WILEX
Focused Cancer Therapies

9-MONTH FINANCIAL REPORT 2014

- Licence agreement signed with RedHill Biopharma for MESUPRON®
- Reverse share split completed
- UCB waives repayment of shareholder loan
- Significant extension of the ADC licence agreement with Roche
- Financial guidance 2014 revised

# Key Group figures

| | 9M 2014[1] € '000 | 9M 2013[1] € '000 |
|---|---|---|
| **Earnings** | | |
| Sales revenue | 2,836 | 10,090 |
| Other income | 3,286 | 1,295 |
| Operating expenses | (7,835) | (15,278) |
| of which research and development costs | (4,136) | (7,355) |
| Operating result | (1,712) | (3,893) |
| Earnings before tax | (1,763) | (3,956) |
| Net loss for the period | (1,811) | (3,956) |
| Earnings per share in € | (0.07) | (0.13) |
| **Balance sheet as of the end of the period** | | |
| Total assets | 16,125 | 24,917 |
| Cash and cash equivalents | 2,821 | 9,876 |
| Equity | 13,162 | 16,043 |
| Equity ratio[2] in % | 81.6 | 64.4 |
| **Cash flow statement** | | |
| Cash flow from operating activities | (6,168) | (13,499) |
| Cash flow from investing activities | (143) | (111) |
| Cash flow from financing activities | (49) | (160) |
| **Employees (number)** | | |
| Employees as of the end of the period[3] | 54 | 110 |
| Employees as of the end of the period (full-time equivalents)[3, 4] | 49 | 101 |

[1] The reporting period begins on 1 December and ends on 31 August.

[2] Equity/total assets

[3] Including members of the Executive Management Board

[4] WILEX Inc. is no longer included in 2014.

Rounding of exact figures may result in differences.

Dear Shareholders,

In the third quarter of the year, we completed most of the restructuring measures introduced in January and aligned our business model with the new requirements. Apart from a host of organisational tasks, such as sub-letting the free office and laboratory space, we did a considerable amount of work in the areas of contract management, archiving, and licence and intellectual property rights. A few weeks ago, we succeeded in renting out around a quarter of our premises in Munich to other companies.

In parallel, at the start of the third quarter, we out-licensed the rights to the Phase II product candidate MESUPRON® to the Israeli company RedHill Biopharma for all regions with the exception of China. We had entered into a licence agreement for China with the Chinese company Link Health back in March. By forging these development and marketing partnerships we were able to ensure continuation of the clinical development of this novel urokinase inhibitor. Following successful product development and approval by our two partners, WILEX would be able to participate in the worldwide marketing of this inhibitor in the long term, and due to attractive licensing terms, benefit from the sales proceeds.

After we had terminated the licence agreements with our partners IBA and UCB in the second quarter, everything was done to achieve a smooth unwinding of the contracts. We have now regained the global product and licensing rights for REDECTANE®. This gives us the opportunity to out-license this product candidate once again in order to enable a new partner to carry out the approved second Phase III trial for this imaging diagnostic agent. Talks with potential partners have commenced.

One important aspect in connection with the termination of the agreement with our shareholder UCB was UCB's waiver of repayment of the €2.6 million shareholder loan including the interest payment for 2014. All data and rights were successfully transferred in the third quarter and the formalities were completed mid-September. We consider this an important step for eliminating the corresponding financial risk.

The Annual General Meeting's resolution to reduce the share capital was also implemented in the third quarter. The new share capital has been entered in the commercial register and the shares have been converted. Unfortunately, this step did not help to stabilise our share price. Quite the reverse; our stock suffered further losses and was highly volatile.

In recent months we have concentrated on the restructuring measures and tailored WILEX to the new strategy. Our core business consists of Heidelberg Pharma's ADC technology accompanied by a functioning services business and the partnering activities of the Phase III product candidates RENCAREX® and REDECTANE®.

We are absolutely delighted to report that we succeeded in expanding our cooperation with Roche, which has been highly successful. Firstly, the licence agreement signed in 2013 will be extended to include further antibodies. Secondly, Roche acquired the exclusive rights to an additional unspecified target molecule that Heidelberg Pharma had in-licensed for its own research and development. This shows that further headway is being made in ADC research. As is customary in the case of many of these early-stage research collaborations, our expenses will be reimbursed through up-front payments for granting access to technology and payments for our contributions to the projects. We expect interesting milestone payments and licensing revenue later in the development cycle.

A look at our figures shows that we are very close to reaching our targets and can adjust our income and earnings guidance for 2014 upwards. However, we will be unable to meet our target in terms of net cash usage. We are optimistic, though, that ADC activities will have a positive impact in the future.

Munich, 15 October 2014

Dr. Jan Schmidt-Brand
CEO and CFO

# Interim management report Reporting period from 1 December 2013 to 31 August 2014

## Introduction

WILEX is a biopharmaceutical company with a portfolio of antibody-based diagnostic and therapeutic Phase III product candidates for the detection and targeted treatment of clear cell renal cell carcinoma that is available for out-licensing. Research and development now focus on the operations of its subsidiary Heidelberg Pharma GmbH in Ladenburg, which primarily advances the development of the innovative platform technology for antibody drug conjugates (ADC technology) and offers preclinical services. A total of 44 people are employed at the Ladenburg site.

Due to the failure of the Phase III product candidate RENCAREX®, WILEX initiated an extensive restructuring programme at the end of January 2014 that has been systematically implemented in recent months and has now been completed. All of the clinical development activities of WILEX AG were discontinued, and the workforce in Munich was reduced by more than 80 %.

The remaining staff based in Munich assume holding company tasks, continue to work on the commercial exploitation of the advanced clinical programmes of WILEX AG and negotiate the marketing of the RENCAREX® and REDECTANE® projects. They are responsible for the review and fulfilment of all contractual obligations under existing agreements as well as safeguarding intellectual property rights and patents, ensuring the provision of information for regulatory authorities and partners, and complying with the transparency requirements associated with our stock market listing.

The size of the Executive Management Board of WILEX AG was reduced in the first and second quarters. Dr Thomas Borcholte, WILEX AG's Chief Business Officer, and Professor Olaf G. Wilhelm, Chairman of the Executive Management Board, stepped down from these posts when their director's contracts ended. Since 1 April 2014, Dr Jan Schmidt-Brand has acted as Chairman of the Executive Management Board of WILEX AG in addition to his positions as WILEX's Chief Financial Officer and Managing Director of Heidelberg Pharma GmbH. Dr Paul Bevan, Head of Research and Development, continues to be responsible for the Group's R&D activities and is contributing his expertise to licensing discussions.

## Business performance and research and development activities

The WILEX Group's business activities were subdivided into three segments. In order to ensure continuity of reporting, the Company will continue reporting on the segments Customer Specific Research (Cx), Diagnostics (Dx) and Therapeutics (Rx) until further notice.

**Customer Specific Research (Cx)**

The Customer Specific Research segment comprises the activities of WILEX's subsidiary Heidelberg Pharma GmbH. The scientific focus is the innovative technology platform for therapeutic antibody drug conjugates. Pursuing a hybrid business model, Heidelberg Pharma develops this technology platform for third parties to create value for the company and combines it with a comprehensive preclinical service business.

**ADC technology (antibody drug conjugates)**

The technology consists of using a chemical compound (linker) to crosslink a suitable antibody to a specific toxin (= ADC). The role of the antibody is to transport the crosslinked toxin specifically to – and then into – the cancer cell. After binding to the tumour cell, the ADC is taken up and releases the toxin within the cell. The released toxin then destroys the tumour cell without affecting healthy tissue.

The combination of antibody specificity and toxin efficacy offers new approaches to tumour therapy. New cytotoxic substances that break with conventional resistance patterns and destroy quiescent tumour cells that up to now could not be treated can be developed in this way for tumour therapy. Selective treatment of tumours using cytotoxins via specific antibody drug conjugates could thus enable much more effective treatment of tumours with acceptable side effects.

Heidelberg Pharma works with the toxin amanitin, a member of the amatoxin group of natural poisons occurring in the death cap mushroom (Amanita phalloides). Second-generation ADCs, known as ATACs (Antibody Targeted Amanitin Conjugates) are being developed on the basis of the related innovative mode of action (inhibition of RNA polymerase II). The ATACs are characterised by improved efficacy, also as regards quiescent tumour cells, which are scarcely reached with existing standard therapies and contribute to tumour recurrence and resistance formation. These ATACs can also be used to treat therapy-resistant tumours that no longer respond to standard chemotherapy or anti-tumour antibodies.

Heidelberg Pharma relies on collaborative partnerships with research institutes as well as pharmaceutical and biotech companies, pursuing two different approaches, though usually only one of these approaches is pertinent for each target.

**Licensing model for toxin linker technology:** Heidelberg Pharma performs preclinical contract work for customers related to designing, optimising, profiling and manufacturing new ATACs. Under these agreements, toxin linker prototypes are made available to crosslink to antibodies developed by partners and to test them biologically. The collaborations take place under technology cooperation agreements and generate short-term sales revenue for the contract services provided. In the long term, they are intended to provide attractive potential for generating sales revenue and creating added value through licence agreements.

Heidelberg Pharma signed a licence agreement with Roche in 2013 that was extended in October 2014. Roche applies the ATAC technology to its own antibodies for the identification of suitable development candidates with favourable efficacy and safety profiles. In addition, as part of the extension of this agreement, a further target molecule was out-licensed that Heidelberg Pharma had originally earmarked for in-house development. For more information, we refer to the report on post-balance sheet date events.

**Product partnerships:** This model is intended for Heidelberg Pharma to contribute the toxin linker technology to the cooperative partnership as a contribution in kind, while other biotechnology companies are to contribute their antibodies or innovative antibody formats. Together, novel ADCs will be developed up to the preclinical stage, in which their efficacy and tolerability can be meaningfully assessed. Through the provision of the relevant skills and resources, the internal contribution to the value chain is expected to be increased. A decision will later be taken with the partner in question as to whether joint clinical development is possible or whether direct licensing or sale of the product to third parties is preferable. One version of this model is the CapStem® project in which Heidelberg Pharma has already in-licensed antibodies and plans to develop entire ADC molecules independently. This is also expected to expedite Heidelberg Pharma's own research activities, such as the optimisation of antibodies for this technology.

### Preclinical service business

Heidelberg Pharma has the expertise and required infrastructure for in vivo pharmacology, cell biology, bioanalytics, molecular biology and chemistry, and offers preclinical research services in the field of cancer as well as inflammatory and autoimmune diseases. In its research process, the company concentrates on early substances (for example, lead structures to be optimised) up to the profiling of preclinical candidates. Heidelberg Pharma's expertise lies in offering not only tried-and-trusted standard models but also customised experimental designs plus development and validation of new animal models.

**Diagnostics (Dx)**

### REDECTANE®

REDECTANE® (INN: 124I-Girentuximab) is a radiolabelled form of the antibody Girentuximab, which binds to the tumour-specific antigen CAIX on clear cell renal cell carcinoma. The antibody-based radiopharmaceutical REDECTANE® could support physicians in diagnosing renal cancers. The completed Phase III REDECT trial showed that REDECTANE® can differentiate between clear cell and non-clear cell renal cell cancer and that PET/CT with REDECTANE® was clearly superior to CT. This could fundamentally change therapy planning for renal cancer patients and avoid potentially unnecessary surgery. Furthermore, REDECTANE® may also prove suitable for monitoring response to treatment and for diagnosing other kinds of tumours.

### Termination of the licence agreement with IBA

At the end of April 2014, WILEX and its partner IBA Pharma SPRL, Belgium, agreed to terminate their licence agreement for REDECTANE® dating back to 2008 and to transfer all rights granted to IBA under the licence agreement with immediate effect back to WILEX, particularly the exclusive licence granted for the production and global marketing of REDECTANE®. IBA will make all marketing, development and regulatory data collected under this partnership available to WILEX and will support WILEX in transferring the radiolabelling technology to a potential new manufacturer or marketing partner.

WILEX is currently engaged in talks with potential new partners who will assume responsibility for the development, production and marketing of REDECTANE®.

**Therapeutics (Rx)**

In the Therapeutics (Rx) segment, no more research and development activities have been conducted in recent months. Ongoing clinical trials have been wound up and all related activities in the areas of regulatory affairs, production (GMP) and quality assurance have been discontinued. The product candidates developed to date were either returned to partners or are to be out-licensed for further development.

### RENCAREX®

RENCAREX® (INN: Girentuximab) is a monoclonal antibody that binds to a tumour-specific antigen (carbonic anhydrase IX or “CAIX”). 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. CAIX is present in renal and colon cancer, for instance.

Based on encouraging Phase III data for a specific subgroup of patients with a high CAIX score, attempts are being made to licence RENCAREX® to a partner for further development in the adjuvant treatment of clear cell renal cell carcinoma.

### MESUPRON®

MESUPRON® (INN: Upamostat) inhibits 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 such as breast, ovarian, gastric, colon and pancreatic cancer.

### Licence agreements with Link Health and RedHill

The product candidate MESUPRON® was out-licensed in 2014 to the Link Health Group, Guangzhou, China, and to RedHill Biopharma Ltd., Tel Aviv, Israel.

The licence agreement with Link Health covers the exclusive licensing rights for the development and marketing of MESUPRON® in China, Hong Kong, Taiwan and Macao. Link Health is responsible for performing and financing the entire clinical development of MESUPRON® in China in all oncological indications, as well as for the regulatory process and the marketing

of the product. Under the terms of the agreement, WILEX received an upfront payment and is entitled to performance-based milestone payments of over €7 million throughout clinical development as well as staged royalty payments in the mid single-digit percentage range.

The second licence agreement was concluded with RedHill Biopharma in the third quarter and entails the exclusive development and marketing rights to MESUPRON® in all indications outside of China, Hong Kong, Taiwan and Macao. WILEX has received an upfront payment of USD 1 million and is entitled to staged royalty payments ranging from the mid-teens up to 30%. RedHill will be responsible for the entire development, regulatory approval and marketing of MESUPRON®.

WILEX AG will no longer develop these product candidates in-house; instead, it will be involved in their further development through future payments by partners. Moreover, through the full out-licensing of MESUPRON® WILEX will incur no further significant costs for maintaining intellectual property, as these will be assumed by the partners.

**WX-554**

WX-554 is an inhibitor of mitogen-activated protein kinase (MEK), which has been shown to play a key role in signal transduction.

**WX-037**

The small molecule agent WX-037 inhibits the phosphatidylinositol-3-kinase-B pathway (PI3K), an important enzyme for the cell's signal transduction, which sends a "cell division" signal to the nucleus of a tumour cell.

### Termination of the licence agreement with UCB

The WX-037 and WX-554 programmes were both acquired from UCB Pharma S.A., Belgium, in 2009 for the purposes of clinical development. As a consequence of the strategic realignment of WILEX AG, the cooperation between WILEX and UCB for these projects and for three preclinical antibody programmes was terminated by mutual agreement in May 2014. UCB then made a final payment for development costs incurred. After the transfer of the rights, including intellectual property and all data and documents, UCB waived repayment of a shareholder loan in September. For more information please see the report on post-balance sheet date events.

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## Market environment

See pages 20 to 23 of the 2013 annual report for further information on the market environment for WILEX's products and product candidates. In the Company's view there have been no significant changes since then.

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## Results of operations, financial position and net assets

The WILEX Group – as of the reporting date comprising WILEX AG and the subsidiary Heidelberg Pharma GmbH – reports consolidated figures. The reporting period referred to below concerns the period from 1 December 2013 to 31 August 2014 (9M 2014). The former US subsidiary WILEX Inc., was included in the previous year's report (9M 2013), but was sold in September 2013.

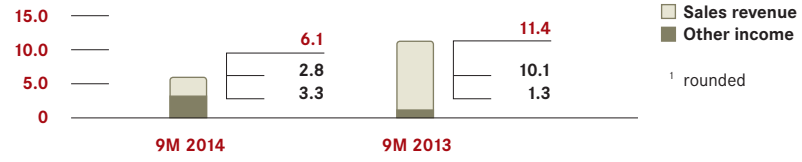
Due to rounding, it is possible that individual figures in this report may not add up exactly to the totals and that percentages given may not precisely reflect the absolute figures to which they relate.

**Sales revenue and other income**

In the first nine months of the 2014 financial year, the WILEX Group generated sales revenue and income totalling €6.1 million, down 46% on the previous year (€11.4 million).

This figure includes sales revenue (€2.8 million; previous year: €10.1 million) from the Cx segment and thus from the subsidiary Heidelberg Pharma (€1.0 million; previous year: €1.1 million) as well as from the Rx segment (€1.8 million; previous year: €8.8 million), which mostly stems from residual components of the terminated licence agreement with Prometheus for RENCAREX®. In line with planning, the Dx segment (previous year: €0.2 million) did not post any sales revenue.

**Income** in € million[1]



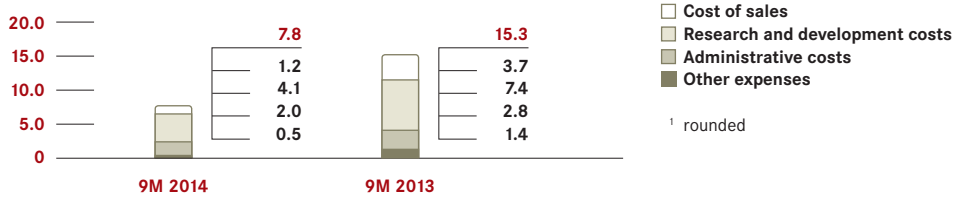

[1] rounded

At €3.3 million, other income was up substantially over the previous year (€1.3 million) and mainly stemmed from UCB's loan waiver (€2.6 million including interest accrued in 2014). Other income additionally includes a reversal through profit and loss of provisions that were not needed in the amount envisaged. Furthermore, both the Rx segment and the Cx segment received grants from the Federal Ministry of Education and Research (BMBF) for research projects.

**Operating expenses**

Operating expenses including depreciation, amortisation and impairment losses amounted to €7.8 million in the reporting period, down 49% compared with the previous year (€15.3 million). They were distributed as follows across the segments: Rx €3.8 million (previous year: €8.9 million), Dx €0.6 million (previous year: €3.2 million) and Cx €3.4 million (previous year: €3.2 million). The significantly lower expenses in the Therapeutics and Diagnostics segments can be attributed to the discontinuation of R&D activities at the Munich site and the sale of WILEX Inc.

**Operating expenses** in € million[1]




[1] rounded

The **cost of sales** concerns costs directly related to sales revenue of the Group's respective segments. They fell to €1.2 million (previous year: €3.7 million) in the reporting period and account for 15% of operating expenses. This is due to the elimination of expenses for RENCAREX® in the Rx segment, for which in the previous year WILEX still received cost reimbursements from Prometheus reported in sales revenue. The Dx segment also no longer recorded cost of sales. The expenses for customer-specific research are recorded in the Cx segment, which thus accounts for the entire cost of sales.

**Research and development costs**, which were €7.4 million in the previous year, fell by €3.3 million to €4.1 million. However, at 53% of operating expenses, these were still the largest cost item and will be substantially reduced further due to the termination of R&D activities at the Munich site.

**Administrative costs** were reduced to €2.0 million in the first nine months of 2014 in connection with the cost-cutting measures (previous year: €2.8 million). They account for 26% of operating expenses. This figure also includes advisory costs for the restructuring measures and costs for the Annual General Meeting.

**Other expenses** for activities in the areas of business development, marketing and commercial market supply amounted to €0.5 million in the current reporting period (previous year: €1.4 million) and account for 6% of operating expenses.

**Financial result**

The WILEX Group reported an improved financial result of –€51k (previous year: –€62k). While finance income rose marginally to €66k (previous year: €65k), finance costs were reduced to €117k (previous year: €127k). However, finance costs mainly comprise interest expense for the UCB shareholder loan, which will no longer be incurred because of UCB's waiver of its claim for repayment.

**Profit/loss for the period**

The WILEX Group posted a loss of €1.8 million for the first nine months of the current financial year. The loss was substantially smaller than in the same period the previous year (€4.0 million) due to reduced costs. Reflecting the net loss for the period, earnings per share improved by 46% to –€0.07 (previous year: –€0.13).

Further information regarding segment reporting can be found in the notes.

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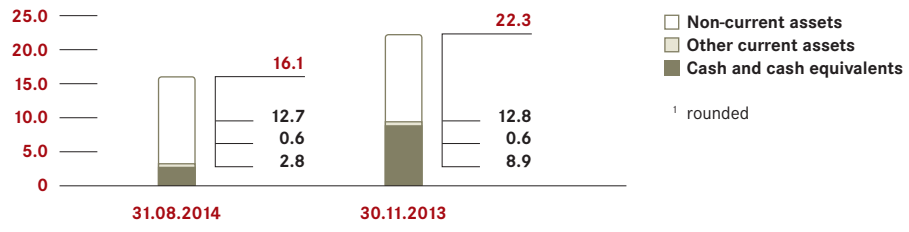
**Assets**

Total assets as of 31 August 2014 amounted to €16.1 million, down from the figure of €22.3 million shown as of the 30 November 2013 reporting date.

**Balance sheet structure – assets** in € million[1]




[1] rounded

Non-current assets at the end of the reporting period amounted to €12.7 million, which was almost on a par with the previous year (30 November 2013: €12.8 million). These include property, plant and equipment (€1.3 million), intangible assets (€3.0 million), the unchanged goodwill of Heidelberg Pharma (€6.1 million), the unchanged loan receivable from Nuclea (€2.1 million), as well as rent deposits (€0.2 million).

Current assets totalled €3.4 million (30 November 2013: €9.5 million). The decline is due to the use of cash and cash equivalents for the Company's operations, amounting to €2.8 million as of 31 August 2014 (30 November 2013: €8.9 million).

### Equity

Equity as of the end of the reporting period was € 13.2 million (30 November 2013: € 14.9 million). This corresponds to an equity ratio of 81.6 % (30 November 2013: 67.0 %, 31 August 2013: 64.4 %). Further information regarding the development of equity, especially with regard to the accounting treatment of the capital reduction, can be found in the notes.

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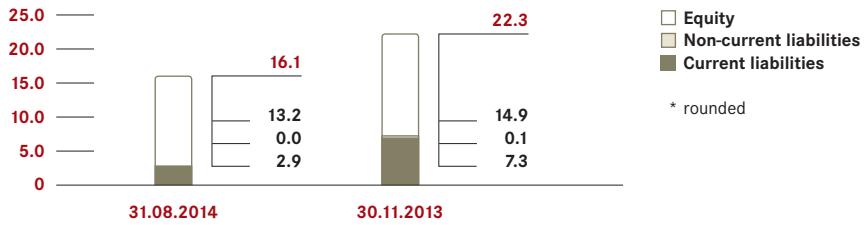
**Balance sheet structure – equity and liabilities** in € million [1]



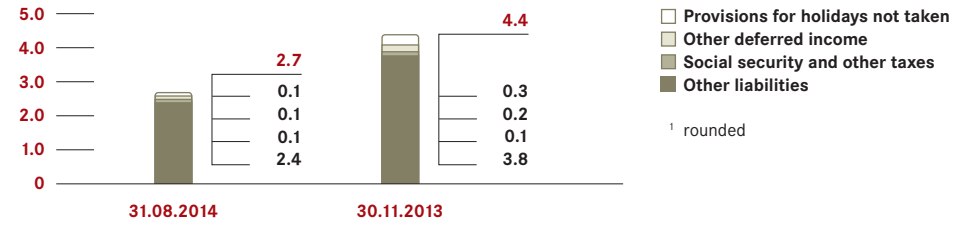

### Liabilities

Non-current liabilities include liabilities for service anniversaries and leasing liabilities. This item decreased to € 7 k (30 November 2013: € 0.1 million).

Current liabilities decreased to € 2.9 million as of the end of the period (30 November 2013: € 7.3 million). Whereas lease liabilities (€ 0.1 million) and trade payables (€ 0.2 million) remained constant against the figures on 30 November 2013, there were no more financial liabilities (30 November 2013: € 2.6 million) due to the waiver of the loan by UCB.

The other current liabilities (€ 2.7 million; 30 November 2013: € 4.4 million), which primarily comprise accrued liabilities (provisions), saw a further, substantial reduction and break down as follows:

**Other current liabilities** in € million [1]



**Cash flow statement**

At €6.2 million, the net cash outflow from operating activities during the first nine months of 2014 was substantially lower than in the same period of 2013 (cash outflow of €13.5 million), because the deferred income from Prometheus is no longer relevant for the cash flow.

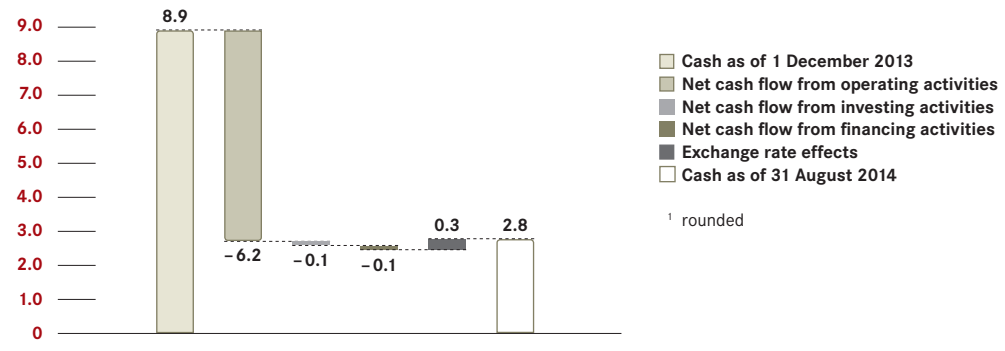
The outflow of funds for investing activities was €0.1 million (previous year: €0.1 million).

A cash outflow from financing activities of €49k recorded in the reporting period used exclusively to repay finance leases was similar to the first nine months of the preceding year (€0.2 million).

Despite the positive influence from exchange rate effects of €0.3 million on cash (previous year: €0.3 million), the net change in cash and cash equivalents amounted to –€6.1 million (previous year: –€13.5 million).

WILEX's average monthly funding requirement in the first nine months of the financial year was €0.7 million (previous year: €1.5 million). The anticipated reduction as a result of the restructuring was implemented in line with planning.

**Cash flow 9M 2014** in € million[1]




[1] rounded

## Employees and compensation system

Including the members of its Executive Management Board, the WILEX Group had 54 employees (49 FTEs) at the close of the reporting period (30 November 2013: 92 employees/85 FTEs; 31 August 2013: 110 employees/101 FTEs). The reduction of the workforce is to a large extent a result of the restructuring measures at the Munich site.

The Company has a performance-related compensation system for its employees comprising a fixed annual salary and a variable salary component. In addition, the 2005 and 2011 stock option programmes give employees a stake in the Company's performance. For more information, see section "D. Issue and measurement of stock options" of the notes.

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## Report on risks and opportunities

WILEX is exposed to risks typical for the industry, namely those arising from the development and production of drug candidates used in cancer therapies. The time between the commencement of drug development and marketing approval usually spans many years. This means that the Company cannot finance itself independently from sales or licence revenue and is dependent on funding from equity providers or licensees. Risks and opportunities in connection with the WILEX Group's business are described in detail on pages 61 to 72 and on pages 73 to 78 of the 2013 annual report. They remain unchanged unless noted otherwise.

## Report on post-balance sheet date events

WILEX announced on 18 September 2014 that the shareholder UCB Pharma S.A. had waived its claim for repayment of the shareholder loan to WILEX AG in the amount of € 2.5 million as well as interest of € 100 k accrued in 2014. The shareholder loan had originally been granted in December 2010. In the contractual termination of the development partnership in April of this year, this waiver was agreed as part of the consideration for the transfer to UCB of the product candidates (a MEK and a PI3K inhibitor as well as three early-stage antibody programmes) including all rights thereto, development data and documentation as well as intellectual property. After the transfers were completed, the declaration of the waiver with effective date 30 August 2014 was mutually signed and accepted.

On 14 October, Heidelberg Pharma and Roche extended the existing 2013 licence agreement to apply the antibody drug conjugate (ADC) technology for the further development of Roche antibodies. The aim is to identify and develop novel Antibody Targeted Amanitin Conjugates (ATACs) based on Heidelberg Pharma's patented technology to couple α-Amanitin to antibodies.

Under the extended licence agreement, Heidelberg Pharma will receive an upfront payment and further regular payments for granting access to its technology and providing research services to Roche, which has the opportunity to exercise options for licenses to develop and market selected ATACs. Heidelberg Pharma will manufacture these substances for clinical research and receive milestone payments and royalties for each development candidate selected.

Furthermore, exclusive rights to one additional undisclosed tumour target will be granted to Roche. Under the amended licence agreement Heidelberg Pharma could potentially receive up to € 52 million in upfront and milestone payments for successful clinical development and regulatory approval plus royalties.

After the end of the reporting period, no other significant events occurred which have a direct influence on the business activities of the WILEX Group.

## Outlook

WILEX will concentrate on the further development and marketing of the ADC technology and the preclinical service business at Heidelberg Pharma and will advance the marketing activities for the WILEX product portfolio.

Heidelberg Pharma will continue its cooperation with Roche in the field of ADC technology, likewise developing existing early research collaborations (material transfer agreements, MTAs) further into longer-term, more extensive licence agreements and securing additional MTA partners for evaluation projects. Moreover, some of Heidelberg Pharma's own research approaches for further improving the ADC technology will supply trend-setting data in the coming year that will go beyond the existing toxin linker approaches and involve optimising antibodies for use in ADC technology.

In the service business, Heidelberg Pharma is working on expanding its portfolio of inflammation models and complementing its oncology range with special primary tumour models not yet available on the market. In addition, Heidelberg Pharma will increasingly position itself as a specialist provider of comprehensive ADC research services comprising ADC synthesis and analytical quality control, as well as in vitro and in vivo testing. This explicitly includes also the work with alternative toxins used by customers and is not limited to Heidelberg Pharma's ATAC technology.

WILEX AG is continuing the talks on the out-licensing of the RENCAREX® and REDECTANE® projects.

The guidance for the WILEX Group for the current financial year issued at the end of March 2014 has been revised. Income will be boosted by the disclosure of extraordinary income of € 2.6 million resulting from the waiver of the UCB loan. Operating expenses will develop in line with projections. As income rises, the operating result will improve.

Nevertheless, funding requirements will be above the calculated bandwidth because the extraordinary income is non-cash income and sales revenue in the Cx segment in the first nine months was lower than planned.

Given the previous funding requirements, significantly lower cost in the second half and our current planning, WILEX's cash reach is secured into the second quarter of 2015.

| | Guidance 10/2014 € million | Guidance 03/2014 € million | Actual 2013 € million |
|---|---|---|---|
| Sales revenue and other income | 6.0 – 7.5 | 3.0 – 4.0 | 19.1 |
| Operating expenses | 8.0 – 11.0 | 8.0 – 11.0 | 24.1 |
| Operating result | (2.0) – (3.5) | (4.5) – (7.5) | (5.0) |
| Total funding requirement | 6.0 – 8.0 | 4.0 – 6.0 | 14.4 |
| Funds required per month | 0.5 – 0.7 | 0.3 – 0.5 | 1.2 |

# Consolidated statement of comprehensive income (IFRS)

Reporting period from 1 December 2013 to 31 August 2014

| | 9M 2014 € | 9M 2013 € |
|---|---|---|
| Revenue | 2,836,372 | 10,089,625 |
| Other income | 3,285,982 | 1,295,369 |
| **Income** | **6,122,354** | **11,384,995** |
| Cost of sales | (1,193,492) | (3,691,445) |
| Research and development costs | (4,135,826) | (7,355,455) |
| Administrative costs | (2,038,326) | (2,799,704) |
| Other expenses | (467,087) | (1,431,861) |
| **Operating expenses** | **(7,834,730)** | **(15,278,467)** |
| **Operating result** | **(1,712,376)** | **(3,893,472)** |
| Finance income | 65,663 | 64,547 |
| Finance costs | (116,691) | (127,031) |
| **Financial result** | **(51,029)** | **(62,485)** |
| **Earnings before tax** | **(1,763,405)** | **(3,955,957)** |
| Income tax | (47,170) | (121) |
| **Net loss for the period** | **(1,810,575)** | **(3,956,078)** |
| Net currency gain/loss from consolidation | 0 | (9,832) |
| **Comprehensive income** | **(1,810,575)** | **(3,965,910)** |
| **Earnings per share** | | |
| Basic and diluted earnings per share | (0.07) | (0.13) |
| Average number of shares issued | 26,652,667 | 31,275,507 |

Rounding of exact figures may result in differences.

| Quarterly comparison | Q3 2014 € '000 | Q2 2014 € '000 | Q1 2014 € '000 | Q4 2013 € '000 | Q3 2013 € '000 |
|---|---|---|---|---|---|
| Revenue | 1,647 | 785 | 404 | 3,227 | 3,495 |
| Other income | 2,811 | 130 | 345 | 4,494 | 257 |
| Operating expenses | (1,861) | (2,358) | (3,616) | (8,791) | (4,156) |
| Operating result | 2,598 | (1,442) | (2,868) | (1,070) | (403) |
| Financial result | (18) | (18) | (16) | (14) | (13) |
| Earnings before tax | 2,580 | (1,460) | (2,884) | (1,084) | (416) |
| **Net loss for the period** | **2,580** | **(1,507)** | **(2,884)** | **(1,084)** | **(416)** |
| Net currency gain/loss from consolidation | 0 | 0 | 0 | 10 | (9) |
| **Comprehensive income** | **2,580** | **(1,507)** | **(2,884)** | **(1,074)** | **(425)** |
| Basic and diluted earnings per share in € | 0.15 | (0.05) | (0.09) | (0.03) | (0.01) |
| Average number of shares issued | 17,507 | 31,276 | 31,276 | 31,276 | 31,276 |

Rounding of exact figures may result in differences.

# Consolidated balance sheet (IFRS)

as of 31 August 2014 and as of 30 November 2013

| Assets | 31.08.2014 € | 30.11.2013 € |
|---|---|---|
| Property, plant and equipment | 1,254,729 | 1,324,275 |
| Intangible assets | 2,977,368 | 3,071,272 |
| Goodwill | 6,111,166 | 6,111,166 |
| Other non-current assets | 2,380,306 | 2,298,314 |
| **Non-current assets** | **12,723,569** | **12,805,027** |
| Inventories | 28,469 | 77,832 |
| Prepayments | 55,894 | 106,323 |
| Trade receivables | 299,494 | 240,214 |
| Other receivables | 197,263 | 162,113 |
| Cash and cash equivalents | 2,820,766 | 8,920,064 |
| **Current assets** | **3,401,886** | **9,506,545** |
| **Total assets** | **16,125,455** | **22,311,572** |

| Equity and liabilities | 31.08.2014 € | 30.11.2013 € |
|---|---|---|
| Subscribed capital | 7,818,876 | 31,275,507 |
| Capital reserve | 182,760,600 | 159,281,268 |
| Accumulated losses | (177,417,398) | (175,606,823) |
| **Equity** | **13,162,078** | **14,949,952** |
| Lease liabilities | 0 | 25,203 |
| Other non-current liabilities | 7,017 | 51,479 |
| **Non-current liabilities** | **7,017** | **76,682** |
| Trade payables | 171,191 | 190,736 |
| Liabilities arising from leases | 67,020 | 90,723 |
| Financial liabilities | 0 | 2,637,500 |
| Other current liabilities | 2,718,149 | 4,365,979 |
| **Current liabilities** | **2,956,360** | **7,284,938** |
| **Total equity and liabilities** | **16,125,455** | **22,311,572** |

Rounding of exact figures may result in differences.

# Consolidated cash flow statement (IFRS)

Reporting period from 1 December 2013 to 31 August 2014

| | 9M 2014 € | 9M 2013 € |
|---|---|---|
| **Net loss for the period** | **(1,810,575)** | **(3,956,078)** |
| **Adjustment for items in the statement of comprehensive income** | | |
| Measurement of stock options | 22,701 | 87,630 |
| Depreciation/amortisation | 306,173 | 440,452 |
| Finance costs | 116,691 | 127,031 |
| Finance income | (65,663) | (64,497) |
| Tax expense | 47,170 | 0 |
| | **427,073** | **590,616** |
| **Changes in net working capital** | | |
| Inventories | 49,363 | (13,905) |
| Trade receivables | (60,684) | (1,448,577) |
| Other receivables | (825,282) | (707,480) |
| Prepayments | 50,429 | 419,081 |
| Other non-current assets | (82,847) | (10,153) |
| Trade payables | (9,990) | (424,345) |
| Financial liabilities | (2,637,500) | 0 |
| Other liabilities | (1,156,363) | (7,848,066) |
| | **(4,672,875)** | **(10,033,446)** |
| **Cash flow from operating activities** | **(6,056,377)** | **(13,398,907)** |
| Finance costs paid | (154,248) | (164,652) |
| Finance income received | 43,043 | 64,695 |
| **Net cash flow from operating activities** | **(6,167,582)** | **(13,498,864)** |
| **Cash flow from investing activities** | | |
| Purchase of property, plant and equipment | (142,723) | (87,794) |
| Purchase of intangible assets | 0 | (23,316) |
| **Net cash flow from investing activities** | **(142,723)** | **(111,110)** |
| **Cash flow from financing activities** | | |
| Repayment of finance leases | (48,906) | (159,721) |
| **Net cash flow from financing activities** | **(48,906)** | **(159,721)** |
| Influence of foreign exchange effects on cash and cash equivalents | 259,912 | 311,090 |
| **Net change in cash and cash equivalents** | **(6,099,299)** | **(13,458,605)** |
| **Cash and cash equivalents** | | |
| at beginning of period | 8,920,064 | 23,363,335 |
| at end of period | 2,820,766 | 9,904,730 |

Rounding of exact figures may result in differences.

# Consolidated statement of changes in equity (IFRS)

Reporting period from 1 December 2013 to 31 August 2014

| | Shares | Subscribed capital € | Capital reserve: Capital measures/ premium € | Capital reserve: Measurement of stock options € | Currency translation differences € | Accumulated losses € | Total € |
|---|---|---|---|---|---|---|---|
| | | | 155,892,571 | 3,319,240 | | | |
| **As of 1 December 2012** | **31,275,507** | **31,275,507** | **159,211,811** | | **(47,637)** | **(170,518,867)** | **21,449,423** |
| Measurement of stock options | | | | 87,630 | | | 87,630 |
| Net currency gain/loss from consolidation | | | | | (9,832) | | (9,832) |
| Net loss for the period | | | | | | (3,956,078) | (3,956,078) |
| **Net change in equity** | | | | | | | **(3,878,280)** |
| | | | 155,892,571 | 3,406,871 | | | |
| **As of 31 August 2013** | **31,275,507** | **31,275,507** | **159,299,442** | | **(57,469)** | **(174,474,944)** | **16,042,535** |
| | | | | | | | |
| | | | 155,892,571 | 3,388,697 | | | |
| **As of 1 December 2013** | **31,275,507** | **31,275,507** | **159,281,268** | | **0** | **(175,606,823)** | **14,949,952** |
| Measurement of stock options | | | | 22,701 | | | 22,701 |
| Net currency gain/loss from consolidation | | | | | 0 | | 0 |
| Net loss for the period | | | | | | (1,810,575) | (1,810,575) |
| Effect from capital reduction | (23,456,631) | (23,456,631) | 23,456,631 | | | | 0 |
| **Net change in equity** | | | | | | | **(1,787,873)** |
| | | | 179,349,202 | 3,411,398 | | | |
| **As of 31 August 2014** | **7,818,876** | **7,818,876** | **182,760,600** | | **0** | **(177,417,398)** | **13,162,078** |

Rounding of exact figures may result in differences.

# Selected notes

## A. General disclosures

This 9-month financial report as of 31 August 2014 was prepared in accordance with the same accounting policies as the consolidated financial statements as of 30 November 2013. The interim consolidated financial statements include the Group's parent, WILEX AG, Munich, Germany, as well as its subsidiary Heidelberg Pharma GmbH, Ladenburg, Germany – jointly the "Group".

The Company's results of operations, financial position and net assets as well as essential items of these financial statements are explained in detail in the interim management report. The Company's business activities are not subject to seasonal or macroeconomic influences.

The interim consolidated financial statements reproduced in this report were generally prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union, specifically in accordance with IAS 34 "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB) and in compliance with the Interpretations of the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC). These interim financial statements must be read in the context of the IFRS consolidated financial statements as of 30 November 2013 published for the 2013 financial year.

These interim consolidated financial statements were not subjected to a review by an auditor. Pursuant to our Declaration of Conformity issued in February 2014 concerning Section 7.1.2 of the German Corporate Governance Code, both the interim financial statements and the interim management report for the Group were made available to the Supervisory Board's Audit Committee before being published. This interim report was approved for publication by the Executive Management Board on 15 October 2014.

## B. Segment reporting

The WILEX Group comprises three operating segments, each of which is explained below, along with its core business and core projects. There has been no change in the segmentation of WILEX compared to the financial statements as of 30 November 2013 and compared to 31 August 2013, the closing date of the previous year's comparative period. However, due to the realignment of the Group it can be assumed that the current segmentation will be discontinued.

**Customer Specific Research (Cx)**
Customer Specific Research generated sales revenue of € 1.0 million and a net loss for the period of € 2.5 million. Heidelberg Pharma provides customer specific services in connection with a novel technology platform for therapeutic antibody drug conjugates, which is still being developed. These services are provided in collaboration with pharmaceutical and biotech companies. Additionally, the company provides research services to further develop and validate the technology with the aim of expanding the preclinical data and models. Furthermore, Heidelberg Pharma in its preclinical service business performs work for businesses and research institutes on drug metabolism, pharmacology and pharmacokinetics especially in oncology.

**Diagnostics (Dx)**
The Diagnostics segment posted no sales revenue and recorded a net loss of € 0.4 million. Following the sale of the subsidiary WILEX Inc., which was important for the Dx segment, to Nuclea and the discontinuation of the development activities for the diagnostic candidate REDECTANE®, this segment will have little relevance in the future.

**Therapeutics (Rx)**
The Therapeutics segment posted sales revenue of € 1.9 million and recorded a net profit of € 0.7 million in the first nine months. With the launch of the restructuring programme and the gradual discontinuation of R&D activities at the Munich site, this segment will lose some of its importance in the realigned WILEX Group.

**Intersegment sales revenue**

Intersegment sales revenue in the first nine months of 2014 totalled €8k, all of which was generated by the Cx segment in transactions with the Rx segment.

The segment results were as follows:

| Segment results 9M 2014[1] | Cx € '000 | Dx € '000 | Rx € '000 | Not allocated € '000 | Consoli-dation € '000 | Group € '000 |
|---|---|---|---|---|---|---|
| **Sales revenue** | **991** | **0** | **1,853** | **0** | **(8)** | **2,836** |
| External sales revenue | 983 | 0 | 1,853 | 0 | 0 | 2,836 |
| Intersegment sales revenue | 8 | 0 | 0 | 0 | 0 | 8 |
| Other income | 230 | 166 | 2,696 | 194 | 0 | 3,286 |
| Operating expenses | (3,469) | (583) | (3,791) | 0 | 8 | (7,835) |
| **Operating result** | **(2,248)** | **(417)** | **758** | **194** | **0** | **(1,712)** |
| Financial result | (250) | 0 | 0 | 199 | 0 | (51) |
| **Profit/loss for the period** | **(2,498)** | **(417)** | **711** | **393** | **0** | **(1,811)** |
| | | | | | | |
| **Total assets** | **19,274** | **2,212** | **2** | **3,974** | **(9,336)** | **16,125** |

[1] rounded

The breakdown of segment assets for purposes of interim reporting pursuant to IAS 34 has not changed; it continues to concern the intangible assets of Heidelberg Pharma that were identified and taken over as well as its goodwill. The non-allocated portion of total assets largely represents the cash and cash equivalents not attributable to a specific segment.

## C. Change in equity

The entry of the capital reduction in the commercial register on 9 July 2014 reduced the number of outstanding no par value shares by 23,456,628 to 7,818,876 through a reverse split in the ratio of 4:1. Prior to this, the Company's share capital had been reduced by three shares from 31,275,507 to 31,275,504 to obtain an even reduction ratio for the ordinary capital reduction. As a result of the reverse split, the share capital of WILEX AG will be reduced by €23,456,628.00 to €7,818,876.00. The total difference of €23,456,631.00 will be reclassified on the liabilities side of the balance sheet of WILEX AG from subscribed capital to capital reserves. As a result of this capital measure, equity and total assets remain unchanged.

The equity of the WILEX Group at the end of the reporting period was €13.2 million (30 November 2013: €14.9 million). The capital reserve was €182.8 million (30 November 2013: €159.3 million) and the losses accumulated since WILEX's foundation totalled €177.4 million (30 November 2013: €175.6 million). The equity ratio of the WILEX Group was 81.6% (30 November 2013: 67.0%).

## D. Issue and measurement of stock options

On 18 May 2011 the Company's Annual General Meeting approved the WILEX Stock Option Plan 2011. This resolution authorises the Company to issue a total of up to 1,156,412 stock options, of which up to 346,924 stock options (approx. 30%) may be issued to members of the Company's Executive Management Board, up to 173,462 stock options (approx. 15%) to executives of affiliated companies, up to 346,923 stock options (approx. 30%) to employees of the Company and up to 289,103 stock options (approx. 25%) to employees of the Company's affiliates.

Similar to the approach described in the annual report of 30 November 2013, WILEX's liabilities to employees resulting from the issue of stock options were reported pursuant to IFRS 2 in the reporting period just ended. These liabilities are calculated using a binomial model at the time the options are granted. 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.

The measurement of the stock options in the first nine months of the 2014 financial year entailed staff costs of €23k, of which €19k was attributable to the measurement of the stock options issued in 2012 under the 2011 Stock Option Plan. The remaining €4k relates to the 2005 Stock Option Plan, under which no new options can be issued; and all of the issued options have vested, however.

No stock options were issued and no existing stock options were exercised in the 2014 financial year. A total of 39,606 stock options were returned because Executive Management Board members and employees left the Company. Furthermore, no options held by employees or members of the Executive Management Board under the relevant plans have expired or were forfeited for other reasons. This means that 1,147,091 options – 814,835 for current or former members of the Executive Management Board and 332,256 for current or former employees – had been issued as of the end of the period.

A total of 14,500 options of the Executive Management Board and 17,564 options of employees have vested as of the reporting date compared with the 2013 balance sheet date. All outstanding options issued under the Stock Option Plan 2005 can now be exercised theoretically because the waiting period has expired and the options have vested.

## E. Related party transactions

In the reporting period, the Company's executives reported no transactions (Directors' dealings) subject to disclosure in accordance with Section 15a German Securities Trading Act (Wertpapierhandelsgesetz).

The Rittershaus law firm provided legal consulting services Heidelberg Pharma of approximately €4,550 in the reporting period. Rittershaus is a related party because the chairman of the Supervisory Board, Professor Christof Hettich, is a partner in this law firm.

## F. Key events after the interim reporting period (report on post-balance sheet date events)

All significant events that occurred after the end of the reporting period are explained in the report on post-balance sheet events that is part of the interim management report.

# Responsibility statement of the Executive Management Board

"To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements for the first nine months give a true and fair view of the assets, liabilities, financial position and profit or loss of the WILEX Group, and the interim management report includes a fair review of the development and performance of the business and the position of the WILEX Group, together with a description of the material opportunities and risks associated with the expected development of the WILEX Group."

Munich, 15 October 2014

The Executive Management Board

Dr Jan Schmidt-Brand

Dr Paul Bevan

# WILEX's shares

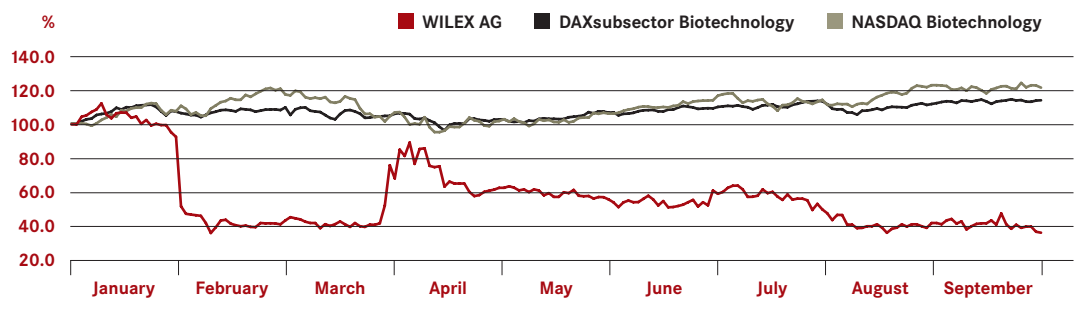
**Reverse share split completed**

On 23 May 2014, the Annual General Meeting of WILEX AG approved by a majority of 99.87 % the proposal of the Executive Management Board and the Supervisory Board to reduce the Company's share capital in accordance with Sections 222 ff. German Stock Corporation Act. Following the approval, the share capital has been reduced – after cancelling three shares – from € 31,275,504.00 by € 23,456,628.00 to € 7,818,876.00 through the combination of the outstanding no par value shares in a ratio of 4:1, from 31,275,504 no par value bearer shares to 7,818,876 shares.

The new share capital was recorded in the Commercial Register on 9 July 2014. The shares were converted on 18 July 2014. Since that date, the converted WILEX shares have been traded on stock exchanges under the new international securities identification number (ISIN) DE000A11QVV0, ticker symbol WL6.

**Share price performance**

**WILEX's share price performance,** indexed as of 1 January 2014



WILEX's shares started 2014 trading at a price of € 1.379. After the announcement of the restructuring measures at the Munich site at the end of January 2014, the shares plummeted to an all-time low of € 0.473. The stock rallied following the announcement of the first licence agreement for MESUPRON® with Link Health, but still remained below the € 1.0 mark. The second licence agreement with RedHill had no sustained, positive impact on the share price performance.

The capital reduction resolved by the Annual General Meeting took effect in July. Shares were subsequently traded at € 3.111 (corresponding to € 0.778 in the old ratio) and progressively lost ground in the months that followed on account of weak demand for the stock and various geopolitical crises. WILEX's shares closed down almost 61% at € 2.101 on 30 September 2014.

By comparison, after tumbling at the end of the first quarter, the biotech indices maintained a consistent uptrend as the year progressed. The DAXsubsector Biotechnology Index and the NASDAQ Biotechnology Index closed up around 14% and 21%, respectively, on 30 September.

| **Key share figures** as of the end of the reporting period | | **9M 2014**[1] | **9M 2013** |
|---|---|---|---|
| Shares issued[2] | Number | 7,818,876 | 31,275,507 |
| Market capitalisation | € million | 18.77 | 35.97 |
| Closing price (XETRA) | € | 2.400 | 1.150 |
| High[3] | € | 3.329 (18.07.14) | 2.299 (27.02.13) |
| Low[3] | € | 1.892 (10.02.14) | 0.830 (11.12.12) |
| Volatility (260 days, XETRA) | % | 177.632 | 118.243 |
| Average daily trading volume[3] | Shares | 16,266 | 111,643 |
| Average daily trading volume[3] | € | 59,077 | 165,434 |
| Earnings per share | € | (0.07) | (0.13) |

Source: Bloomberg

[1] Pro forma presentation including capital reduction as of 01.12.2013; [2] As of the end of the period; [3] All stock exchanges

In the first nine months of the current financial year, the daily trading volume of WILEX shares was down significantly. This is due both to reduced trading activity and the lower number of shares since the capital reduction. Market capitalisation at the end of the reporting period was € 18.77 million (31 August 2013: € 35.97 million).

*www.wilex.com*

For information on the shareholder structure, voting rights or director's dealings, please see our website. No changes are to be reported.

| **Financial calendar 2015** | |
|---|---|
| 26 February 2015 | Annual Report 2014, Financial press conference and analysts' meeting |
| 14 April 2015 | 3-month Financial Report 2015 |
| 13 May 2015 | Annual General Meeting 2015 |
| 14 July 2015 | Half-yearly Financial Report 2015 |
| 15 October 2015 | 9-month Financial Report 2015 |

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The 9-month Financial Report is also published in German and is available for download from our website at www.wilex.com.
The English translation of the 9-month Financial Report is provided for convenience only. The German original is definitive.

As of: 15 October 2014

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