.

The existence as a going concern of both WILEX AG and the WILEX Group would be at risk if the Executive Management Board, in contrast to its expectations, is unable to enter into a commercialisation agreement for a product candidate and/or raise additional capital via the capital market. In this case, WILEX might be unable to satisfy its payment obligations and/or become overindebted from the second quarter of the 2013 financial year.

## 6. Critical estimates and discretionary decisions

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 Company makes estimates and assumptions concerning the future. By their nature, the resulting estimates rarely reflect the exact subsequent circumstances. 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 are discussed below.

Assumptions underlying the recognition of sales revenue and other income are based on estimates by the Executive Management Board.

Determining the expense from the measurement of stock options and the parameters underlying the impairment test materially concern assumptions and judgements that are made by management and regularly reviewed.

### 6.1. Recognition of sales revenue

A material portion of WILEX's sales revenue (€ 9,877 k) arises from its cooperation and/or the licence agreement with Prometheus and the resulting accrual of payments that are recognised as other current or non-current liabilities. This requires forward-looking estimates especially in terms of the timing of the ongoing development of RENCAREX® and its subsequent approval process in order to be able to accrue the payments received over the period of time work is performed. If these assumptions were to change, the accrual period would have to be changed from the time WILEX has knowledge thereof such that future accruals of sales revenue in a particular period might be lower or higher than planned even though the aggregate amount remains the same.

### 6.2. Recognition of other income

WILEX has recognised € 64 k in other income from the prepayments or cost reimbursements received from Esteve for the clinical Phase III trial of RENCAREX®. WILEX also received a grant under the breast cancer research programme of the US Department of Defense as reimbursement of expenses incurred in connection with clinical trials of MESUPRON® (€ 700 k; see note 17).

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The prepayments and the reimbursement of costs were recognised as other income reflecting the proportion of expenses accrued until the reporting date relative to the overall expected expenses for the clinical trials (percentage-of-completion method). In future such earnings will no longer be recognised because the underlying rationale for them ended during the reporting period.

### 6.3. Expense from the measurement of stock options

WILEX recognises expenses from the measurement of stock options under staff costs (€ 97 k). For this purpose, future assumptions need to be made regarding the different calculation parameters, such as the expected volatility of the share price, the expected dividend payment, the risk-free interest rate during option terms and staff and Executive Management Board turnover. Should these assumptions change, WILEX would need to change the relevant parameters and adjust its calculations and staff costs accordingly (see note 25).

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### 6.4. Impairment test pursuant to IAS 36

The impairment tests of both goodwill and the IP R&D technology (which is not yet ready for use) require either estimating the value in use based on the cash generating unit's (CGU) probable expected future cash flows and the reasonable weighted average cost of capital or estimating the fair value less costs to sell.

Factors such as revenue that is lower than expected and the resulting decrease in net cash flows as well as changes in the WACC could have a material effect on the determination of the value in use and/or the fair value less costs to sell and, in the final analysis, on the impairment of the goodwill or the IP R&D technology asset acquired.

## 7. Business combination

**Acquisition and purchase price allocation of Heidelberg Pharma AG (HDP)**
On 3 November 2010, WILEX signed an agreement, with the approval of the Supervisory Board, with all shareholders of HDP regarding the acquisition of all shares in HDP in return for WILEX shares. Following the Extraordinary General Meeting's approval on 15 December 2010 and the recording of the capital increase in the Commercial Register on 17 March 2011 ("acquisition date"), WILEX acquired all of the shares in HDP by way of a non-cash capital increase in return for 3,200,000 new WILEX shares subject to the exclusion of shareholders' subscription rights. HDP became a wholly-owned subsidiary of WILEX AG on 17 March 2011 and thus an integral part of the WILEX Group. Heidelberg Pharma is domiciled in Ladenburg near Heidelberg, Germany, and has 43 employees (39 full-time equivalents, rounded). In contrast to WILEX Inc., which has been fully consolidated in accordance with IAS 27 due to its foundation in the previous financial year and subsequent launch of operations in 2011, HDP is consolidated in these financial statements with effect from the date of integration in the Group.

This acquisition complements WILEX's business model and is of great strategic importance for both companies, which will have a positive impact on their future development. HDP basically engages in customer specific services and research (Cx) on a fee-for-service basis, thus expanding the business model of the WILEX Group.

This acquisition created goodwill of € 6,111 k, which also constitutes the carrying amount as of 30 November 2011.

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As described above in the Segment Report, HDP renders customer specific services. For one, this segment comprises the customer specific further development of antibodies based on a novel platform technology for therapeutic antibody drug conjugates (IP R&D ADC technology), which is still being developed. In that connection, HDP aims at entering into collaborative partnerships with research institutes as well as pharmaceutical and biotech companies and performs contract work related to manufacturing, optimising and profiling new ADCs based on antibodies that are owned by the respective customers.

This gives WILEX the opportunity to utilise the IP R&D ADC technology platform for its own drug candidates and also generate revenue by out-licensing the technology to partners through Heidelberg Pharma. The IP R&D ADC technology will enable WILEX to refine its own antibodies and thus develop new drug candidates. All collaborative projects between the independent entities of WILEX AG and HDP are carried out at prevailing market terms and eliminated during consolidation.

For another, HDP's customer specific research comprises preclinical work on drug metabolism, pharmacology and pharmacokinetics especially in oncology. This infrastructure and the expertise are also offered as a service to third parties and are generating revenue.

The two fee-for-service areas cannot be clearly separated from each other because they are interdependent.

The Group's aim is to gain access to both HDP's ADC technology and its complementary preclinical services business and thus to profit from this expansion of business.

Particularly HDP's large potential in terms of both revenue and earnings will be used to continue supporting the WILEX Group. WILEX hopes to successfully commercialise the ADC technology that is still being developed and plans to profit in the medium and long term from future revenue and earnings in order to generate contributions to the Group's funding in the long term. The ADC technology offers great opportunities as well as large revenue and profit potential, which WILEX has thus secured for itself.

HDP's customer base does not have a direct positive effect on the customer base or sales potential of WILEX AG or WILEX Inc. because both of these units are engaged in different segments. Each unit carries out its development activities autonomously using its own personnel and incurs costs that must be borne by HDP. WILEX has acquired the opportunity to benefit from a novel and innovative technology in future periods through dividend income. The acquisition of HDP does not create any synergies for the Group's individual companies; instead the WILEX Group is expanding its product portfolio and its business activities with the aim of placing WILEX on a foundation that comprises three segments.

In biotechnology, the success of projects and product candidates entails risks such that broadening the Group's business activities helps to diversify its risk in respect of its future earnings and its existence as a going concern.

No synergies are created at the administrative level in respect of potentially centralised service centres.

The following factors, which cannot be separately identified, largely account for the goodwill of € 6,111 k:

- Possibility of significantly boosting both the performance and the profitability of the WILEX Group in the long term through the expansion of its business;

- Access to a novel platform technology for optimising and refining antibodies.
  Given that this technology has not yet been fully developed, WILEX has mainly acquired the opportunity to reap future earnings without acquiring a product technology that has been developed to product maturity.

- Workforce/Know-how
  From the Group's viewpoint, by taking over all HDP personnel WILEX has acquired new know-how in the area of ADC technology.

Under IFRS 3 Business Combinations, the purchase method shall be used to recognise and measure at fair value all identifiable assets acquired and liabilities assumed in connection with a business combination.

The basic principle that applies to the measurement of the purchase price is that, in the simplest case, the cost is determined based on the cash or cash equivalents tendered.

If the acquisition is carried out by exchanging shares or other assets however (as was the case in the acquisition of HDP), then the fair value of the shares or assets at the acquisition date applies. The acquisition cost is determined by the share price at the acquisition date especially if listed treasury shares are issued.

It follows that the share price of € 3.39 per share as of the 17 March 2011 acquisition date must be used to determine the purchase price for HDP. Multiplying the applicable share price by 3,200,000 shares tendered thus results in consideration transferred of € 10,848 k.

The difference between the consideration of € 10,848 k transferred in accordance with IFRS 3.37 and the sum total of the carrying amounts in the opening balance sheet (€ 1,924 k) thus is € 8,924 k. This amount was attributable to a yet to be determined goodwill value as of the acquisition date and yet to be identified intangible assets.

WILEX completed the purchase price allocation, which entails identifying and measuring the assets and liabilities acquired, in the fourth quarter of the financial year just ended.

The fair value of the assets and liabilities acquired was determined as of the acquisition date. No adjustments to the carrying amount were necessary because the carrying amounts acquired corresponded to the fair values. There were no significant bad debt losses in respect of the receivables acquired.

No agreements were made in respect of conditional quid pro quo or damages.

The results of the purchase price allocation are as follows:

| | Fair value as of the acquisition date € '000* |
|---|---|
| **Consideration transferred** | **10,848** |
| **Net assets acquired (carrying amounts correspond to the fair values)** | **1,924** |
| Property, plant and equipment | 859 |
| Intangible assets | 704 |
| Inventories | 120 |
| Trade receivables | 173 |
| Other receivables | 121 |
| Cash and cash equivalents | 885 |
| Non-current lease liabilities | (89) |
| Current lease liabilities | (74) |
| Trade payables | (352) |
| Other current liabilities | (423) |
| **Intangible assets identified in connection with the purchase price allocation** | **2,813** |
| of which customer relationships | 274 |
| of which orders on hand | 46 |
| of which IP R&D ADC technology | 2,493 |
| Deferred tax liabilities on identified intangible assets | (800) |
| Deferred tax assets from assumed losses | 800 |
| **Goodwill** | **6,111** |

* rounded

An effective tax rate of 28.43 % was used for the calculation.

The intangible assets identified in connection with the purchase price allocation concern the following:

- Customer relationships in the amount of € 274 k
  Based on the future planned revenue from the existing customer base, an asset of € 274 k that can be capitalised was identified. It will be amortised over a useful life of nine years. Its useful life is based on the

assumption that most of the planned revenue from the existing customer base will have been received within nine years.

- Orders on hand in the amount of € 46 k
  The orders on hand at the time the purchase price allocation was performed satisfy the measurement criteria required for an asset under IFRS and were recognised accordingly. Their estimated useful life is one year.

- IP R&D ADC technology in the amount of € 2,493 k
  This intangible asset comprises mainly the intellectual property underlying the ADC technology but also intellectual property related to preclinical trials conducted as part of the services business. In particular the tumour models, bioanalytics and molecular biological work are necessary for the ADC programme. The development of the ADC technology platform serves to improve cancer therapies. HDP intends to optimise antibodies and the corresponding antibody drug conjugates for specific customers in connection with the marketing of the ADC technology and generate sales revenue from milestone and licence payments.

The asset identified as IP R&D is deemed an intangible asset; it is not yet being amortised. The development of the ADC technology and other IP components is ongoing, and no antibody-specific product licence agreement (PLA) that would specify the use and marketability of this technology asset in the form of a therapeutic development candidate has been signed to date. Hence this asset has not yet been classified as ready for use in accordance with IFRS. Amortisation of this asset will begin once the development work has been completed.

Given that the Cx segment is identical with HDP, please see the segment results under item 3 for the sales revenue and the result of HDP in the relevant consolidation period (17 March 2011 to 30 November 2011).

If one were to assume that the business combination had already been completed as of 1 December 2010 and thus the start of the financial year just ended, as of 30 November 2011 the WILEX Group would have generated sales revenue of €10.5 million and other revenue of €1.9 million. On the whole, this would have translated into a consolidated loss of about €14.5 million for the period.

WILEX AG and HDP did not have any business relationships that had to be accounted separately from the business combination.

## 8. Goodwill

For purposes of the impairment test, the goowill is allocated to the smallest cash generating unit (CGU) that corresponds to the Customer Specific Research (Cx) segment.

WILEX acquired HDP in March 2011. This acquisition resulted in goodwill of € 6,111 k, which is also the carrying amount as of 30 November 2011. As part of the annual impairment test, in November 2011 WILEX tested the goodwill of the Customer Specific Research (Cx) segment for impairment. Impairment tests are based on a discounted cash flow model using assumptions in respect of company planning and serve to determine an asset's value in use. Mid-term planning comprises a detailed five-year plan for the period from 2012 to 2016. Cash flow projections are based on model assumptions that are related to an internal customer analysis and apply probabilities concerning potential new contracts. The current customer base has been analysed as to its future contract potential and provides the basis for mid-term planning.

This is followed by a second, longer-term 17-year planning phase that is based on model assumptions and continues the first planning phase. Sales related to the ADC technology are adjusted using model assumptions rooted in probabilities. Starting with the last year of the detailed planning phase the operating expenses were reduced by 5 % per year as development costs in particular are expected to decline once the technology

has been developed. A steady growth rate of 1% was assumed for the sales from preclinical services. The carrying amount of the CGU analysed was €11,208 k as of the reporting date.

Allowing for the risks and opportunities arising from the business activities, the weighted average cost of capital used for the impairment test was 15.2 % before taxes. The impairment test showed that there was no need to recognise impairment losses as of 30 November 2011.

There were no events during the financial year just ended that would have indicated a need to conduct a specific impairment test.

## 9. Intangible assets

As of 30 November 2011 and 2010, intangible assets comprised the following:

| | Software € '000 | Licences € '000 | Patents € '000 | Other intangible assets € '000 | Intangible assets not yet ready for use € '000 | Goodwill € '000 | Total € '000 |
|---|---|---|---|---|---|---|---|
| **2010 financial year** | | | | | | | |
| Opening carrying amount | 16 | 1,278 | 0 | 0 | 0 | 0 | 1,294 |
| Additions | 4 | 0 | 0 | 0 | 0 | 0 | 4 |
| Amortisation | (13) | (119) | 0 | 0 | 0 | 0 | (132) |
| **Net carrying amount as of 30.11.2010** | **6** | **1,159** | **0** | **0** | **0** | **0** | **1,166** |
| **As of 30.11.2010** | | | | | | | |
| Cost | 135 | 1,795 | 0 | 0 | 0 | 0 | 1,930 |
| Accumulated amortisation | (128) | (636) | 0 | 0 | 0 | 0 | (764) |
| **Net carrying amount as of 30.11.2010** | **6** | **1,159** | **0** | **0** | **0** | **0** | **1,166** |
| **2011 financial year** | | | | | | | |
| Opening carrying amount | 6 | 1,159 | 0 | 0 | 0 | 0 | 1,166 |
| Additions | 21 | 0 | 0 | 0 | 0 | 0 | 21 |
| Acquisition through a business combination | 246 | 1 | 457 | 320 | 2,493 | 6,111 | 9,628 |
| Amortisation | (44) | (119) | (127) | (57) | 0 | 0 | (347) |
| **Net carrying amount as of 30.11.2011** | **230** | **1,041** | **330** | **263** | **2,493** | **6,111** | **10,467** |
| **As of 30.11.2011** | | | | | | | |
| Cost | 402 | 1,796 | 457 | 320 | 2,493 | 6,111 | 11,579 |
| Accumulated amortisation | (172) | (755) | (127) | (57) | 0 | 0 | (1,111) |
| **Net carrying amount as of 30.11.2011** | **230** | **1,041** | **330** | **263** | **2,493** | **6,111** | **10,467** |

Unless allocable to manufacturing costs, €347k in amortisation (2010: €132k) were recognised in equal amounts under "research and development costs" and "general and administrative expenses". The additions largely concern HDP's intangible assets related to both software and licences that were taken over as part of the business combination. Other intangible assets identified during the purchase price allocation were recognised at fair value and written down in part.

WILEX has not pledged any intangible assets as collateral for liabilities. The Company has no contractual obligations for the acquisition of intangible assets.

The IP R&D ADC technology asset from the acquisition of HDP, which had a net carrying amount of €2,493k as of 30 November 2011, was tested for impairment in November 2011 in connection with the annual impairment test. In respect of the procedure used in impairment testing pursuant to IAS 36, see note 8, "Goodwill", because the calculation parameters are the same given the identity of the CGUs. WILEX has not found any indication of impairment of intangible assets.

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WILEX signed a licence, sub-licence and option agreement in 2001 with Bayer Corporation Business Group Diagnostics, Tarrytown, NY, USA, for the acquisition of certain rights relating to the MN patent portfolio of Bayer. "MN" (also known as CA IX) is a tumour-associated antigen which is expressed in a large number of cancers, including virtually all clear cell renal cell carcinomas. The agreement grants WILEX specific property rights for its Girentuximab antibody. WILEX capitalised the costs for acquiring the licence from Bayer Corporation and is amortising the licence over the period of use of the underlying MN patent.

In October 2004, WILEX capitalised the costs for acquiring an option agreement with Centocor Inc., Malvern, PA, USA. Under this option agreement, which WILEX may exercise until the date of filing for approval of RENCAREX® in the USA, WILEX acquired an option to the exclusive US marketing rights for the Girentuximab antibody (RENCAREX®). In 1999, WILEX acquired an exclusive licence for the Girentuximab antibody from Centocor for the worldwide development and marketing outside the USA. At that time, Centocor retained an option to the marketing rights in the USA, exercisable until the date of filing for approval of RENCAREX® in the USA. Under this option agreement, Centocor received an upfront payment and is entitled to future milestone payments and licence fees from the sale of the drug in the USA, should WILEX exercise the option. The option agreement is recognised at cost and will be amortised over the useful life of the underlying patent for the Girentuximab antibody.

In June 2006, a licence agreement was signed by WILEX and Genentech Inc., San Francisco, CA, USA. Genentech holds a patent protecting, along with other aspects, a process that is essential for the subsequent manufacturing of RENCAREX®. WILEX has therefore acquired a non-exclusive licence for the RENCAREX® antibody relating to the Cabilly II Patent, together with the right to issue sub-licences. The licence fee was recognised at present value as an intangible asset in June 2006 and will be amortised on a straight-line basis until December 2018, which is when the underlying patent (US Patent No. 6,331,415, dated 18 December 2001) expires. The amortisation is included in research and development costs. The licence fee was payable in several tranches. A further obligation in the form of a milestone payment will arise once market approval for RENCAREX® in the USA has been granted. This amount will increase the cost of the licence at the time of market approval and will be amortised over the remaining useful life. In addition, there are agreements in place for royalty payments based on the annual net sales of RENCAREX®. The US Patent Office confirmed the legality of the Cabilly II patent in May 2009. A new lawsuit has been filed in the meantime however and it is pending. If the patent is ultimately declared void, WILEX might not have to make any more payments in the future should RENCAREX® be approved. If this situation occurred, WILEX would also have to recognise an impairment loss on this intangible asset.

In February 2007, WILEX exercised the option regarding the acquisition of a patent portfolio from Dendreon Corporation, Seattle, WA, USA. The portfolio includes all of the patents and patent applications for uPA inhibitors owned by Dendreon. This enables WILEX to provide a more comprehensive framework for the subsequent clinical development of the second generation of uPA inhibitors, which are still being researched. The patent fee was recognised at present value as an intangible asset in February 2007 and will be amortised on a straight-line basis until December 2020, which is when the underlying patent expires. The amortisation is included in research and development costs. The licence fee was payable in two tranches. Further milestone payments will be due if the programmes enter the clinical development stage.

## 10. Property, plant and equipment

As of 30 November 2011 and 2010, property, plant and equipment comprised the following:

| | Laboratory equipment (owned) € '000 | Laboratory equipment (leased) € '000 | Other office equipment € '000 | Total € '000 |
|---|---|---|---|---|
| **2010 financial year** | | | | |
| Opening carrying amount | 354 | 0 | 70 | 424 |
| Additions | 328 | 178 | 18 | 524 |
| Depreciation | (41) | (9) | (35) | (84) |
| Reclassifications | 0 | 0 | 0 | 0 |
| **Net carrying amount as of 30.11.2010** | **641** | **169** | **54** | **864** |
| **As of 30.11.2010** | | | | |
| Cost | 1,295 | 432 | 430 | 2,156 |
| Accumulated depreciation | (852) | (65) | (375) | (1,293) |
| Reclassifications | 199 | (199) | 0 | 0 |
| **Net carrying amount as of 30.11.2010** | **641** | **169** | **54** | **864** |
| **2011 financial year** | | | | |
| Opening carrying amount | 641 | 169 | 54 | 864 |
| Additions | 100 | 312 | 60 | 472 |
| Construction in progress | 135 | 0 | 0 | 135 |
| Acquisitions through a business combination | 611 | 203 | 45 | 859 |
| Depreciation | (145) | (42) | (69) | (256) |
| **Net carrying amount as of 30.11.2011** | **1,342** | **642** | **90** | **2,074** |
| **As of 30.11.2011** | | | | |
| Cost | 2,141 | 947 | 535 | 3,623 |
| Accumulated depreciation | (997) | (107) | (444) | (1,548) |
| Reclassifications | 199 | (199) | 0 | 0 |
| **Net carrying amount as of 30.11.2011** | **1,342** | **642** | **90** | **2,074** |

Unless allocable to manufacturing costs, €256k in depreciation (2010: €84k) were recognised in equal amounts under "research and development costs" and "general and administrative expenses". The additions mainly relate to the acquisition of HDP's property, plant and equipment in connection with the business combination. WILEX took over HDP's property, plant and equipment at the given fair value as of 17 March 2011, which corresponded to the carrying amounts. Laboratory equipment and devices under construction in connection with the expansion of the Munich laboratory, which were not made operational until after the reporting date, were capitalised.

WILEX renegotiated two finance leases pursuant to IAS 17 for one piece of laboratory equipment each (see note 2.18) in the financial year just ended. Finance lease assets are measured at fair value and amortised over their estimated useful life on a straight-line basis.

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WILEX has not pledged any property, plant or equipment as collateral for liabilities. There are no contractual obligations for the acquisition of property, plant and equipment.

WILEX has not found any indication of impairment of property, plant and equipment.

## 11. Other non-current assets

The asset value of the reinsurance policy related to a pension obligation (€25k) is recognised in other non-current assets (see note 2.6). WILEX is under no obligation to make further payments to the plan. Neither additional pension payments nor retirements are expected in the next five years.

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The additional non-current assets mainly comprise rent security in the amount of €148k and security for leased equipment in the amount of €100k (all of which are deposited in bank accounts).

## 12. Inventories

The inventories (2011: €515k; 2010: €166k) mainly concern warehouse stock of marketable diagnostic tests (€170k) and materials for research and development (€345k). A total of €111k were recognised as expenses in the statement of comprehensive income for the inventories during the reporting period.

## 13. Other assets and prepayments

Other assets and prepayments are comprised as follows:

| | 30.11.2011 € '000 | 30.11.2010 € '000 |
|---|---|---|
| Insurance | 41 | 42 |
| Prepayments to service providers | 910 | 1,080 |
| Deferred withholding tax | 0 | 1 |
| Other | 1 | 1 |
| **Other assets and prepayments** | **952** | **1,124** |

Prepayments to service providers include, in particular, payments to service providers in clinical development and subcontractors.

## 14. Trade and other receivables

The business activities of the two subsidiaries generated €159 k in trade receivables from a variety of sources (previous year: €40 k).

| | 30.11.2011 € '000 | 30.11.2010 € '000 |
|---|---|---|
| Trade receivables | 159 | 40 |
| **Total** | **159** | **40** |

Other receivables are comprised as follows:

| | 30.11.2011 € '000 | 30.11.2010 € '000 |
|---|---|---|
| VAT claim | 132 | 112 |
| Refund of withholding tax on capital gains | 5 | 4 |
| Receivables from other services (without current account) | 9 | 0 |
| Other receivables | 0 | 8 |
| Other receivables Prometheus | 2,801 | 0 |
| Other assets | 3 | 2 |
| **Other receivables** | **2,950** | **126** |

Since the company has incurred only operating losses, the withholding tax on capital gains was refunded. Advance payments on travel costs (2011: €3 k; 2010: €2 k) are treated as other assets. WILEX is entitled to a guaranteed immediate payment from Prometheus of USD 15 million – or USD 20 million starting in May 2012 – under its out-licensing agreement for RENCAREX® if the decision is made not to take over the marketing rights for a Prometheus product in Europe. Accordingly, a claim of USD 15 million is being accrued on a pro-rata basis over the development phase in accordance with the progress of development work.

## 15. Cash and cash equivalents

| | 30.11.2011 € '000 | 30.11.2010 € '000 |
|---|---|---|
| Cash and cash equivalents | 3,421 | 1,943 |
| **Total** | **3,421** | **1,943** |

The increase in cash and cash equivalents compared to the 2010 financial year is due to the payments received under the out-licensing agreement with Prometheus and the shareholder loans.

WILEX maintains domestic credit balances only with major banks that belong to the German Deposit Insurance Fund and/or the German Savings Banks Organisation's deposit assurance fund. The credit balances of WILEX Inc. that are deposited with a US bank are also protected through a comparable deposit insurance system. The default risks in respect of these credit balances are therefore minimal.

## 16. Equity

As of 30 November 2011, the share capital consisted of 21,613,035 (30 November 2010: 18,413,035) no par value bearer shares with a pro-rata interest in the share capital of €1.00 per share. The arithmetical nominal amount and any premium on the issue of shares are reported under "subscribed capital" and "capital reserve" respectively.

The following shares have been issued since the company was established:

| Issue date | Entry in the commercial register | Number of shares | € |
|---|---|---|---|
| **On 30.11.2003** [1] | | **10,845,000** | **10,870,000** |
| **On 30.11.2004** [1] | | **10,845,000** | **10,870,000** |
| 29.04.2005 | 31.05.2005 | 6,521,598 | 6,521,598 |
| 08.09.2005 | 10.11.2005 | – | (25,000) |
| 08.09.2005 | 10.11.2005 | 51 | 51 |
| 08.09.2005 | 10.11.2005 | (11,577,766) | (11,577,766) |
| **On 30.11.2005** | | **5,788,883** | **5,788,883** |
| 03.11.2005 | 21.12.2005 | 2,173,871 | 2,173,871 |
| 10.11.2006 | 10.11.2006 | 4,000,000 | 4,000,000 |
| **On 30.11.2006** | | **11,962,754** | **11,962,754** |
| **On 30.11.2007** | | **11,962,754** | **11,962,754** |
| **On 30.11.2008** | | **11,962,754** | **11,962,754** |
| 18.02.2009 | 26.02.2009 | 1,818,181 | 1,818,181 |
| **On 30.11.2009** | | **13,780,935** | **13,780,935** |
| 16.11.2009 | 04.12.2009 | 2,177,030 | 2,177,030 |
| 03.08.2010 | 05.08.2010 | 2,455,070 | 2,455,070 |
| **On 30.11.2010** | | 18,413,035 | 18,413,035 |
| 17.03.2011 | 17.03.2011 | 3,200,000 | 3,200,000 |
| **On 30.11.2011** | | **21,613,035** | **21,613,035** |

[1] WILEX held an additional 25,000 no par value shares without voting rights as treasury shares.

The non-cash capital increase, which was adopted by the Annual General Meeting on 15 December 2010 subject to the exclusion of shareholders' subscription right for the purpose of acquiring Heidelberg Pharma, was completed on 17 March 2011 when it was recorded in the appropriate Commercial Register. The company's share capital was thus raised from € 3,200 k to € 21,613 k by issuing 3,200,000 new no par value bearer shares with pro-rata interest in the company's share capital of € 1.00.

Since the mandatory application of IFRS 2 Share-based Payment, the value of the capital reserve is adjusted every quarter in line with the additional expenses resulting from the share-based model. A total of € 97 k (previous year: € 470 k) was recognised in this context in the period under review (see note 25).

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The Company incurred € 0.2 million in transaction costs, of which € 73 k concern the 2011 financial year. The directly allocable transaction costs were charged against capital reserves, thus reducing equity.

On the whole the transaction costs mainly concerned fees for the enterprise valuation and legal advice. All acquisition-related costs incurred by the reporting date are contained in the consolidated statement of comprehensive income by date of incurrence. As of the reporting date of 30 November 2011, the capital reserve amounted to € 135,030 k (previous year: € 127,485 k). The accumulated losses since the start of the company's business activities in 1997 totalled € 161,128 k as of the end of the financial year (previous year: € 147,202 k).

## 17. Grant from the US Department of Defense

At the end of 2003, WILEX received the first Clinical Partnership Award of the breast cancer research programme sponsored by the US Department of Defense. WILEX used the grant amounting to almost USD 4.0 million to finance the clinical development of WX-UK1 in two clinical trials carried out at the Fox Chase Cancer Center Philadelphia, PA, USA. The US Department of Defense also made a commitment in 2006 to pay a further USD 1.0 million for subsequent research projects relating to MESUPRON®, in order to promote the development of the serine protease inhibitor. The payments to WILEX have been made in full in the meantime. As long as costs for the WX-UK1 and MESUPRON® (indication breast cancer) trials were not expensed, payments to WILEX were recognised under liabilities. These payments were recognised in income under other income according to the percentage of completion. The percentage of completion is determined by calculating the proportion of the actual research and development costs incurred for the Phase II trial of MESUPRON® in relation to the underlying budget for the total clinical costs. The contract with the US Department of Defense expired in September 2011, and all payments are shown under "Other income".

## 18. Pension obligations

In 1999, WILEX granted a one-off pension commitment of € 15 k to Professor Olaf G. Wilhelm, the current chairman of the Executive Management Board and Managing Director at the time, as part of a deferred benefit. The pension obligation is reported at the asset value of the associated reinsurance policy and covered in full by this at the reporting date (see note 2.6). WILEX is under no obligation to make further payments to the plan. No pension payments are expected in the coming five years. The allocation to the pension provision totalled € 909 (2010: € 877) in the financial year just ended.

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A total of € 34 k were added to a defined contribution plan of HDP during the consolidation period and recognised as staff costs. There is a pension commitment toward two employees for which reinsurance policies were purchased. The pension plan for which matching reinsurance cover is in place and whose amount thus

is determined solely by the fair value of the reinsurance claim has been recognised at the latter's fair value. The reinsurance cover matches because the payments under the reinsurance policy are identical both in terms of their amount and the beneficiary. The fair value of the reinsurance claim in the amount of € 918 k consists of the insurance company's capital reserves plus a credit balance, if any, from premium refunds (so-called participation in the surplus).

## 19. Lease liabilities and other non-current liabilities

Lease liabilities of € 218 k (previous year: € 82 k) were recognised as of the reporting date because of finance leases for several items of laboratory equipment with a term of 36 months each.

Other non-current liabilities are comprised as follows:

| | 30.11.2011 € '000 | 30.11.2010 € '000 |
|---|---|---|
| Accruals US Department of Defense (non-current) | 0 | 193 |
| Accruals prepayment Prometheus (non-current) | 4,780 | 0 |
| Provision for rent | 53 | 19 |
| Provision for anniversary payment | 55 | 64 |
| **Other non-current liabilities** | **4,888** | **276** |

One month's rent must be accrued under IFRS over the term of the lease because it is a graduated lease.

A service anniversary bonus was granted to all employees as of WILEX's tenth anniversary. These staff costs were classified as current or non-current liabilities depending on the length of the given staff member's employment with the company. The actuarial report necessary for the measurement (IAS 19) is based on various assumptions, such as fluctuation and development of interest rates (2011: 4.21 %, 2010: 3.75 %) and must be adjusted to these parameters annually as of the reporting date. Based on the parameters stated above, WILEX recognised an actuarial gain of € 9 k (previous year: € 3 k) in 2011, which was recognised in the statement of comprehensive income.

## 20. Lease liabilities, trade payables, financial liabilities and other current liabilities

A current lease liability of € 252 k (2010: € 58 k) was recognised as of the reporting date in connection with several leases.

Current trade payables decreased from € 2,040 k in the 2010 financial year to € 1,412 k in the 2011 financial year. They were mainly incurred for services provided in connection with the clinical trials.

Financial liabilities in the amount of € 10,548 k mainly concern the liabilities under the shareholder loan and contain the loan disbursements from dievini and UCB as well as the resulting interest liabilities. There is also a current liability to a bank. There were no such liabilities the previous year.

Other current liabilities are comprised as follows:

| | 30.11.2011 € '000 | 30.11.2010 € '000 |
|---|---|---|
| Provisions for holidays not taken | 409 | 269 |
| Accruals US Department of Defense (current) | 0 | 507 |
| Accruals Esteve/IBA | 0 | 64 |
| Accruals Prometheus (current) | 4,780 | 0 |
| Social security and other taxes | 241 | 135 |
| Accrued liabilities | 2,564 | 3,432 |
| **Other current liabilities** | **7,993** | **4,406** |

The provisions for holidays not taken rose year on year due to the staff increases. No accruals related to the US Department of Defense were recognised in 2011 because all related revenue had been realised by the time the DoD contract expired in September 2011. The prepayments received from Esteve and IBA, which had been accrued, were recognised in the period under review. The portion of the prepayment from Prometheus that has not yet been treated as income is shown under "Accruals Prometheus (current)". Current liabilities in connection with social security and other taxes rose due to the increase in the number of employees within the Group.

The accrued liabilities are composed as follows:

| | 30.11.2011 € '000 | 30.11.2010 € '000 |
|---|---|---|
| Employee bonuses and profit-sharing bonuses | 892 | 1,336 |
| Costs for preparing the financial statements | 135 | 101 |
| Rent | 16 | 45 |
| Service anniversary payments | 18 | 18 |
| Deliveries/services | 1,503 | 1,931 |
| **Total** | **2,546** | **3,432** |

WILEX recognises accruals for goods and services where it has a current obligation arising from the supply of goods and services received. Accruals were recognised in the amount of the best possible estimate of the payment outflow required to fulfil the current obligation. Most obligations in this category comprise external research and development costs of service providers in connection with preclinical and clinical trials and activities, as well as the cost of production for the basic material. The significant decrease in the financial year just ended arises from the progress of various clinical trials and thus lower expenses for patients and trial centres.

Employee bonuses are granted depending on the performance of the company and of individual employees and are due for payment in the following financial year. The year-on-year decrease stems from the fact that the 2009 bonuses for the members of the Executive Management Board were not paid until the 2011 financial year and therefore had been recognised as liabilities as of the 2010 reporting date.

## 21. Other disclosures on financial instruments

Carrying amounts and fair values follow from the table below. In addition, the financial instruments were broken down into categories pursuant to IAS 39 (see note 2.12):

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| | | Measurement as of 30.11.2011 | | Measurement as of 30.11.2010 | |
|---|---|---|---|---|---|
| | Measurement category according to IAS 39 | Carrying amount € '000 | Fair value € '000 | Carrying amount € '000 | Fair value € '000 |
| Cash and cash equivalents | Loans and Receivables | 3,421 | 3,421 | 1,943 | 1,943 |
| Other non-current assets | Loans and Receivables | 277 | 277 | 162 | 162 |
| Trade receivables | Loans and Receivables | 159 | 159 | 40 | 40 |
| Other receivables | Loans and Receivables | 2,950 | 2,950 | 126 | 126 |
| Other non-current liabilities | Financial Liabilities Amortized Costs | (4,888) | (4,888) | (276) | (276) |
| Trade payables | Financial Liabilities Amortized Costs | (1,412) | (1,412) | (2,040) | (2,040) |
| Financial liabilities | Financial Liabilities Amortized Costs | (10,548) | (10,548) | 0 | 0 |
| Other current liabilities | Financial Liabilities Amortized Costs | 0 | 0 | (4,406) | (4,406) |
| **Total** | | **(10,041)** | **(10,041)** | **(4,591)** | **(4,591)** |
| **Aggregation after measurement criteria** | | | | | |
| | Loans and Receivables | 6,807 | 6,807 | 2,271 | 2,271 |
| | Financial Liabilities Amortized Costs | (16,848) | (16,848) | (6,722) | (6,722) |

The other receivables all have remaining maturities of substantially less than one year. There are no discernible default risks. The other non-current assets (see note 2.6) comprise an amount corresponding to the asset value of a reinsurance policy and an amount corresponding to the balance of the rent security accounts.

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Most of the other current liabilities as well as trade payables have short remaining maturities, with the result that the carrying amounts also correspond to the fair value as of the reporting date. Lease liabilities are measured based on a payment plan and, according to their due date, are either current (€ 218 k) or non-current (€ 252 k).

Of the financial instruments at fair value through profit or loss, gains and losses from subsequent measurement are recognised in profit or loss. Bank statements and other bank confirmations serve to verify the fair value as the end of the reporting period.

The carrying amounts of financial assets and liabilities such as cash and cash equivalents as well as trade receivables and payables were more or less equal to their fair value on account of the short maturities.

No expense or income items were recognised through profit or loss for loans and receivables as well as financial liabilities carried at cost. A total of € 518 k were recognised as interest expense related to financial liabilities.

The table below presents the reconciliation of the balance sheet items related to the classes of financial instruments broken down by carrying amount and fair value.

| | Measured at amortised cost | | | | |
|---|---|---|---|---|---|
| 2011 | Carrying amount € '000 | Fair value € '000 | Measured at fair value € '000 | Not within the scope of IFRS 7 € '000 | Balance sheet item as of 30.11.2011 € '000 |
| Cash and cash equivalents | – | – | 3,421 | – | 3,421 |
| Non-current assets | 277 | 277 | – | 12,541 | 12,818 |
| Trade receivables | 159 | 159 | – | – | 159 |
| Other receivables | 2,950 | 2,950 | – | 1,467 | 4,417 |
| Non-current liabilities | (218) | (218) | – | (4,914) | (5,132) |
| Trade payables | (1,412) | (1,412) | – | – | (1,412) |
| Financial liabilities | (10,548) | (10,548) | (10,548) | – | (10,548) |
| Other current liabilities | (252) | (252) | – | (7,993) | (8,245) |

The following figures apply to the previous year:

| | Measured at amortised cost | | | | |
|---|---|---|---|---|---|
| 2010 | Carrying amount € '000 | Fair value € '000 | Measured at fair value € '000 | Not within the scope of IFRS 7 € '000 | Balance sheet item as of 30.11.2010 € '000 |
| Cash and cash equivalents | – | – | 1,943 | – | 1,943 |
| Non-current assets | 162 | 162 | – | 2,030 | 2,192 |
| Trade receivables | 40 | 40 | – | – | 40 |
| Other receivables | 126 | 126 | – | 1,290 | 1,416 |
| Non-current liabilities | (82) | (82) | – | (300) | (382) |
| Trade payables | (2,040) | (2,040) | – | – | (2,040) |
| Financial liabilities | – | – | – | – | – |
| Other current liabilities | (58) | (58) | – | (4,406) | (4,464) |

**Risks from financial instruments:**
In respect of risks from financial instruments, see for example the section on the management of financial risks (see note 4).

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Financial instruments with an inherent default and liquidity risk mainly comprise cash and cash equivalents as well as other receivables. The carrying amounts of the financial assets generally reflect the maximum default risk.

Most of the cash and cash equivalents are denominated in euros, with a smaller amount denominated in US dollars, and have been invested exclusively with banks belonging to the German Deposit Insurance Fund and/or the deposit assurance fund of the German Savings Banks Organisation. But WILEX monitors the positions held and the respective bank's credit rating on an ongoing basis nonetheless. No such risks were identifiable at the reporting date.

There is no interest rate risk in the company's view because its cash and cash equivalents were invested exclusively in demand deposits as of the reporting date.

The Company is exposed to a liquidity risk given both its business model and the still insufficient cash flows from the marketing of its own products. WILEX employs a rolling, monthly cash flow planning and age analysis in order to be able to recognise liquidity risks in due time. WILEX was able to meet its payment obligations at all times in the financial year just ended.

The trade receivables at the close of the financial year were attributable to business customers; they were invoiced as of the 30 November 2011 reporting date or immediately preceding it. No material trade receivables were past due as of the reporting date. No adjustments were necessary in management's view because WILEX does not expect any non-payment risks to arise.

WILEX is also exposed to a market risk, e. g. from changes in interest rates, and a currency risk from the euro's exchange rate vis-à-vis other currencies, e. g. the US dollar or the Swiss franc (CHF) or the British pound (GBP). This exchange rate risk includes the relative decrease or increase of the euro vis-à-vis the other currencies during the period until payment of the liability or receivable. WILEX reviews the need for foreign currency hedges on an ongoing basis during the year but does not engage in any hedging. Instead, WILEX aims to pay liabilities in foreign currencies using existing bank balances in the respective currency in order to keep the risk of exchange rate fluctuations as low as possible. Translated into the respective currency, as of 30 November 2011 foreign currency risks concerning trade receivables were € 333 k in USD, € 228 k in CHF, € 3 k in GBP, € 1 k in CAD and € 5 k in PLN.

Any increase or decrease in the euro by 10 % compared to the given foreign currency would have had the following effect on earnings in the financial year just ended:

| | Increase € '000 | Decrease € '000 |
|---|---|---|
| Euro (EUR) vs. Canadian dollar (CAD) | 0 | 0 |
| Euro vs. Swiss franc (CHF) | 21 | (25) |
| Euro vs. British pound (GBP) | 0 | 0 |
| Euro vs. Polish zloty (PLN) | 0 | (1) |
| Euro vs. US dollar (USD) | 30 | (37) |

A material portion of WILEX's sales revenue depends on the given USD/EUR foreign exchange rate. Both the prepayments and the milestone payments are one-off cash transactions that are translated at the reporting date exchange rate and recognised as income or accrued. There are ongoing foreign currency risks in respect of the revenue from the cost reimbursements for services largely rendered in euros but passed on in US dollars. On the whole, € 8,651 k of all revenue was generated in USD, of which € 1,308 k concern the cost reimbursements. Accordingly, an increase by 10 % in the average exchange rate applied would have boosted revenue from the cost reimbursements by € 85 k. Conversely, a decrease by 10 % in the average foreign exchange rate would have lowered revenue by € 104 k.

Given that both operating income and sales revenue from the Prometheus prepayment in the amount of USD 19.0 million have already been collected and are limited to accrued items, the euro exchange rate relative to other currencies does not have any effect in this case. Solely the resulting cash and cash equivalents in USD are exposed to foreign currency risks. WILEX monitors the USD exchange rate throughout the year in order to intervene as necessary by selling or buying foreign currencies without however hedging such transactions by means of derivative financial instruments. Cash and cash equivalents in USD as of the reporting date were € 3,186 k.

Given the contractually fixed interest rates and short maturities, potential market-driven interest rate fluctuations do not have material effects on the financial assets and liabilities.

## 22. Sales revenue

Sales revenue in the financial year just ended totalled € 9,877 k (previous year: € 0).

| | 2011<br>€ '000 | 2010<br>€ '000 |
|---|---|---|
| Sales revenue from the sale of goods | 260 | 0 |
| Sales revenue from the provision of services | 1,220 | 0 |
| Sales revenue from royalties | 8,397 | 0 |
| **Sales revenue** | **9,877** | **0** |

WILEX posted € 8,397 k in sales revenue from the licence agreement with Prometheus. These comprise milestones as well as cost reimbursements and elements of the upfront payment that are reversed on a pro-rata basis. Other sales revenue stems from the commercialisation of diagnostic tests related to oncology as well as customer specific services.

## 23. Other income

Other income comprises the following items:

| | 2011 € '000 | 2010 € '000 |
|---|---|---|
| Income realisation licence agreements | 64 | 1,001 |
| Grant provided by the US Department of Defense | 700 | 293 |
| Other grants | 549 | 0 |
| Income from exchange rate differences | 486 | 0 |
| Other | 36 | 20 |
| **Other income** | **1,836** | **1,314** |

Since 2004, WILEX has received milestone payments under this agreement from its cooperation partner Esteve totalling € 5.0 million. These payments were recognised in income under other income according to the percentage of completion for the last time in 2011.

WILEX has received a grant from the US Department of Defense, which covers some of the clinical development costs for WX-UK1 and MESUPRON® in Phases I and II (see note 17). As long as trial costs had not been expensed, payments were accrued under other liabilities. The reduction in these liabilities was recognised in the income statement under other income in accordance with the progress of the respective project. Given that the cooperation with the US Department of Defense ended in September 2011 as stipulated by contract, the remaining accrued liability was reversed and recognised in other income.

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The Federal Ministry of Education and Research (BMBF) has been promoting the Rhine-Neckar region – a biotech hub – since September 2008 as a top cluster for "Cell-based & Molecular Medicine in the Rhine-Neckar Metropolitan Area". The income item "other grants", which is attributable to the Customer Specific Research (Cx) segment, stems from these public funds.

Other income from exchange rate differences was also generated in the 2011 financial year.

## 24. Types of expenses

The following expenses are recognised in the statement of comprehensive income:

| | 2011<br>€ '000 | 2010<br>€ '000 |
|---|---|---|
| Staff costs | 8,948 | 7,076 |
| Travel costs | 434 | 318 |
| Rental expenses | 1,588 | 712 |
| Laboratory and other internal costs | 2,104 | 1,354 |
| External research and development costs | 10,171 | 12,969 |
| Legal and consulting costs | 1,326 | 1,781 |
| Depreciation/amortisation | 524 | 217 |
| **Total** | **25,096** | **24,426** |

There has been a substantial increase in staff and travel costs as well as rental expenses due to the integration of the two subsidiaries. Laboratory and other internal costs include expenses for raw materials, consumables and supplies as well as other purchased merchandise of € 561 k (2010: € 169 k). External research and development costs comprise the cost of purchased services, especially from service providers in the area of clinical development. They fell year on year due to the progress of the clinical trials. Legal and consulting costs also declined due to the advanced nature of R&D projects despite numerous funding and business development projects. The expense item, legal and consulting costs, contains the cost of conventional legal representation as well as consulting costs related to business development, costs related to industrial property rights and patents, costs related to the development of ongoing research and development activities as well as consulting costs related to the acquisition of HDP. The expenses enumerated here contain € 4,165 k in revenue-related manufacturing costs.

## 25. Staff costs

Staff costs are comprised as follows:

| | 2011<br>€ '000 | 2010<br>€ '000 |
|---|---|---|
| Wages and salaries | 7,035 | 4,957 |
| Social security | 968 | 681 |
| Bonuses | 738 | 847 |
| Expense from the measurement of stock options | 97 | 470 |
| Expense from the measurement of service anniversaries | (9) | 17 |
| Other staff costs | 119 | 104 |
| **Total staff costs** | **8,948** | **7,076** |

The overall increase in in staff costs results from a significantly higher number of employees in the Group compared with 2010, salary rises and the promotion of employees.

In the comparative periods, WILEX employed the following number of staff on average:

| | 2011 | 2010 |
|---|---|---|
| Administration | 27 | 21 |
| Production, service and sales | 11 | 0 |
| Research and development | 69 | 51 |
| **Average number of employees**[1] | **107** | **72** |

[1] Including the Executive Management Board

Given that the employees of HDP were not carried in the books until 17 March 2011, their number has not yet fully affected the average number of employees during the financial year just ended.

Remeasurement of the options under IFRS 2 Share-based Payments at €97k (see note 2.17.1) resulted in lower staff costs year on year in 2011 (previous year: €470k). This is due primarily to the across-the-board adjustment of the exercise price to €4.10 per share in 2010, which had caused expenses to rise the previous year. The exercise price for all stock options issued until the 30 November 2009 reporting date was reduced to €4.10 (the subscription price fixed for the capital increase) across the board in accordance with Article 7 (1i) of the 2005 stock option plan once the capital increase subject to shareholders' subscription right had been recorded in the Commercial Register on 4 December 2009.

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Below is the calculation for the year under review:

| | Share-based payment for the Executive Management Board, executives and employees | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Type of agreement** | **Tranche 1** | **Tranche 2** | **Tranche 3** | **Tranche 4** | **Tranche 5** | **Tranche 6** | **Tranche 7** | **Tranche 8** |
| Grant date | 30.12.2005 | 31.01.2006 | 28.02.2006 | 28.04.2006 | 30.09.2006 | 30.09.2007 | 31.10.2007 | 30.09.2010 |
| Options outstanding at the beginning of the reporting period | 318,388 | 167,343 | 85,078 | 3,040 | 148,635 | 27,000 | 152,000 | 85,007 |
| Options granted during the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options forfeited in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 8,491 |
| Options exercised during the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Options expired in the reporting period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Options outstanding at the end of the reporting period** | **318,388** | **167,343** | **85,078** | **3,040** | **148,635** | **27,000** | **152,000** | **76,516** |
| Options exercisable as of 30.11.2011 | 318,388 | 167,343 | 85,078 | 3,040 | 148,635 | 27,000 | 152,000 | 0 |
| Maximum term | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years |

Stock options have been calculated on the basis of a binominal model. Their values are illustrated in the following. Settlement is carried out in equity securities. While tranches 1 to 5 each have a term of 24 or 25 months and therefore one option value, there are nine different terms and nine option values for tranches 6, 7 and 8 on account of the different vesting dates.

| | Issue date | Vesting period | Option value (rounded) € |
|---|---|---|---|
| Tranche 1 | 30.12.2005 | 24 months | 2.42 |
| Tranche 2 | 31.01.2006 | 24 months | 2.36 |
| Tranche 3 | 28.02.2006 | 25 months | 2.44 |
| Tranche 4 | 28.04.2006 | 24 months | 2.40 |
| Tranche 5 | 30.09.2006 | 24 months | 2.48 |

| Tranche 6 | Issue date | Vesting period | Option value (rounded) € |
|---|---|---|---|
| Part 1 | 30.09.2007 | 24 months | 2.92 |
| Part 2 | 30.09.2007 | 27 months | 3.11 |
| Part 3 | 30.09.2007 | 30 months | 3.24 |
| Part 4 | 30.09.2007 | 33 months | 3.37 |
| Part 5 | 30.09.2007 | 36 months | 3.50 |
| Part 6 | 30.09.2007 | 39 months | 3.67 |
| Part 7 | 30.09.2007 | 42 months | 3.74 |
| Part 8 | 30.09.2007 | 45 months | 3.98 |
| Part 9 | 30.09.2007 | 48 months | 4.08 |

| Tranche 7 | Issue date | Vesting period | Option value (rounded) € |
|---|---|---|---|
| Part 1 | 31.10.2007 | 24 months | 2.55 |
| Part 2 | 31.10.2007 | 26 months | 2.61 |
| Part 3 | 31.10.2007 | 29 months | 2.79 |
| Part 4 | 31.10.2007 | 32 months | 2.92 |
| Part 5 | 31.10.2007 | 35 months | 3.03 |
| Part 6 | 31.10.2007 | 38 months | 3.17 |
| Part 7 | 31.10.2007 | 41 months | 3.28 |
| Part 8 | 31.10.2007 | 44 months | 3.40 |
| Part 9 | 31.10.2007 | 47 months | 3.57 |

| Tranche 8 | Issue date | Vesting period | Option value (rounded) € |
|---|---|---|---|
| Part 1 | 30.09.2010 | 24 months | 1.96 |
| Part 2 | 30.09.2010 | 27 months | 1.97 |
| Part 3 | 30.09.2010 | 30 months | 2.01 |
| Part 4 | 30.09.2010 | 33 months | 2.03 |
| Part 5 | 30.09.2010 | 36 months | 2.25 |
| Part 6 | 30.09.2010 | 39 months | 2.28 |
| Part 7 | 30.09.2010 | 42 months | 2.29 |
| Part 8 | 30.09.2010 | 45 months | 2.30 |
| Part 9 | 30.09.2010 | 48 months | 2.33 |

The following model parameters were used to calculate tranches 1 to 5:

| Model parameter | Tranche 1 | Tranche 2 | Tranche 3 | Tranche 4 | Tranche 5 |
|---|---|---|---|---|---|
| Share valuation on the issue date | 6.90 € | 6.90 € | 6.90 € | 6.90 € | 6.90 € |
| Maximum term to issue date | 10 years | 10 years | 10 years | 10 years | 10 years |
| Vesting period of the options in months | 24 | 24 | 25 | 24 | 24 |
| Exercise price at expected exercise date | 5.52 € | 5.52 € | 5.52 € | 5.52 € | 5.52 € |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% |
| Risk-free interest rate for the term | 2.86% | 2.97% | 3.06% | 3.44% | 3.56% |
| Expected volatility for the term | 42.54% | 40.40% | 41.69% | 40.61% | 43.25% |

The following model parameters were used to calculate tranches 6, 7 and 8:

| Model parameter Tranche 6 | Part 1 | Part 2 | Part 3 | Part 4 | Part 5 | Part 6 | Part 7 | Part 8 | Part 9 |
|---|---|---|---|---|---|---|---|---|---|
| Share valuation on the issue date | 9.84 € | 9.84 € | 9.84 € | 9.84 € | 9.84 € | 9.84 € | 9.84 € | 9.84 € | 9.84 € |
| Maximum term to issue date | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years |
| Vesting period of the options in months | 24 | 27 | 30 | 33 | 36 | 39 | 42 | 45 | 48 |
| Exercise price at expected exercise date | 9.73 € | 9.73 € | 9.73 € | 9.73 € | 9.73 € | 9.73 € | 9.73 € | 9.73 € | 9.73 € |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Risk-free interest rate for the term | 4.06% | 4.07% | 4.08% | 4.09% | 4.10% | 4.11% | 4.13% | 4.14% | 4.15% |
| Expected volatility for the term | 47.40% | 47.52% | 46.82% | 46.30% | 45.95% | 46.31% | 45.25% | 46.97% | 46.48% |

| Model parameter Tranche 7 | Part 1 | Part 2 | Part 3 | Part 4 | Part 5 | Part 6 | Part 7 | Part 8 | Part 9 |
|---|---|---|---|---|---|---|---|---|---|
| Share valuation on the issue date | 9.02 € | 9.02 € | 9.02 € | 9.02 € | 9.02 € | 9.02 € | 9.02 € | 9.02 € | 9.02 € |
| Maximum term to issue date | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years |
| Vesting period of the options in months | 24 | 26 | 29 | 32 | 35 | 38 | 41 | 44 | 47 |
| Exercise price at expected exercise date | 9.62 € | 9.62 € | 9.62 € | 9.62 € | 9.62 € | 9.62 € | 9.62 € | 9.62 € | 9.62 € |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Risk-free interest rate for the term | 4.07% | 4.07% | 4.07% | 4.06% | 4.06% | 4.06% | 4.07% | 4.07% | 4.08% |
| Expected volatility for the term | 50.10% | 48.96% | 49.14% | 48.68% | 47.94% | 47.94% | 47.47% | 47.44% | 48.19% |

| Model parameter Tranche 8 | Part 1 | Part 2 | Part 3 | Part 4 | Part 5 | Part 6 | Part 7 | Part 8 | Part 9 |
|---|---|---|---|---|---|---|---|---|---|
| Share valuation on the issue date | 4.70 € | 4.70 € | 4.70 € | 4.70 € | 4.70 € | 4.70 € | 4.70 € | 4.70 € | 4.70 € |
| Maximum term to issue date | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years | 10 years |
| Vesting period of the options in months | 24 | 27 | 30 | 33 | 36 | 39 | 42 | 45 | 48 |
| Exercise price at expected exercise date | 4.34 € | 4.34 € | 4.34 € | 4.34 € | 4.34 € | 4.34 € | 4.34 € | 4.34 € | 4.34 € |
| Expected dividend yield | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Risk-free interest rate for the term | 0.72% | 0.78% | 0.83% | 0.88% | 0.94% | 1.00% | 1.07% | 1.13% | 1.20% |
| Expected volatility for the term | 71.96% | 68.07% | 65.89% | 63.32% | 68.82% | 67.11% | 64.77% | 62.72% | 61.66% |

The share valuation upon issue of the options of tranches 1 to 5 was carried out on the basis of the most recent Company valuation of WILEX AG available at this date and represents the best price estimate in the unanimous view of the Supervisory Board and Executive Management Board of the company, as WILEX AG was not yet listed on the stock exchange at the time. The share valuation of €6.90 for these tranches issued corresponds to the historical value from the final financing round of WILEX AG, which was implemented in 2005.

As WILEX AG has been listed on the stock exchange since 13 November 2006, the shares in tranches 6, 7 and 8 were each initially measured on the basis of the share prices prevailing on the respective grant date. The adjusted exercise price for tranche 1 through 7 is €4.10 per share and €4.70 per share for tranche 8.

In accordance with the option terms, the exercise price for tranche 8 is calculated using the arithmetic mean of the closing prices for shares of WILEX AG on the last ten trading days of the stock exchange on which the shares are traded, prior to the date of issue of the stock options (date of acceptance by the beneficiary of the company's option offer). Risk-free interest rates are calculated on the basis of the yield curve for listed

Federal government securities issued by the German Bundesbank, which are calculated using the Svensson method. The vesting periods of the options are based on the assumption that the stock options will be exercised as soon as possible.

The performance target of an increase in the share price of at least 10 % of the exercise price has not been taken into account for the valuation because the achievement of this target was expected by the Executive Management Board on the basis of detailed forecasts for the relevant issue dates. Stock options may only be exercised effectively if the company's shares are traded on a stock exchange in or outside Germany. This is now the case.

Future volatility during the vesting period of the stock options for tranches 1 to 7 was estimated on the basis of the historical volatility for matching maturities of a peer group of comparable companies in the biotechnology sector, taking into account the expected future share price performance of the company. This method was used because WILEX has only been listed since 13 November 2006 and no information about the historical volatility for stock options issued with matching maturities was available for WILEX. In contrast, historical volatilities of WILEX AG were applied to the tranche 8 options granted on 30 September 2010.

The vesting period is the period until the individual options become vested. In accordance the regulations described in the exercise terms, within this four-year period stock options vest pro rata relative to the total number of stock options granted on the last calendar day of February as well as on 31 May, 31 August and 30 November of any given financial year following the option issue date. In the case of stock options that were issued prior to the first trading day, 50 % of all stock options issued at this time vested after the end of the first trading day.

The stock options had the following maximum terms as of the reporting date:

| | Issue date | 30.11.2011 years | 30.11.2010 years |
|---|---|---|---|
| Tranche 1 | 30.12.2005 | 4.08 | 5.08 |
| Tranche 2 | 31.01.2006 | 4.17 | 5.17 |
| Tranche 3 | 28.02.2006 | 4.24 | 5.24 |
| Tranche 4 | 28.04.2006 | 4.41 | 5.41 |
| Tranche 5 | 30.09.2006 | 4.83 | 5.83 |
| Tranche 6 | 30.09.2007 | 5.83 | 6.83 |
| Tranche 7 | 31.10.2007 | 5.92 | 6.92 |
| Tranche 8 | 30.09.2010 | 8.83 | 9.83 |

WILEX incurred the following costs under the stock option plan in the financial year just ended:

| | 30.11.2011 € '000 | 30.11.2010 € '000 |
|---|---|---|
| Expenses from equity-based compensation transactions | 97 | 470 |

During the financial year just ended, no new stock options were issued to members of the company's Executive Management Board, executives of affiliates and non-executive employees of the company or affiliates. In the financial year just ended, 8,491 stock options were returned. This means that 978,000 options – 729,335 for existing or former members of the Executive Management Board and 248,665 for existing or former employees – had been issued as of the end of the financial year.

In future additional stock options may be granted under the new SOP 2011 under the authorisation by the 2011 Annual General Meeting to establish stock option plans or grant stock options.

## 26. Net currency gains/losses

WILEX posted a currency gain of € 307 k (2010: currency loss of € 65 k) in the 2011 financial year.

The consolidation of WILEX Inc. led to an unrealised currency loss of € 47 k that was recognised directly in equity. An unrealised currency gain of € 9 k was recognised for the financial year ending in 2010.

The balance of the exchange differences, which were recognised in other income and accumulated as a separate component of equity, is – € 47 k (previous year: € 9 k). Accordingly, the on-balance sheet net currency gain/loss from consolidation as of the close of the 2011 financial year was – € 38 k and was added to equity.

## 27. Financial result

| | 2011<br>€ '000 | 2010<br>€ '000 |
|---|---|---|
| **Finance costs** | | |
| Interest from lease obligations and current liabilities to banks | (30) | (5) |
| Interest from shareholder loan | (518) | 0 |
| | **(548)** | **(5)** |
| **Finance income** | | |
| Interest income from bank accounts/Other | 7 | 25 |
| | **7** | **25** |
| **Financial result** | **(541)** | **20** |

The significant year-on-year reduction in the financial result is due in particular to the interest on the shareholder loan from the two main shareholders, dievini and UCB. The loan had been made available at the start of the financial year.

## 28. Income tax expense

The tax expense reported in the statement of comprehensive income for the financial year (2011: € 2 k; 2010: € 6 k) essentially relates to withholding tax. This withholding tax was payable on an upfront payment from Esteve in 2004. The tax has been recognised in income in line with the amount stated under other income from the Esteve agreement. The accrual of this withholding tax and the Esteve payment was reversed in the financial year just ended.

Deferred tax assets or liabilities were determined using the tax rates in effect in the respective country (Germany, United States). A composite tax rate of 32.98 % (previous year: 32.98 %) was applied to the parent company, WILEX AG, which is comprised of a corporation tax rate of 15 % (previous year: 15 %), solidarity surcharge of 5.5 % (previous year: 5.5 %) and municipal trade tax of 17.15 % (previous year: 17.15 %).

Tax rates of 28.43 % (Heidelberg Pharma ) and 35.0 % (WILEX Inc.) were applied to the subsidiaries.

The reported current tax expense deviates from the expected tax income. The nominal tax rate of 32.98 % (previous year: 32.98 %) must be applied to income in accordance with IFRS. Reconciliation of the differences is shown in the following table.

| | 2011<br>€ '000 | 2010<br>€ '000 |
|---|---|---|
| Earnings before tax | (13,924) | (23,092) |
| Tax rate | 32.98 % | 32.98 % |
| **Expected tax income** | **4,592** | **7,616** |
| Non-capitalisable losses carried forward for the period | (4,651) | (7,723) |
| Change in non-capitalised temporary differences | 35 | 49 |
| Effect from different tax rate | (21) | 0 |
| Non-deductible operating expenses/Other | 43 | 52 |
| **Reported tax expense** | **(2)** | **(6)** |

The existing deferred tax assets and deferred tax liabilities as of 30 November are attributable as follows:

| | 2011<br>€ '000 | 2010<br>€ '000 |
|---|---|---|
| **Deferred tax assets** | | |
| Unrealised income | 0 | 75 |
| Other assets | 261 | 0 |
| Loss carryforwards recognised | 922 | 0 |
| | **1,183** | **75** |
| **Deferred tax liabilities** | | |
| Intangible assets | 854 | 58 |
| Property, plant and equipment | 107 | 0 |
| Other provisions | 220 | 16 |
| Other | 1 | 1 |
| | **1,183** | **75** |
| **Deferred taxes, net** | **0** | **0** |

Applying IAS 12.74, deferred tax assets and liabilities have been offset, since they exist vis-à-vis the same taxation authority and arise in the same periods.

As further losses can be expected in the foreseeable future, no deferred tax assets were recognised regarding the following:

| | 30.11.2011<br>€ '000 | 30.11.2010<br>€ '000 |
|---|---|---|
| **Losses carried forward** | | |
| for corporation tax | 201,207 | 149,843 |
| for trade tax | 198,718 | 147,401 |
| **Deductible temporary differences** | 0 | 0 |

The tax loss carryforwards shown are mainly attributable to WILEX AG (corporation tax €161,686 k; municipal trade tax of €159,197 k) and may be carried forward indefinitely. Other tax loss carryforwards concern the subsidiaries WILEX Inc. and Heidelberg Pharma. Heidelberg Pharma has €41,021 k in losses carried forward for corporation tax and municipal trade tax purposes. WILEX Inc. has €1,682 k in tax loss carryforwards. A total of €3,182 k of the tax losses carried forward were capitalised in the financial year just ended.

Note the following in regards to the tax loss carryforwards available to WILEX AG and Heidelberg Pharma: The deduction of existing losses carried forward is excluded if the company carrying forward these losses loses its tax identity. In accordance with Section 8 (4) German Corporation Tax Act (version applicable until the end of 2007), a company is deemed to have lost its tax identity if the two following criteria are met cumulatively: (i) more than 50% of the shares in the company have been transferred and (ii) the company continues or relaunches its operations mainly with new assets. The legal limit on deductibility of operating losses applies to corporation tax and municipal trade tax. The Company has not been subject to a tax audit since it was established. Regarding WILEX AG, it has to be noted that due to the capital increases as part of the fourth financing round in April 2005 and the IPO in November 2006, the company may have lost its losses carried forward accumulated until the end of 2006, which amount to € 67.24 million (corporation tax) and € 64.95 million (municipal trade tax). Effective 1 January 2008, under amended Section 8c German Corporation Tax Act (Körperschaftsteuergesetz) the acquisition by an acquirer or parties related to it of 25% to 50% of the subscribed capital of a loss corporation results in the pro-rated elimination of its tax loss carryforwards whilst the acquisition of more than 50% of the subscribed capital results in the complete elimination thereof. Because capital increases also cause shifts in shareholdings and thus adverse acquisitions of equity as defined in Section 8c German Corporation Tax Act, the capital increases carried out since 2008 (see note 13) might possibly have led to the pro-rated elimination of the tax loss carryforwards unless such elimination can be averted pursuant to Section 8c (1) clause 6 ff. German Corporation Tax Act based on undisclosed reserves taxable in Germany.

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Most of the tax loss carryforwards in the amount of € 40,286 k that Heidelberg Pharma accumulated up to the acquisition date are at risk because WILEX AG acquired all shares in Heidelberg Pharma. The only thing that is not in doubt is that the tax loss carryforwards corresponding to the undisclosed reserves transferred may be retained. The undisclosed reserves result from the difference between the transaction price under German tax law and the equity of Heidelberg Pharma under German tax law; they amount to € 7,933 k.

### Acquisition of Heidelberg Pharma and purchase price allocation

| | Result of the purchase price allocation € '000 | Assets identified in connection with the purchase price allocation € '000 | Deferred tax liabilities on identified assets included 28.43% € '000 | Fair values/ carrying amounts recognised as of 17.03.2011 € '000 |
|---|---|---|---|---|
| **Purchase price** | **10,848** | **–** | **–** | **–** |
| – Net assets acquired as of 17.03.2011 | 1,924 | – | – | 1,924 |
| – Assets identified in connection with the purchase price allocation | 2,813 | – | – | 2,813 |
| Customer relationships | – | 274 | 78 | 274 |
| Orders on hand | – | 46 | 13 | 46 |
| IP R&D ADC technology | – | 2,493 | 709 | 2,493 |
| + Deferred tax liabilities on identified assets | 800 | – | – | – |
| – Deferred tax assets from assumed losses | 800 | – | – | – |
| **Goodwill** | **6,111** | **–** | **–** | **6,111** |

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As already described in note 7, WILEX AG acquired 100 % of the shares in Heidelberg Pharma. A purchase price allocation carried out in connection with this transaction resulted in the identification of intangible assets of € 2,813 k and goodwill of € 6,111 k. The deferred tax liabilities determined in connection with the valuation amount to € 800 k; they are offset in the same amount by deferred tax assets from tax loss carry-forwards taken over. As a result, they are not shown in the balance sheet.

The fair value of the net assets taken over and of the assets identified as part of the purchase price allocation in each case correspond to the carrying amounts shown.

## 29. Earnings per share

### 29.1. Basic

Basic earnings per share are calculated by dividing the net profit for the year available to shareholders by the average number of shares issued during the financial year.

| | 2011 | 2010 |
|---|---|---|
| Net loss for the year available to shareholders (in € ’000) | (13,926) | (23,099) |
| Weighted average number of shares issued (in thousands) | 20,684 | 16,734 |
| Basic earnings per share (in € per share) | (0.67) | (1.38) |

The number of shares issued changed from 21,613,035 shares by 3,201,928 shares to 24,814,963 shares in connection with the capital increase carried out after the 30 November 2011 reporting date but ahead of the preparation of these annual financial statements on 3 February 2012 (see note 35). This does not affect the representation of an average number of shares outstanding cited elsewhere in connection with a capital increase carried out during the 2011 financial year.

To the extent that reference is made to the shares outstanding as of the reporting date, basic earnings per share as of 30 November 2011 change from – € 0.64 per share (based on 21,613,035 shares) to – € 0.56 per share (based on 24,814,963 shares). In the previous year therefore, basic earnings per share were – € 1.25 (based on 18,613,035 shares).

### 29.2. Diluted

Basic and diluted earnings per share of WILEX are calculated based on the same number of shares because the conversion of common stock equivalents would be anti-dilutive.

## 30. Leases, guarantees and obligations

### 30.1. Finance leases

In 2011 laboratory equipment was purchased by means of finance leases with terms of 36 months in each case subject to capitalisation and depreciation of the purchase cost in property, plant and equipment (see note 10). The total of € 28 k in paid interest is shown in the statement of comprehensive income under “Finance costs” (2010: € 5 k). A total of € 100 k in security were made available for the finance leases (2010: € 0).

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The net carrying amount of all finance leases as of the reporting date was €642 k (previous year: €169 k). These leases do not stipulate contingent lease payments, nor do they impose restrictions in respect of dividends, additional liabilities or other leases. Whilst price adjustment clauses were not stipulated, there is the option to purchase the leased equipment once the given lease expires.

WILEX will incur the following obligations in the next reporting periods under this finance lease agreement:

| Obligations under finance leases (laboratory equipment) | up to 1 year € '000 | 1 – 5 years € '000 | after 5 years € '000 | Total € '000 |
|---|---|---|---|---|
| 30.11.2011 | 258 | 216 | 0 | 474 |
| 30.11.2010 | 64 | 86 | 0 | 150 |

### 30.2. Operating leases, guarantees and obligations

WILEX has also leased laboratory and office equipment under operating leases, which will expire at different times until 2016. All of the parent company's office and laboratory premises used at present are rented under leases expiring at the end of December 2016. Those related to the subsidiaries also expire in 2016 (WILEX Inc.) or may be terminated on short notice (HDP). The cost of office and laboratory equipment as well as office and laboratory premises under the operating leases are reported as other expenses in the statement of comprehensive income, together with the obligations under lease agreements for company cars:

| Expenses from operating leases and tenancy agreements | € '000 |
|---|---|
| 2011 | 1,204 |
| 2010 | 679 |

WILEX has pledged bank accounts with a balance of €148 k as deposit for the landlord. No other guarantees exist.

The future minimum annual payments under tenancy agreements and leases are comprised as follows:

| Obligations as of 30.11.2011 | up to 1 year € '000 | 1 – 5 years € '000 | after 5 years € '000 | Total € '000 |
|---|---|---|---|---|
| Rental obligations for laboratory and office premises | 1,068 | 4,054 | 50 | 5,172 |
| Obligations under operating leases (laboratory and other office equipment, vehicles) | 54 | 73 | 0 | 127 |
| | **1,122** | **4,127** | **50** | **5,299** |

In addition, there are obligations from the acquisition of licences amounting to at least €2.5 million that are due upon the achievement of certain milestones. Also as in the previous year, there are royalty claims under licences that are contingent on revenue and become due and payable once products are sold upon approval.

Below are previous year's figures:

| Obligations as of 30.11.2010 | up to 1 year € '000 | 1 – 5 years € '000 | after 5 years € '000 | Total € '000 |
|---|---|---|---|---|
| Rental obligations for laboratory and office premises | 637 | 214 | 0 | 851 |
| Obligations under operating leases (laboratory and other office equipment, vehicles) | 58 | 67 | 0 | 124 |
| | **694** | **280** | **0** | **975** |

These leases do not stipulate contingent lease payments, nor do they impose restrictions in respect of dividends, additional liabilities or other leases. No price adjustment clauses were stipulated, and there is no option to purchase the leased equipment once the given lease expires.

There is a contingent liability in that WILEX may have the obligation under the existing lease to return the laboratory to its original condition if the lessor so desires at the end of the lease. But WILEX does not believe in the likelihood of such an outcome.

## 31. Corporate bodies and compensation

### 31.1. Executive Management Board

The current Executive Management Board members of WILEX AG are:
Professor Olaf G. Wilhelm, Chairman of the Executive Management Board
Dr Paul Bevan, Head of Research and Development
Peter Llewellyn-Davies, Chief Financial Officer
Dr Thomas Borcholte, Chief Business Officer

#### Compensation of the Executive Management Board

The full Supervisory Board has been responsible for determining the compensation of the Executive Management Board since 1 September 2009 in accordance with Section 107 (3) German Stock Corporation Act. Compensation consists of a salary (fixed compensation), other benefits (non-cash compensation), a variable compensation component and a stock option programme with a long-term incentive and a risk element.

In the event of the termination of an Executive Management Board member's service for WILEX, there is no contractual entitlement to a settlement.

#### Salary and benefits

The annual salary of members of the Executive Management Board is determined for the term of office and paid in equal amounts over twelve months. It depends on the financial position of WILEX and the level of compensation paid by competitors.

In addition to their salaries, members of the Executive Management Board receive the following benefits:

A company car is made available to Executive Management Board members Professor Olaf G. Wilhelm, Dr Paul Bevan and Peter Llewellyn-Davies. Executive Management Board member Dr Thomas Borcholte does not have a company car.

WILEX also pays the premiums for a personal pension plan up to the maximum amount permissible under Section 40b of the German Income Tax Act (Einkommensteuergesetz) and the premiums for an occupational disability insurance on behalf of Professor Olaf G. Wilhelm, Chairman of the Executive Management Board. A pension commitment as part of a deferred salary plan was also granted to Professor Wilhelm in 1999, and a provision has been recognised for this. The allocation to the pension provision corresponds to the increase in the entitlements under the associated reinsurance policy (see note 2.6) and totalled €909 (2010: €877). The Company has no such obligations towards any other Executive Management Board members.

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For the Executive Management Board member Dr Paul Bevan, WILEX covers the costs of up to 24 economy class flights between Germany and the UK per calendar year (return flight).

### Variable compensation

Variable compensation is contingent on the achievement of personal targets and WILEX's performance targets. The performance-based compensation of the members of the company's Executive Management Board is primarily tied to the corporate goals of WILEX, i. e. the achievement of defined milestones in clinical development, the securing of the company's further funding and the performance of its shares.

The variable compensation of Professor Olaf G. Wilhelm amounts to a maximum of 50 % of his fixed compensation (previous year: 75 %) from 2011. For Dr Paul Bevan and Peter Llewellyn-Davies (previous year: 33 %) as well as Dr Thomas Borcholte (previous year: 31 %), it amounts to a maximum of 33 % of their respective fixed compensation. On account of the adjustment of the fixed salaries of Professor Wilhelm, Dr Bevan and Dr Borcholte during the financial year, the respective maximum bonuses in the 2011 financial year slightly exceeded the given value because the adjusted maximum bonus resulting from the higher fixed salary will be granted for the full 2011 financial year even though the salary adjustments did not take effect until April and October 2011, respectively. In addition, the members of the Executive Management Board are entitled to stock options above and beyond their base salary as a component of their bonus, the granting of which depends on achievement of milestones; the 2011 calendar year is the first year to which this applies. In Professor Wilhelm's case, this might yield a maximum of 28,000 stock options a year, and a maximum of 8,000 stock options a year each for Dr Bevan, Mr Llewellyn-Davies and Dr Borcholte.

### Compensation component with incentive and risk features

The compensation component with incentive and risk features was previously based on the 2005 stock option plan adopted by the Annual General Meeting on 8 September 2005. A total of 900,000 stock options could be granted to the Executive Management Board members under the 2005 stock option plan. No options were issued to members of the Executive Management Board in the 2011 and 2010 financial years. Including the options already issued to members of the Executive Management Board in financial years 2006 and 2007, the active members of the Executive Management Board held a total of 719,335 options at the reporting date 30 November 2011. At the reporting date 30 November 2011, a former member of the Executive Management Board held a total of 10,000 options. The stock options can be exercised after an initial waiting period of two years from the grant date. No stock options have been exercised to date.

Each of these options entitles the holder to the acquisition of one new share in return for payment of the exercise price, which was €4.10 as of the balance sheet date (see note 25). The exercise price per stock option was reduced across the board to €3.10 in accordance with the option conditions of the 2005 stock option plan for all beneficiaries alike – i. e. both staff and members of the Executive Management Board – and thus corresponds to the subscription price per share that was fixed in connection with the capital increase executed in February 2012 (see note 35).

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All options issued to the Executive Management Board could only be exercised until the reporting date if the average closing price of WILEX shares during the preceding ten trading days prior to the expiry of the waiting period or for ten consecutive trading days at any other point in time following this date exceeds by a minimum of 10 % the exercise price of € 4.10 per share. Accordingly, the reference price was set at € 4.51.

After the capital measure was completed, the reference price thus decreased to € 3.41 in line with the reduced exercise price. This means that the stock options may only be exercised if WILEX's share closes at € 3.41 at a minimum – i. e. at least 10 % higher than the exercise price of € 3.10 – on ten consecutive trading days prior to exercise of the stock option.

In future, this compensation component will also be based on the 2011 stock option plan adopted by the Annual General Meeting on 18 May 2011. Up to 173,462 stock options (30 % of the total volume) may be granted to the members of the Executive Management Board thereunder. This authorisation remains in effect through 1 July 2016. The stock options may only be exercised if they have vested and the performance target has been achieved. In order for the performance target to be achieved, the price of WILEX's share on the ten trading days preceding the onset of the respective exercise period must exceed the exercise price by a minimum of 20 % as well as surpass the gains of the TecDAX during the maturity of the given stock option. No stock options have been issued to date under the new stock option plan.

Overall, the following fixed and variable compensation components as well as non-cash compensation for Executive Management Board members were recognised as an expense in the 2011 financial year:

**Compensation in 2011 recognised as an expense**

| Executive Management Board member | Fixed compensation 2011 € | Variable compensation[1] 2011 € | Other compensation (non-cash compensation) 2011 € | Total compensation 2011 € |
|---|---|---|---|---|
| Professor Olaf G. Wilhelm[2] | 286,000 | 74,750 | 10,844 | 371,594 |
| Dr Paul Bevan[2] | 253,340 | 43,643 | 12,730 | 309,713 |
| Peter Llewellyn-Davies | 253,000 | 41,745 | 11,851 | 306,596 |
| Dr Thomas Borcholte[2,3] | 225,500 | 34,243 | 180 | 259,923 |
| **Total** | **1,017,840** | **194,381** | **35,605** | **1,247,826** |

[1] The exact variable compensation is usually determined and paid in the following financial year. The figures shown here for the 2011 financial year are based on provisions that were determined on the basis of assumptions and historical data.

[2] Taking into account the contract adjustments made during the year.

[3] Dr Borcholte has waived his non-cash compensation in the form of a company car.

The following table shows the maximum variable compensation achievable in the 2010 financial year and the actual variable compensation paid in the 2011 financial year. The variable compensation for the 2009 and 2010 financial years was paid in 2011 because the Executive Management Board had voluntarily held back the given payments.

**Variable compensation paid in 2011**

| Executive Management Board member | Maximum variable compensation for 2010 € | Variable compensation for 2010 actually paid in the 2011 financial year € | Variable compensation for 2009 actually paid in the 2011 financial year € |
|---|---|---|---|
| Professor Olaf G. Wilhelm | 195,000 | 126,750 | 138,515 |
| Dr Paul Bevan | 75,900 | 49,335 | 64,644 |
| Peter Llewellyn-Davies | 83,490 | 52,966 | 52,947 |
| Dr Thomas Borcholte | 68,486 | 44,504 | 46,510 |
| **Total** | **422,876** | **273,555** | **302,616** |

Professor Olaf G. Wilhelm and Peter Llewellyn-Davies did not receive compensation for their activities as executive directors of WILEX Inc. in 2011 and 2010.

Based on the tables above, the following figures apply to 2010:

**Compensation in 2010 recognised as an expense**

| Executive Management Board member | Fixed compensation 2010 € | Variable compensation[1] 2010 € | Other compensation (non-cash compensation) 2010 € | Total compensation 2010 € |
|---|---|---|---|---|
| Professor Olaf G. Wilhelm | 260,000 | 137,800 | 10,844 | 408,644 |
| Dr Paul Bevan | 230,000 | 55,407 | 11,542 | 296,949 |
| Peter Llewellyn-Davies[2] | 228,250 | 61,710 | 13,524 | 303,484 |
| Dr Thomas Borcholte[3] | 220,000 | 46,570 | 180 | 266,750 |
| **Total** | **938,250** | **301,487** | **36,090** | **1,275,827** |

[1] The exact variable compensation is usually determined and paid in the following financial year. The figures shown here for the 2010 financial year are based on provisions that were determined on the basis of assumptions and historical data.

[2] Taking into account the adjustment made to Mr Llewellyn-Davies's contract during the year

[3] Dr Borcholte has waived his non-cash compensation in the form of a company car.

**Variable compensation paid in 2010**

| Executive Management Board member | Maximum variable compensation for 2009 € | Variable compensation for 2009 actually paid in the 2010 financial year € |
|---|---|---|
| Professor Olaf G. Wilhelm | 195,000 | 0 |
| Dr Paul Bevan | 75,900 | 0 |
| Peter Llewellyn-Davies | 72,600 | 0 |
| Dr Thomas Borcholte | 68,486 | 0 |
| **Total** | **411,986** | **0** |

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The following overview shows the stock options held by members of the Executive Management Board during the year under review and changes in these holdings as well as the portion of staff costs per beneficiary attributable to these stock options (see notes 2.17.1 and 25):

| Executive Management Board member | 01.12.2010 Number | Additions Number | Expiry Number | Sales Number | 30.11.2011 Number |
|---|---|---|---|---|---|
| Professor Olaf G. Wilhelm | 262,770 | 0 | 0 | 0 | 262,770 |
| Dr Paul Bevan | 175,180 | 0 | 0 | 0 | 175,180 |
| Peter Llewellyn-Davies | 131,385 | 0 | 0 | 0 | 131,385 |
| Dr Thomas Borcholte | 150,000 | 0 | 0 | 0 | 150,000 |
| **Total** | **719,335** | **0** | **0** | **0** | **719,335** |

| Executive Management Board member | Expense in the statement of comprehensive income € | Fair value of the options[1] € |
|---|---|---|
| Professor Olaf G. Wilhelm | 0 | 631,599 |
| Dr Paul Bevan | 0 | 421,066 |
| Peter Llewellyn-Davies | 0 | 325,835 |
| Dr Thomas Borcholte | 21,197 | 423,469 |
| **Total** | **21,197** | **1,801,969** |

[1] As of the respective issue date

The year-on-year decrease in expenses arises from the across-the-board reduction in the exercise price of €4.10 as part of capital increase executed in the 2010 financial year. No expense was recognised for a former member of the Executive Management Board (2010: €4k).

The following figures apply to the previous financial year:

| Executive Management Board member | 01.12.2009 Number | Additions Number | Expiry Number | Sales Number | 30.11.2010 Number |
|---|---|---|---|---|---|
| Professor Olaf G. Wilhelm | 262,770 | 0 | 0 | 0 | 262,770 |
| Dr Paul Bevan | 175,180 | 0 | 0 | 0 | 175,180 |
| Peter Llewellyn-Davies | 131,385 | 0 | 0 | 0 | 131,385 |
| Dr Thomas Borcholte | 150,000 | 0 | 0 | 0 | 150,000 |
| **Total** | **719,335** | **0** | **0** | **0** | **719,335** |

| Executive Management Board member | Expense in the statement of comprehensive income € | Fair value of the options[1] € |
|---|---|---|
| Professor Olaf G. Wilhelm | 97,451 | 631,599 |
| Dr Paul Bevan | 64,967 | 421,066 |
| Peter Llewellyn-Davies | 48,725 | 325,835 |
| Dr Thomas Borcholte | 153,166 | 423,469 |
| **Total** | **364,309** | **1,801,969** |

[1] As of the respective issue date

Dr **Thomas Borcholte** is also the Chairman or a member of the following bodies:

| Company | Position |
|---|---|
| DETEK AG, Hanover | Chairman of the Supervisory Board |
| NextGen Group PLC, London, United Kingdom | Non-executive member of the Board of Directors |

No other member of the Executive Management Board holds a position on a control body.

### 31.2. Supervisory Board

The Supervisory Board members of WILEX AG as of the end of the reporting period were:

- Professor Christof Hettich, lawyer and partner, RITTERSHAUS Rechtsanwälte, and Managing Director, dievini Hopp BioTech holding GmbH & Co. KG (Chairman of the Supervisory Board)
- Dr Georg F. Baur, Entrepreneur (Deputy Chairman of the Supervisory Board)
- Dr Alexandra Goll, General Partner, TVM Capital GmbH (until 14 December 2011)
- Professor Friedrich von Bohlen und Halbach, Managing Director, dievini Hopp BioTech holding GmbH & Co. KG
- Professor Iris Löw-Friedrich, Chief Medical Officer and Executive Vice President Development, UCB S.A.
- Andreas R. Krebs, Managing Partner, CologneInvest GmbH

#### Supervisory Board committees

For reasons of efficiency, a joint Compensation and Nomination Committee was established, which covers both areas separately in its meetings. The Compensation Committee deals with employment issues and with the compensation of the members of the Executive Management Board. The tasks of the Nomination Committee include proposing suitable candidates for the Supervisory Board to the Annual General Meeting and the appointment of new members of the Executive Management Board. Professor Christof Hettich is the Chairman; Dr Alexandra Goll (until 14 December 2011) and Andreas R. Krebs are members of this committee.

A Research and Development Committee tasked with issues related to WILEX's oncological product candidates was established in September 2010. This committee is chaired by Professor Friedrich von Bohlen and Halbach; Professor Iris Löw-Friedrich and Andreas R. Krebs are additional members.

The Supervisory Board also established an Audit Committee, whose tasks include the discussion and preparatory examination of consolidated financial statements and quarterly reports of the Group as well as the preselection of the auditor of the financial statements. The Audit Committee is chaired by Dr Georg F. Baur. Dr Alexandra Goll (until 14 December 2011) and Professor Friedrich von Bohlen und Halbach are also members of this committee.

### Compensation of the Supervisory Board

In accordance with the company's Articles of Association, the members of the Supervisory Board receive a fixed compensation of €15,000 for each full financial year of service on the Supervisory Board. The Chairman of the Supervisory Board receives a fixed compensation of €35,000 and the Deputy Chairman €25,000. The Supervisory Board compensation is paid in four equal instalments on the last day of February and on 31 May, 31 August and 30 November of each financial year.

Members of a Supervisory Board committee are paid a flat fee of €3,000, while chairpersons of such committees are paid €7,000 per financial year and committee. In each case, compensation is limited to activities in a maximum of two committees. Over and above this individual limit, WILEX does not pay more than €39,000 per financial year for committee activities. If this cap is not sufficient to cover all memberships and chairmanships of Supervisory Board committees, it is distributed proportionally among all committee members and chairpersons in line with the above provisions, unless the Supervisory Board unanimously resolves a different regulation.

An additional allowance is paid for attendance at a maximum of six Supervisory Board meetings in each financial year. Meeting chairpersons are paid a flat fee of €3,000 and all other members €1,500 each per meeting. Supervisory Board members who attend meetings by telephone receive only half of the allowance. This allowance must be paid with the Supervisory Board member's fixed compensation. Members of Supervisory Board committees do not receive an attendance allowance for committee meetings.

The compensation paid to Supervisory Board members who were not in office for a full financial year is pro rated in accordance with the duration of their membership on the Supervisory Board.

The Supervisory Board members do not receive variable compensation, nor are they granted options or similar rights. Supervisory Board members are not entitled to a settlement if their membership ends.

The total compensation paid by WILEX to the Supervisory Board for the 2011 financial year amounted to €219,000 plus expenses (previous year: €201,668). The table below shows the individual compensation.

| Supervisory Board member | Fixed compensation 2011 € | Attendance allowance 2011 € | Committee fee 2011 € | Total compensation 2011 € |
|---|---|---|---|---|
| Professor Christof Hettich (Chairman) | 35,000 | 18,000 | 7,000 | 60,000 |
| Dr Georg F. Baur (Deputy Chairman) | 25,000 | 9,000 | 7,000 | 41,000 |
| Dr Alexandra Goll | 15,000 | 8,250 | 6,000 | 29,250 |
| Professor Friedrich von Bohlen und Halbach | 15,000 | 7,500 | 10,000 | 32,500 |
| Andreas R. Krebs | 15,000 | 9,000 | 6,000 | 30,000 |
| Professor Iris Löw-Friedrich | 15,000 | 8,250 | 3,000 | 26,250 |
| **Total** | **120,000** | **60,000** | **39,000** | **219,000** |

The table below shows the individual compensation for the 2010 financial year:

| Supervisory Board member | Fixed compensation[1] 2010 € | Attendance allowance 2010 € | Committee fee 2010 € | Total compensation 2010 € |
|---|---|---|---|---|
| Professor Christof Hettich[2] (Chairman) | 11,499 | 4,500 | 1,244 | 17,243 |
| Dr Georg F. Baur[3] (Deputy Chairman) | 28,518 | 12,750 | 6,494 | 47,762 |
| Dr Alexandra Goll[3] | 18,518 | 8,250 | 2,567 | 29,335 |
| Professor Friedrich von Bohlen und Halbach | 15,000 | 8,250 | 4,028 | 27,278 |
| Andreas R. Krebs[2] | 7,944 | 4,500 | 1,067 | 13,511 |
| Professor Iris Löw-Friedrich | 15,000 | 6,750 | 533 | 22,283 |
| Dr David Ebsworth[4] | 16,559 | 10,500 | 3,310 | 30,369 |
| Dr Rüdiger Hauffe[4] | 7,137 | 5,250 | 1,500 | 13,887 |
| **Total** | **120,175** | **60,750** | **20,743** | **201,668** |

[1] The fourth instalment for the 2010 financial year was paid after the end of the 2010 financial year.

[2] Professor Hettich and Mr Krebs have been members of the Supervisory Board since 21 May 2010. Professor Hettich has been Chairman since 27 September 2010.

[3] Dr Baur and Dr Goll were Chairman and Deputy Chairman, respectively, from 21 May 2010 to 26 September 2010.

[4] Dr Ebsworth and Dr Hauffe left the Supervisory Board effective at the end of the Annual General Meeting on 21 May 2010.

In addition to being a member of the Supervisory Board of WILEX, **Professor Hettich** is also the Chairman or a member of the following bodies:

| Company | Position |
|---|---|
| Agennix AG, Heidelberg | Chairman of the Supervisory Board |
| InterComponentWare AG, Walldorf | Chairman of the Supervisory Board |
| LTS Lohmann Therapie-Systeme AG, Andernach | Member of the Supervisory Board |
| SYGNIS Pharma AG, Heidelberg | Deputy Chairman of the Supervisory Board |
| Cytonet GmbH & Co. KG, Weinheim | Chairman of the Advisory Board |
| febit Holding GmbH, Heidelberg | Chairman of the Advisory Board |
| febit Inc., Massachusetts, USA | Non-executive Chairman of the Board of Directors |
| immatics biotechnologies GmbH, Tübingen | Member of the Advisory Board |
| SRH Holding, Heidelberg | Member of the Foundation Council |
| Vetter Pharma-Fertigung GmbH & Co. KG, Ravensburg | Member of the Advisory Board |
| AC Immune SA, Lausanne, Switzerland | Member of the Board of Directors |
| ProJustitia, Heidelberg | Chairman of the Foundation Council |

In addition to being a member of the Supervisory Board of WILEX, **Dr Baur** is also the Chairman or a member of the following bodies:

| Company | Position |
|---|---|
| Franz Haniel & Cie. GmbH, Duisburg | Member of the Supervisory Board |
| J.F. Müller & Sohn AG, Hamburg | Chairman of the Supervisory Board |
| KBH GmbH, Hanover | Member of the Advisory Board |
| LR HEALTH & BEAUTY SYSTEMS HOLDING GmbH, Ahlen | Chairman of the Advisory Board |
| TAKKO Fashion GmbH, Telgte | Chairman of the Advisory Board |

In addition to being a member of the Supervisory Board of WILEX, **Dr Goll** is also the Chairman or a member of the following bodies:

| Company | Position |
|---|---|
| Albireo Pharma Ltd., Gothenburg, Sweden | Member of the Supervisory Board |
| Biovertis AG, Vienna, Austria | Member of the Supervisory Board |
| Cerenis Therapeutics SA, Labege, France | Non-executive member of the Board of Directors |

In addition to being a member of the Supervisory Board of WILEX, **Professor von Bohlen und Halbach** is also the Chairman or a member of the following bodies:

| Company | Position |
|---|---|
| Apogenix GmbH, Heidelberg | Chairman of the Advisory Board |
| Cosmo S.p.A., Milan, Italy | Non-executive member of the Board of Directors |
| Curacyte AG, Munich | Member of the Supervisory Board |
| CureVac GmbH, Tübingen | Chairman of the Advisory Board |
| Cytonet GmbH & Co. KG, Weinheim | Member of the Advisory Board |
| febit Holding GmbH, Heidelberg | Member of the Advisory Board |
| febit Inc., Massachusetts, USA | Non-executive member of the Board of Directors |
| Heidelberg Pharma AG, Ladenburg | Chairman of the Supervisory Board |
| Immatics GmbH, Tübingen | Member of the Advisory Board |
| Molecular Health AG, Basel, Switzerland | Chairman of the Board of Directors |
| SYGNIS Pharma AG, Heidelberg | Chairman of the Supervisory Board |

In addition to being a member of the Supervisory Board of WILEX, **Mr Krebs** is also the Chairman or a member of the following bodies:

| Company | Position |
|---|---|
| Max Planck Institut, Münster | Member of the Board of Trustees |
| Paul-Ehrlich-Stiftung, Frankfurt am Main | Member of the Board of Trustees |
| Merz GmbH & Co. KGaA, Frankfurt am Main | Chairman of the Supervisory Board |
| RSVP Group AG, Zurich, Switzerland | Member of the Advisory Board |

**Professor Löw-Friedrich** is neither the Chairwoman nor a member of other control bodies as defined by Section 125 (1) sentence 5 German Stock Corporation Act.

The members of the company's Supervisory Board were not active in any other control bodies at the reporting date above and beyond the activities described in the foregoing.

## 32. Related party transactions

### 32.1. Shares held by the Executive Management Board and the Supervisory Board

The following table shows the shares held by Supervisory Board and Executive Management Board members:

| Name | Function | Share-holdings | Number | Interest in share capital |
|---|---|---|---|---|
| Dr Georg F. Baur | Deputy Chairman of the Supervisory Board | Direct | 181,183 | 0.84 % |
| Andreas R. Krebs | Member of the Supervisory Board | Direct | 40,000 | 0.19 % |
| Professor Friedrich von Bohlen und Halbach | Member of the Supervisory Board | Indirect [1] | 6,587,990 | 30.48 % |
| Professor Christof Hettich | Chairman of the Supervisory Board | Indirect [1]<br>Indirect [2] | 6,587,990<br>135,218 | 30.48 %<br>0.63 % |
| Professor Olaf G. Wilhelm [3] | Chairman of the Executive Management Board | Direct | 120,331 | 0.56 % |

[1] In his capacity as Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG

[2] In his capacity as Managing Director of NewMarket Venture Verwaltungs GmbH

[3] The wife of Professor Olaf G. Wilhelm, Dr Sabine Wilhelm, holds a further 120,331 shares.

As of 30 November 2011, the Executive Management Board held 120,331 shares (representing 0.56 % of the company's share capital of 21,613,035 shares). The Supervisory Board for its part held 221,183 shares directly and 6,723,208 shares indirectly (representing 31.11 % of the company's share capital).

### 32.2. Directors' dealings

The German Securities Trading Act (Wertpapierhandelsgesetz) sets out that members of the Executive Management Board, the Supervisory Board and the inner circle of WILEX's executives and parties related to them must disclose any personal trading with WILEX shares, to the extent that such trading surpasses the statutory de minimis limit of €5,000 per calendar year. WILEX's policy is to disclose each and every transaction irrespective of its volume.

In the 2011 financial year, the company's executives reported the following transactions subject to disclosure in accordance with Section 15a German Securities Trading Act (Wertpapierhandelsgesetz) (Directors' dealings), which were also posted on WILEX's website under the tab "Press + Investors > Announcements > Directors' Dealings".

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| Name | Date | Trans-action | Market place | Price € | Number | Volume € |
|---|---|---|---|---|---|---|
| Professor Christof Hettich [1] | 15.12.2010 | Subscription obligation / Purchase | OTC | 6.00 | 135,218 | 811,308.00 |

[1] In his capacity as Managing Director of NewMarket Venture Verwaltungs GmbH

### 32.3. Other transactions

In 1999, WILEX granted a pension commitment to a managing director (the current Chairman of the Executive Management Board) as part of a deferred benefit. This pension obligation is recognised in the amount of the asset value of the related reinsurance policy, which is classified as a non-current asset. WILEX assumes that no additional payments to the plan will be necessary. No retirements are expected in the next five years either.

WILEX signed a loan agreement for up to €10 million with its two main shareholders, dievini and UCB, on 17 December 2010 subject to subordination and payable in two instalments. The share of dievini in this loan is €7.5 million, and that of UCB €2.5 million. Both lenders will be paid interest of 6 % p. a. The unsecured loans are not limited in time. The lenders have the right to call in their share of the loan. In that case, it would have to be repaid within one month. In lieu of asking for repayment, the lenders may also contribute their claims to repayment as an in-kind contribution in connection with a rights issue or convert it into shares subject to a convertible bond programme yet to be resolved. These two repayment options are subject to the proviso, for one, that the rights issue or the convertible bond programme are adopted and carried out and, for another, that an in-kind contribution auditor confirms the value of the respective claim to repayment.

WILEX made payments of €19 k to the Rittershaus law firm for legal consulting services for the first time in 2011. Rittershaus is a related party because Professor Hettich is a partner in this law firm.

No other relationships to related parties exist.

## 33. Expenses for the auditors

KPMG AG Wirtschaftsprüfungsgesellschaft was appointed the auditor of the company's consolidated financial statements at its Annual General meeting on 18 May 2011. The following fees for services were recorded as expenses in the periods reviewed:

| | 2011<br>€ '000 | 2010<br>€ '000 |
|---|---|---|
| Audit of the annual financial statements | 125 | 96 |
| Other assurance services | 76 | 35 |
| Other services | 0 | 83 |
| **Total expenses for auditors** | **201** | **214** |

Audit fees (€125 k) solely concern the statutory audit of the consolidated financial statements pursuant to IFRS and the audit of the annual financial statements pursuant to HGB.

## 34. Declaration of Compliance with the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act

The Declaration of Compliance to be submitted annually in accordance with Section 161 of the German Stock Corporation Act was submitted by the Executive Management Board and the Supervisory Board in February 2012. It has been made permanently available to all shareholders and interested parties on the company's website.

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## 35. Events after the reporting period

The following events occurred after the close of the financial year on 30 November 2011:

- Heidelberg Pharma completed the change in its legal form from an AG (German stock corporation) to a GmbH (German limited liability company) as of 1 December 2011.

- Dr Goll stepped down from the Supervisory Board of WILEX AG effective 14 December 2011.

- WILEX completed the Phase I trial of the orally administered MEK inhibitor WX-554 in healthy volunteers in January 2012.

- On 9 January 2012, WILEX AG resolved, with the approval of the Supervisory Board, to raise the company's share capital using Authorised capital from € 21,613,035.00 by up to € 3,201,928.00 to up to € 24,814,963.00 by issuing up to 3,201,928 new no par value bearer shares with a pro rata interest in the company's share capital of € 1.00 each and full rights to dividends from 1 December 2011 in return for cash contributions. The new shares were offered to existing shareholders solely by means of an indirect subscription right at a ratio of 27 existing shares to 4 new shares. The subscription period ran from 17 January 2012 to 30 January 2012. The subscription price was € 3.10. There was no organised trading in subscription rights.

  With the approval of the Supervisory Board, on 1 February 2012 the Executive Management Board fixed the scope of the capital increase at 3,201,928 new shares. Shareholders exercised subscription rights for a total of 2,417,077 new shares, which corresponds to a subscription ratio of more than 75 %. The Company's main shareholders, dievini Hopp BioTech holding GmbH & Co. KG, Verwaltungsgesellschaft des Golf Club St. Leon-Rot mbH and UCB Pharma S.A. exercised all of their subscription rights. A total of 784,851 additional new shares were made available to the shareholders; they were fully allotted to and subscribed by the shareholders via the depository banks. About 68 % of these additional shares were allocated to free float shareholders. WILEX AG plans to use the gross proceeds of about € 9.93 million to finance its ongoing clinical studies and continued growth as well as to enhance its equity base.The capital increase was completed when it was recorded in the Commercial Register on 3 February 2012. The new shares were listed without a prospectus in the Regulated Market of the Frankfurt/Main stock exchange (Prime Standard) on 6 February 2012 and traded for the first time on 7 February 2012. Given the difference in participation rights, the new shares will be traded separately under the ISIN DE000A1ML992 until the planned inclusion in the company's current listing (after the Annual General Meeting on 25 May 2012). Landesbank Baden-Württemberg, Stuttgart, (LBBW) was the sole lead manager of the capital measure.

- In February 2012 WILEX announced a funding commitment of up to € 2.6 million from the Federal Ministry of Education and Research (BMBF) for the preclinical and clinical development of the PI3K inhibitor WX-037. The money will be provided as part of the Munich Leading-Edge Cluster initiative "m4". WILEX will use the grant to push forward with preclinical development work for WX-037 in 2012 and prepare clinical development as well as Phase I trials. Within the project, WX-037 is to be tested in the next few years in clinical models as a monotherapy and in combination with the MEK inhibitor WX-554 before being transferred to clinical development with cancer patients.

# Responsibility statement of the Executive Management Board

“To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group.”

Munich, 10 February 2012

Executive Management Board

Professor Olaf G. Wilhelm | Peter Llewellyn-Davies | Dr Paul Bevan | Dr Thomas Borcholte

# Auditors' report

We have audited the consolidated financial statements prepared by the WILEX AG, Munich, comprising the balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes, together with the Group management report for the financial year from 1 December 2010 to 30 November 2011. The preparation of the consolidated financial statements and the Group management report in accordance with IFRSs, as adopted by the EU, and the additional requirements of German commercial law pursuant to Section 315a (1) HGB [Handelsgesetzbuch "German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the Group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 HGB [Handelsgesetzbuch "German Commercial Code"] and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the Group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the Group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and Group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs, as adopted by the Eu, the additional requirements of German commercial law pursuant to Section 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The Group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion we refer to the discussion in sections 7 "Report on risks and opportunities", subsections "Going-concern risks" and "Overall assessment of the risk situation", and 9 "Anticipated developments" in the Group management report. Therein it is disclosed that the existence as a going concern of both the company and the Group would be at risk if the company, in contrast to its expectations, is unable enter into a commercialisation agreement for a product candidate and/or raise additional capital via the capital market.

Munich, 13 February 2012

KPMG AG
Wirtschaftsprüfungsgesellschaft

| | |
|---|---|
| Pastor | Rahn |
| Wirtschaftsprüferin | Wirtschaftsprüfer |
| [German Public Auditor] | [German Public Auditor] |

# Glossary

Adjuvant therapy: Supportive therapy after surgery

Antibodies: Proteins which are produced by the immune system with the aim of identifying and destroying foreign substances that cause disease, such as viruses and bacteria

Antibody Drug Conjugate (ADC) technology: Antibody drug conjugates are monoclonal antibodies attached to biologically active drugs by chemical linkers. Combining the specific targeting of antibodies with cancer-killing cytotoxic drugs enables ADCs to discriminate between healthy and tumour tissue. This combination enhances the control of drug pharmacokinetics and significantly improves delivery to target tissue

Antigen: Structure onto which an antibody specifically binds

ARISER: **A**djuvant **R**ENCAREX® **I**mmunotherapy Phase III trial to **S**tudy **E**fficacy in non-metastatic **R**CC. ARISER is a double-blind, placebo-controlled Phase III study to assess the effect of adjuvant treatment with RENCAREX® on disease-free survival and overall survival in RCC patients with a high risk of recurrence following surgery (nephrectomy)

Assay: Test procedure

Biological Licence Application (BLA): Approval application to FDA for e. g. antibodies

Biomarker test: Biomarkers are indicators of objectively measurable biological processes. Pathological changes of biological processes can be detected early using biomarker tests

Biopharmacy: The use of biological research methods to develop drugs

BMBF: Bundesministerium für Bildung und Forschung (Federal Ministry of Education and Research)

CA IX: Antigen that binds to the antibody Girentuximab

Chemotherapy: Use of cell toxins to destroy tumour cells in the body

Chimeric: Genetically composed from different species

Clinical Trial Authorisation (CTA): Approval of clinical trials in the EU

Combination therapy: Therapy with two or more substances

Companion diagnostics: Therapy selection can be improved through diagnostic tests, e. g. biomarker tests. Companion diagnostics are integral to personalised medicine

Cytotoxic: Poisonous to cells

Diagnostic agent: A tool, gene or protein that aids in the diagnosis of an illness

dievini: dievini Hopp BioTech holding GmbH & Co. KG, Walldorf

Double-blind trial: Neither doctor nor patient knows whether the patient is receiving the new drug candidate or a placebo during a clinical trial

EGFR: Epidermal Growth Factor Receptor is a protein found in cell membranes

ELISA: An **E**nzyme **L**inked **I**mmuno**S**orbent **A**ssay is an immunological test procedure (assay) based on an enzymatic colour reaction

EMA: European medicines Agency

Enzymes: Proteins that act as catalysts to facilitate or accelerate chemical reactions

Esteve: Laboratorios del Dr. Esteve S.A., Barcelona, Spain

Expression: The use of genetic information to synthesise the corresponding protein

FDA: Food and Drug Administration – regulatory authority in the USA

Futility analysis: Interim analysis to test if a clinical trial is likely to be negative, which is normally carried out by an independent body

Gemcitabine: A specific chemotherapeutic agent (Gemzar®)

Girentuximab: INN (International Nonproprietary Name) for RENCAREX®. RENCAREX® is the development name for the therapeutic antibody WX-G250, which is based on the chimeric antibody cG250. The INN for the radio labelled antibody, which is developed under the name REDECTANE® is Iodine (124I) Girentuximab

Good Laboratory Practice (GLP): International regulations governing the conduct of tests in laboratories

Good Manufacturing Practice (GMP): International regulations governing the production of pharmaceutical products

HER2: Human Epidermal Growth Factor Receptor Type 2 (HER2) is a protein that occurs on the surface of cells of numerous organs in the human body. In about 20 % – 30 % of women with breast cancer, the HER2 receptor is overexpressed (HER2-receptor positive), i. e. there are approximately 10 to 100 times as many of these receptors on the cell surface. Overexpression of the receptors means that signal transduction is enhanced, which results in accelerated tumour cell division. If there is no overexpression of HER2 receptors, this is referred to as HER2-receptor negative

Hypoxia: Lack of oxygen in tissue

IBA: IBA Pharma S.A., Louvain-la-Neuve, Belgium

IDMC: Independent Data Monitoring Committee – a body that monitors clinical trials in terms of drug safety, tolerance and efficacy.

IHC test: Immunohistochemical test with which antibodies can be used to make proteins visible in tissue

Inhibitor: Substance which reduces or inhibits specific biological activities

INN: International Nonproprietary Name

Intravenous (IV): Administration via a vein

Investigational Medicinal Product Dossier (IMPD): Application for the implementation of clinical trials in the European Union

Investigational New Drug (IND) Application: Application for the implementation of clinical trials in the USA

In vitro: Refers to a procedure or reaction that takes place in a test tube

In vivo: Refers to a procedure or reaction that takes place in the body

IP: Intellectual property describes the absolute rights to intangible assets such as copyright and commercial rights (patents, brands, designs). IP is intended to make it possible for owners to extract a commercial benefit from the effort deployed to create the object to be protected, whilst also protecting this object from counterfeiting.

IP R&D: In Process Research & Development acquired under a business combination

Kinase: A type of enzyme that phosphorylates proteins

Level of Evidence I: The highest prognosis factor or quality estimate for establishing scientific proof; it is issued and may also be incorporated into evidence-based medical guidelines

Linker: Bridging molecule, used e. g. to connect a toxin to an antibody

Malignant cells: Cells or tumours that damage the host body

MEK: The mitogen-activated protein kinase has been shown to play a central role in signal transduction. MEK has been linked to a multitude of biological processes such as cell division, cell differentiation and cell death

MESUPRON®: Name under which the oral uPA inhibitor is being developed (formerly WX-671)

Metastases: The spread of malignant tumour cells in the body and the formation of secondary tumours

Metastasis: Malignant spread of a tumour in an organism

Molecule: A chemical structure composed of at least two particles (atoms)

Monoclonal antibodies: Monoclonal antibodies are produced by cells created when an antibody producing cell (such as a B lymphocyte) fuses with an immortalised cancer cell. This procedure is carried out in the laboratory and produces a hybrid cell (hybridoma) possessing the properties of both cells. Since these cells originate from the same cell, they are all identical and are therefore described as “monoclonal”. They produce large amounts of a specific antibody, which binds to a specific antigen.

Multi-centre trial: A trial carried out in several places or at several centres

Nephrectomy: Surgical removal of a kidney

Oncology: Research field which focuses on cancer studies

Oral: Administration via the mouth

Orphan Drug Status: This status is awarded for drugs by the Food and Drug Administration (FDA) in the USA and by the European Medicines Agency. It grants exclusive marketing rights for seven years from approval in the USA and ten years in the EU

Overexpressed: Too many copies of a substance, e. g. a protein

p-value: The probability (chance) that the relationship observed between two variables is due to pure chance. A p-value of 0.05 means that there is a 5 % chance that the relationship between two variables doesn’t actually exist. A p-value less than 0.05 is generally regarded as meaning that the difference between two variables is real i. e. statistically significant.

PAI-1: Plasminogen activator inhibitor 1

PET/CT: PET/CT is a combination of two imaging procedures. Whereas PET (positron emission tomography) is a radionuclide imaging procedure that can visualise biochemical and physiological processes, CT (computer tomography) is a radiological method which shows the anatomic structures that are necessary to localise the PET signal.

Pharmacodynamics: Explores and describes the physiological effects of drugs on the body or on micro organisms within the body, i. e. the mechanisms of drug action and adverse effects.

Pharmacokinetics: Describes all processes of the action of drugs in the body, examining absorption, distribution, metabolism, and excretion.

Pharmacology: A scientific discipline investigating the characterisation, effect and application of drugs and their interaction with the organism

Phenotype: Physical appearance or outwardly observable characteristics of an organism

Phase I: Clinical trial of a substance carried out on a low number of healthy subjects or patients under strict supervision that serves to investigate toxicity, pharmacokinetics, form of administration and safe dosage of a substance

Phase II: Clinical trial with a low number of patients with the aim of testing the efficacy of a substance for specific indications, identifying any side effects and safety risks and determining the tolerance and optimum dosage

Phase III: Clinical trial with a large number of patients (several hundred to several thousand) to ascertain the safety, tolerance and efficacy as well as optimum dosage of a substance under real therapy condition

PI3K: The phosphatidylinositol-3-kinase-B signalling pathway sends a “growth” signal to the nucleus of a tumour cell

Placebo: Dummy drug with no active ingredients

Plasminogen: Precursor of plasmin, an enzyme that dissolves blood clots

Positron emission tomography (PET): A radio nuclide imaging procedure, which can visualise biochemical and physiological processes by means of radioactive materials

Pre-BLA meeting (Pre-Biological License Application Meeting): Official preliminary discussion regarding the possible filing of a marketing application with the US Food and Drug Administration (FDA)

Preclinical: The preclinical phase comprises all in vitro and in vivo test systems for examining the features of a substance prior to the start of the clinical phases

Primary tumour: A tumour that triggers a malignant disease

Prometheus: Prometheus Laboratories Inc., San Diego, CA, USA

Protease: An enzyme that splits proteins, subdividing them into smaller parts

R&D: Research and development

Randomised trial: Clinical trial for which the subjects are divided into several groups according to the principle of random selection (randomised)

Receptor: A protein usually found on the surface of cells to which a specific chemical messenger, for example a hormone, binds

REDECT: **Re**nal Masses: Pivotal Trial To **De**te**ct** clear-cell RCC with pre-surgical PET/CT. REDECT is a Phase III registration trial, which will evaluate whether imaging with REDECTANE® can improve the diagnosis in comparison to the current standard (CT)

REDECTANE®: Development name for the antibody Girentuximab radioactively labelled with iodine-124 (INN Iodine (124I) Girentuximab), (formerly CA9-SCAN)

RENCAREX®: Development name for the therapeutic antibody Girentuximab (formerly WX-G250)

SEDA (Standby Equity Distribution Agreement): Financing instrument that authorises a company to issue new shares from authorised capital and sell them in tranches to the provider of the SEDA

Sensitivity: Percentage of the actual positives correctly identified as such; ability to identify a disease (accurate diagnosis of renal cell cancer)

Serine protease: A type of peptidase (i. e. enzymes which catalyse the split of proteins and peptides)

Small-molecule drugs: small molecules

Solid tumours: Solid growth of tissue

Special Protocol Assessment (SPA): The SPA documents that the FDA confirms that the design and planned analysis of a clinical trial adequately address the requirements for a regulatory submission

Specificity: Percentage of the actual negatives correctly identified as such; ability to exclude a disease (accurate diagnosis that there is no renal cell cancer)

Therapeutic agent: Drug applied for the treatment of illnesses

Thrombin: Enzyme that enables blood to coagulate

Toxicology/toxicity: Scientific discipline investigating the effects of poisonous substances (toxins) or investigating substances for poisonous effects

UCB: UCB Pharma S.A., Brussels, Belgium

uPA: Urokinase-type plasminogen activator

uPA system: urokinase-specific plasminogen activator (uPA) system. A protein lysing enzyme system which plays an important role in the growth, spread and metastasis of different malignant tumours

## Financial calendar

| Date | Type of report/event |
|---|---|
| 28 February 2012 | Annual Report 2011, Financial press conference and analysts' meeting |
| 12 April 2012 | 3-month Financial Report 2012 |
| 25 May 2012 | Annual General Meeting 2012 |
| 12 July 2012 | Half-yearly Financial Report 2012 |
| 11 October 2012 | 9-month Financial Report 2012 |

## Contact

**WILEX AG**
Grillparzerstr. 10
81675 Munich, Germany
Tel. + 49 (0) 89 – 41 31 38 –0
Fax + 49 (0) 89 – 41 31 38 – 99
www.wilex.com
investors@wilex.com

**Peter Llewellyn-Davies**
Chief Financial Officer
Tel. + 49 (0) 89 – 41 31 38 – 20
Fax + 49 (0) 89 – 41 31 38 – 98
E-mail: pld@wilex.com

**Katja Arnold (CIRO)**
Senior Manager Corporate Communications
Tel. + 49 (0) 89 – 41 31 38 – 126
Fax + 49 (0) 89 – 41 31 38 – 99
E-mail: katja.arnold@wilex.com

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The English translation of the Annual Report is provided for convenience only. The German original is definitive.

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WILEX AG
Grillparzerstr. 10 · 81675 Munich · Germany · www.wilex.com