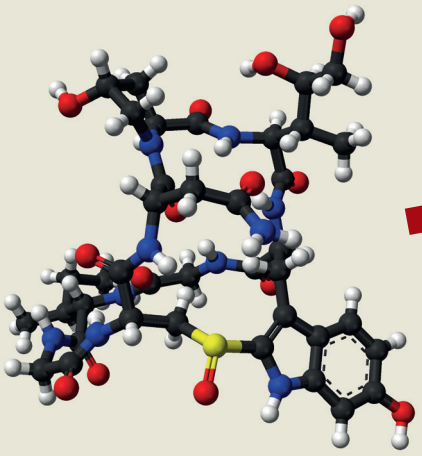
WILEX
Focused Cancer Therapies

ANNUAL REPORT 2016

Antibody Targeted Amanitin Conjugates



Making the compound Amanitin available for cancer therapies

Key figures

	2016[1] €'000	2015[1] €'000	Change in %
Earnings			
Sales revenue	1,362	2,284	(40%)
Other income	1,381	1,638	(16%)
Operating expenses	(9,104)	(10,438)	(13%)
of which research and development costs	(6,119)	(4,445)	38%
Operating result	(6,361)	(6,517)	(2%)
Earnings before tax	(6,380)	(6,514)	(2%)
Net loss for the period	(6,389)	(6,552)	(2%)
Earnings per share in €	(0.53)	(0.75)	(29%)
Balance sheet at end of period			
Total assets	15,241	12,102	26%
Cash and cash equivalents	4,574	1,306	250%
Equity	9,756	9,480	3%
Equity ratio[2] in %	64.0	78.3	(18%)
Cash flow statement			
Cash flow from operating activities	(6,535)	(4,796)	36%
Cash flow from investing activities	(538)	(207)	160%
Cash flow from financing activities	10,335	4,102	152%
Employees (number)			
Employees as of the end of the period[3]	53	55	(4%)
Employees as of the end of the period (full-time equivalents)[3]	49	49	(1%)

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

[2] Equity/total assets

[3] Including members of the Executive Management Board

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

JANUARY 2016
Submission of the protocol for Phase I clinical trial with the uPA inhibitor MESUPRON® in China by WILEX partner Link Health

FEBRUARY 2016
Granting of an important ATAC basic patent in the USA

APRIL 2016
Rights issue for € 4.13 million completed successfully

MILESTONES

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@ = *Internet reference*

MAY 2016
Annual General Meeting

Downsizing of the Supervisory Board; Andreas R. Krebs steps down from the Supervisory Board

JUNE 2016
Professor Andreas Pahl is appointed new Chief Scientific Officer

About us

WILEX is a biopharmaceutical company focused on oncology and antibodies. Whereas WILEX AG – headquartered in Munich, Germany – acts as a holding company, the Group's operations comprise the research and development activities of the subsidiary Heidelberg Pharma GmbH in Ladenburg, Germany.

Heidelberg Pharma is the first company to utilize and develop the compound Amanitin for cancer therapies. For this purpose, we employ our innovative ATAC (Antibody Targeted Amanitin Conjugates) technology and use the toxin's biological mode of action as a new therapeutic principle.

Our goal is to develop proprietary ATACs and prepare them for early clinical development. In 2016, we identified our first proprietary main product candidate: a BCMA ATAC for treating multiple myeloma.

We also provide license based research services and work with various partners on ATAC candidates. The aim is for early out-licensing of our technology for our partners' antibodies.

The WILEX drug candidates MESUPRON® and REDECTANE® have been out-licensed to partners for further development and subsequent marketing. RENCAREX® is available for out-licensing and further development.

Our focus will remain on oncology and our mission is to research and develop drugs for cancer patients enabling them to receive a targeted and tailor-made course of treatment that is both highly effective and as well-tolerated as possible.

We continue to aim for strong partnerships with international pharmaceutical and biotech companies as well as important scientific research institutions.

JUNE 2016
Granting of an important patent for a building block of Amanitin production in Europe

Collaboration with Advanced Proteome Therapeutics Corporation to develop improved linker chemistry

SEPTEMBER 2016
Option agreement for BCMA antibodies signed with Max Delbrück Center

WILEX portfolio

Product	Technology/target	Indication	Research + preclinical	Clinical development			Partners
				I	II	III	
ADC platform							
HDP-101 – ATAC	Antibody Amanitin conjugate/BCMA	Multiple Myeloma (DLBCL/CLL)					Proprietary
PSMA-ATAC	Antibody Amanitin conjugate/PSMA	Prostate cancer					Proprietary
CD19-ATAC	Antibody Amanitin conjugate/CD19	Haematological tumors					Proprietary
HuMAB 5B1-ATAC	Antibody Amanitin conjugate/n.a.	Metastatic pancreatic cancer					MabVax
NN-ATACs	n.a.	Leukemias					Nordic Nanovector
Partnered projects							
RENCAREX®[1]	Antibody/CAIX (therapeutic)	Non-metastatic ccRCC[2]					To be partnered (ROW), Esteve (Southern Europe)
REDECTANE®[2]	Antibody/CAIX (diagnostic)	Kidney cancer					Telix (worldwide)
MESUPRON®[3]	uPA inhibitor	Solid tumors					Link Health (China)
MESUPRON®[3]	uPA inhibitor	Solid tumors					RedHill (Rest of world outside Greater China)

[1] The Phase III ARISER trial in the adjuvant therapy of clear cell renal cell carcinoma (ccRCC) missed the trial endpoint.

[2] The Phase III REDECT trial for diagnosing ccRCC was successfully completed. As agreed with the FDA, a confirming study is required; it will, however be carried out at WILEX's partner Telix.

[3] WILEX AG completed Phase IIa trials for MESUPRON® in the pancreatic cancer and breast cancer indications. The current figures refer to the partner's status quo.

MILESTONES

OCTOBER 2016
Shareholder loan based on existing financing commitment

Collaboration with Nordic Nanovector for the development of novel antibody drug conjugates (ADC)

JANUARY 2017
Out-licensing of REDECTANE® to Telix Pharmaceuticals Limited

Letter to the shareholders

Dear Ladies and Gentlemen,

We reached some important milestones in the past year. In addition to entering various technology partnerships and in-licensing a number of very promising antibodies, we selected HDP-101 as our first proprietary ATAC (Antibody Targeted Amanitin Conjugate) development candidate after conducting extensive preparatory research. Along with our technology partnerships, we consider the portfolio of proprietary ATAC candidates we are establishing to be a key building block for increasing the Company's value in the future.

Amanitin – a highly potent compound for cancer therapy

Despite important advances in treating cancer in recent years, major challenges remain. For example, some cancers just don't respond to available treatments, and even those tumors that do initially respond to treatment often become resistant over time or. The unique biological mode of action of Amanitin (inhibition of RNA polymerase II) – combined with highly specific antibodies – could provide a new approach to solving these problems and to target resistant and quiescent tumor cells.

Our scientists are working with third-parties to manufacture Amanitin in a GMP-compliant process, so that the compound can be produced in a sufficient quantity and quality for future clinical trials. In addition, we continually work to improve the tolerability and efficacy of Amanitin linker constructs and are pleased about the excellent progress we have made.

HDP-101 – our development candidate for treating multiple myeloma

Based on preliminary work completed by the Max Delbrück Center for Molecular Medicine (MDC) in Berlin, we produced several anti-BCMA Amanitin conjugates. In September 2016, we entered into an exclusive option agreement with the MDC covering various BCMA antibodies. The candidate with the most promising profile was chosen from several ATAC molecules to bring forward in development as HDP-101. BCMA (B-cell maturation antigen) is a surface protein that is highly and selectively expressed in multiple myeloma cells and to which these antibodies specifically bind. The above option with MDC was exercised in January 2017 and a license agreement signed. HDP-101 consists of a BCMA antibody, a specific linker and the Amanitin toxin and showed first very promising data. Preparations for formal preclinical and later clinical development of this candidate are underway. The clinical development of HDP-101 in multiple myeloma could begin as soon as the end of 2018.

Partnerships

We also entered into ATAC partnerships with a number of international biotech companies and are jointly working on several projects. It is our goal to move these early-stage collaboration over time into licensing partnerships.

There was also good news at the start of 2017 about REDECTANE®, which is part of WILEX AG's clinical portfolio. We entered into a license agreement with Australia-based Telix Pharmaceuticals Limited, granting Telix worldwide rights for the development and commercialization of this imaging agent, enabling this late-stage product candidate to advance. Telix is an ideal partner to leverage the potential of Girentuximab-based diagnostic and therapeutic radiopharmaceuticals. With this agreement, WILEX will be able to share in the future success of REDECTANE® and potentially other downstream products. Telix plans to complete the clinical trials and prepare for regulatory approval.

Our partners for MESUPRON®, Link Health and RedHill, are working to prepare further clinical trials. The pharmacology service business at Heidelberg Pharma continues to perform well and according to plan.

Financing and corporate actions

The financing strategy approved in November 2015 was implemented step by step in the past year. In total, we completed three capital increases without prospectuses and generated proceeds of €6.7 million. These actions were supplemented by a €3.7 million loan from our main shareholder dievini. This strategy was a cost-effective way for the Company to obtain financing. The ongoing support of dievini and all of the shareholders who contributed to these financings is vital in building our own pipeline.

In February 2017, dievini committed to provide additional financing totaling €10 million. With this commitment, we have sufficient funding for our planned activities until the end of the second quarter of 2018, which should enable us to reach important milestones until the clinical development of our lead product candidate, HDP-101. Securing sufficient financing and convincing new investors for this innovative technology are crucial for the development of our own clinical candidates. We are confident that our development activities will strengthen our partnership business while serving as an important lever in enhancing WILEX AG's enterprise value.

Personnel

In March 2016, Dr. Paul Bevan retired after 13 years on the Executive Management Board. In June 2016, Professor Andreas Pahl was appointed the new Chief Scientific Officer and member of the Executive Management Board, replacing Dr. Bevan. Since September 2012, Andreas Pahl has been the CSO and a member of the senior management team at Heidelberg Pharma. He has been primarily responsible for research and development activities related to the ATAC technology and continues to execute this strategy with great dedication.

After the Annual General Meeting in May 2016, Andreas R. Krebs voluntarily stepped down from the Supervisory Board of WILEX. Since then, the Supervisory Board has consisted of five instead of six members.

We would like to thank Dr. Bevan and Mr. Krebs for their many years of hard work and commitment to WILEX AG.

Financial performance

In general, fiscal year 2016 was a good year with a stable service business and new partnerships. Nevertheless, revenue in 2016 was significantly lower than in the previous year, mainly due to a strategic refocus of its oncology R&D strategy by our former research partner Roche in the summer of 2015. While we were able to further lower administrative costs, research expenses rose as planned due to our development activities. This resulted in the WILEX Group again reporting a loss, as expected.

Strategy implementation

Our goals have not changed. In 2017, we will continue to focus on building our own ATAC product pipeline, undertaking joint projects with pharmaceutical and biotech partners, further enhancing the ATAC technology and conducting customer-specific research.

We would like to sincerely thank our shareholders, business partners and employees for their continued support.

Munich, 29 March 2017

Yours sincerely,

Dr. Jan Schmidt-Brand
Chief Executive Officer and Chief Financial Officer

Professor Andreas Pahl
Chief Scientific Officer

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 on the management of 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 to their implementation in advance with the Supervisory Board. The Supervisory Board obtained regular reports on the situation and development of the Company, both at regular Supervisory Board meetings and in additional conference calls. It 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). Discussions included, in particular, the following topics: M&A transactions, the status of licensing and partnering negotiations and financing. Without exception, the Supervisory Board examined all documents submitted and prepared by the Executive Management Board and the related departments. 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, implementation of strategy and achievement of goals, as well as for the development and management of WILEX AG and its subsidiary Heidelberg Pharma GmbH. The Chairman of the Supervisory Board regularly discussed the strategy and reviewed the progress of the business with 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 subcommittees.

Main topics discussed at Supervisory Board during the 2016 fiscal year
In the 2016 fiscal year (1 December 2015 to 30 November 2016), the Supervisory Board held six regular meetings. All members of the Supervisory Board attended at least half of the meetings. In addition, several conference calls were conducted as a regular part of monitoring and advising the Executive Management Board. Supervisory Board member Andreas R. Krebs left the Supervisory Board at his own request effective at the end of the Annual General Meeting on 13 May 2016.

In the 2016 fiscal year, the Supervisory Board discussed and approved the following items requiring its approval:

- The budget and corporate goals for the 2016 fiscal year and the budget for the 2017 fiscal year;
- Focus on further developing and marketing the ADC technology and developing the Company's own ATAC pipeline;
- Determination of the final scope of the December 2015 rights issue using authorized capital;
- A share capital increase and determination of the final scope of the April 2016 rights issue using authorized capital;
- Granting of a shareholder loan based on an existing financing commitment;
- Review of and support for M&A activities;
- Amendment of the Executive Management Board's Internal Rules of Procedure;
- Revocation of existing authorized capital and creation of new authorized capital by the Annual General Meeting;
- Reduction in the size of the Supervisory Board by the Annual General Meeting;
- Issue of a further tranche from the existing Stock Option Plan 2011;
- The director's contract of Professor Andreas Pahl;
- The consultant contract with the former Executive Management Board member, Dr. Paul Bevan;
- Negotiation mandate for the REDECTANE® license agreement with Telix Pharmaceuticals Limited.

The full Supervisory Board approved all of the actions submitted for approval following in-depth review and discussion.

The Supervisory Board was 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. The Supervisory Board approved the further development of Heidelberg Pharma's ADC technology not only as part of technology partnerships but also to develop the Company's own ATAC candidates. This means that Heidelberg Pharma will not just offer the toxin-linker technology as such but will also refine licensed antibodies with the proprietary ATAC technology into specific development candidates. Establishing its own pipeline will become an increasingly important part of the Company's overall strategy. The Executive Management Board kept the Supervisory Board updated on discussions with potential licensing partners for the ATAC technology.

The Supervisory Board was regularly informed about MESUPRON® activities at partners and about negotiations with potential licensing partners for the two Phase III projects (REDECTANE® and RENCAREX®).

The Supervisory Board also discussed at length the Company's financing strategy. A long-term financing strategy was approved in November 2015 that provided for a variety of corporate actions. A total of three rights issues from authorized capital have been implemented since November 2015 that raised the share capital by 3,621,956 shares and generated proceeds of €6.7 million. Proceeds from these transactions are being used to finance the development of the ADC technology, particularly to advance drug production, as well as to strengthen the Company's equity.

The Supervisory Board was also regularly briefed on the business activities of the Company's subsidiary Heidelberg Pharma, which is focused on refining and marketing its technology platform for therapeutic antibody drug conjugates.

The Annual General Meeting of WILEX AG on 13 May 2016 approved the revocation of the existing authorized capital and creation of new authorized capital in the amount of 6,463,781 no par value shares. A resolution was also passed to reduce the size of the Supervisory Board from six to five members. Supervisory Board member Andreas R. Krebs left the Supervisory Board at his own request after the end of the Annual General Meeting.

Corporate governance

The Supervisory Board together with the Executive Management Board decided on 3 February 2017 to implement the recommendations and suggestions of the German Corporate Governance Code (GCGC) to a large extent. The new joint Declaration of Conformity by the Executive Management Board and the Supervisory Board was adopted on the same day and is available on the Company's website under "Press + Investors > Corporate Governance > Declaration of Conformity". For more information on corporate governance at WILEX, please see the "Corporate Governance" chapter of the Group management report.

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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 of the GCGC must be disclosed to the other members of the Supervisory Board. During fiscal year 2016, one potential conflict was reported and acted upon.

Professor Christof Hettich, Chairman of the Supervisory Board, is a partner at Rittershaus law firm, which provides legal consulting services to the WILEX Group. This relationship has been identified as a potential conflict of interest. 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 are considered major competitors of WILEX, which complies with GCGC requirements.

Activities of the Committees

The Supervisory Board established three committees to efficiently fulfill its responsibilities; each committee is responsible for preparing issues within its purview for the full Supervisory Board. At the regular Supervisory Board meetings, each committee chairman reported to the Supervisory Board on the work of his committee.

For efficiency, a joint Compensation and Nomination Committee was established, which covers both areas separately in its meetings. The Compensation Committee held two meetings in the 2016 fiscal year at which its members discussed Dr. Bevan's consultant contract and Professor Pahl's director's contract as well as an extension of Dr. Schmidt-Brand's director's contract.

The Audit Committee met six times during the year under review. Among other actions, the committee recommended to the Supervisory Board that the board propose to the Annual General Meeting to reappoint Deloitte GmbH Wirtschaftsprüfungsgesellschaft, Mannheim, Germany, (Deloitte) as auditor for the 2016 fiscal year. Deloitte was elected by the Annual General Meeting on 13 May 2016 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 2016 fiscal year. The Supervisory Board obtained in advance a declaration of the auditor's independence in accordance with Section 7.2.1 of the GCGC. The Audit Committee also discussed the 2016 annual report with Deloitte. Following the amendment of the legal requirements governing three-month and nine-month financial reports, the new, more compact reporting format for the interim management statement was discussed with the Audit Committee and adopted. The Audit Committee discussed the interim management statements and the half-yearly report for 2016 with the Executive Management Board prior to publication. The Supervisory Board also discussed in depth the Company's risk management system.

The Research and Development Committee held one meeting during the reporting period to discuss the status of Heidelberg Pharma's ATAC projects. As a rule, the full Supervisory Board discusses at its meetings the status of in-house research activities at Heidelberg Pharma and the preparations and considerations for building the Company's own ATAC product portfolio.

The Supervisory Board did not establish any other committees.

Adoption of the annual financial statements

The auditors, Deloitte GmbH Wirtschaftsprüfungsgesellschaft, have audited the combined management report, the annual financial statements of WILEX AG and the consolidated financial statements as of 30 November 2016, including the underlying accounting, and issued an unqualified audit opinion. The auditors conducted their audit in compliance with the generally accepted German standards for the audit of financial statements of the German Institute of Public Auditors (IDW). The combined management report, the annual financial statements of WILEX AG and the consolidated financial statements were each prepared pursuant to the principles of the German Commercial Code and in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU, taking into account Section 315a of the German Commercial Code.

The aforementioned documents as well as the dependent company report and the audit reports of Deloitte GmbH Wirtschaftsprüfungsgesellschaft were made available to all members of the Supervisory Board in a timely manner and discussed in detail with the auditors both at the meetings of the Audit Committee on 24 March 2017 and at today's financial meeting of the Supervisory Board. The auditors reported to the Supervisory Board on the material findings of their audit, that the combined management report presents 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 were suitable for identifying at an early stage any developments which could jeopardize 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 reviewed the audit result and examined both sets of annual financial statements and the combined management report, as well as the proposed appropriation of accumulated loss (under the German Commercial Code) in accordance with legal provisions and concurred 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.

In accordance with Section 312 of the German Stock Corporation Act, the Executive Management Board prepared a dependent company report for the 2016 fiscal year. The dependent company report was examined by Deloitte GmbH Wirtschaftsprüfungsgesellschaft according to Section 313.3 of the German Stock Corporation Act. The auditor issued the following unqualified audit opinion on March 27, 2017:
"Based on the results of our statutory audit and our judgment we confirm that
1) the actual information contained in the report is correct, and
2) the Company's compensation with respect to the legal transactions listed in the report was not inappropriately high."

The dependent company report prepared by the Executive Management Board and the audit report prepared by the auditors for this dependent company report were examined and discussed in detail by the members of the Supervisory Board. The representative of the auditors reported in detail on the main findings of the audit. He also addressed questions from the Supervisory Board and was available to provide additional information. At the meeting to discuss the financial statements, the Supervisory Board concurred with the findings of the audit of the dependent company report and raised no objections. Following its own examination, the Supervisory Board raised no objections to the dependent company report.

Following the examination by the Supervisory Board, there were no objections to the statement by the Executive Management Board at the end of the dependent company report.

Recognition of commitment
The Supervisory Board would like to express its thanks to its longstanding member, Andreas R. Krebs, who stepped down from the Supervisory Board after six years, for his dedicated and constructive collaboration.

The Supervisory Board would also like to take this opportunity to thank Dr. Bevan for his many years of work and enormous dedication to WILEX and is delighted that Dr. Bevan will continue to assist the Company in an advisory capacity.

The Supervisory Board would also like to take this opportunity to thank the Executive Management Board and all employees of WILEX AG and its subsidiary Heidelberg Pharma for the impressive commitment they showed in the 2016 fiscal year. It is due to their commitment that key milestones such as the signing of various financing agreements and important cooperation agreements with partners were reached.

Munich, 28 March 2017

For the Supervisory Board

Professor Christof Hettich
Chairman of the Supervisory Board

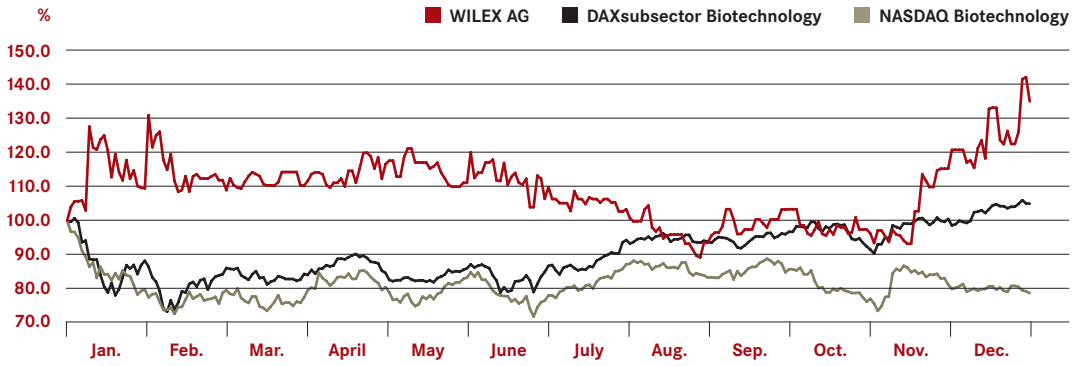
Investor relations

Share price performance

For most indices and particularly for biotechnology stocks, 2016 began with bitter losses that companies had difficulty making up in the months that followed. The US NASDAQ Biotechnology Index closed down 22% for 2016, a severe setback after gains of 12% in the previous year. This was due to uncertainty among investors about price and valuation trends, as expressed at the leading JP Morgan Healthcare Conference. The DAX subsector Biotechnology Index was also affected but managed to finish the year up 5%. However, this was a disappointing performance compared to the extremely successful previous year, in which it had gained 44%. During the year, the Brexit decision and the outcome of the US presidential election generated uncertainty, although no lasting turmoil. The DAX closed the year up 7% and the TecDAX down almost 1%.

WILEX's shares began 2016 trading at €1.71, leveling off between €1.80 and €1.95 in the first half of the year. The summer months led to short-term losses for the shares, which fell to a low of €1.38 at the end of August. Buoyed by a more positive general trend and the news flow at WILEX, the Company's shares finished the year at €2.23, an increase of 35%. Following the announcement of the license agreement for the antibody REDECTANE® on 16 January 2017, the shares climbed to nearly €3.00. At the end of March 2017, the share price was €2.50, and WILEX's market capitalization was approximately €32 million.

WILEX's share price performance, indexed as of 1 January 2016



Trading and liquidity

At 7,161 shares, the average daily trading volume of WILEX's shares in the 2016 fiscal year (1 December 2015 to 30 November 2016) was again down substantially from the previous year's level of 14,090 shares. The Company aims to significantly increase the shares' liquidity. The market capitalization at the end of November 2016 was €24.6 million, 26% higher than the level at the end of November 2015 of €19.4 million.

Key share figures as of the end of the reporting period[1]	**FY 2016**	**FY 2015**
Number of shares issued	12,927,564	9,305,608
Market capitalization in € million	24.56	16.94
Closing price (XETRA) in €	1.90	1.82
High[2] in €	2.304 (on 11 Jan. 2016)	5.55 (on 6 May 2015)
Low[2] in €	1.38 (on 12 Aug. 2016)	1.73 (on 6 Jan. 2015)
Volatility (260 days; XETRA)[1] in %	52.46	79.51
Average daily trading volume[2] in shares	7,161	14,090
Average daily trading volume[2] in €	12,681.49	46,910
Earnings per share in €	(0.53)	(0.75)

[1] As of the end of the period
[2] All stock exchanges
Source: Bloomberg

Corporate actions and financing

A comprehensive, multi-stage financing strategy, expected to involve several transactions, was approved at the end of November 2015. WILEX's main shareholder, dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, (dievini) supported this strategy with a commitment to provide financing of up to €10 million provided that the subscription price not exceeded €1.84 per share.

Three capital increases were implemented during the reporting period. The first two were completed in December 2015, the third in April 2016. The subscription/issue price was €1.84 in all cases and total proceeds were €6.7 million. After the capital increases were entered in the Commercial Register, the Company's share capital increased from €9,305,608 to €12,927,564. In addition, WILEX's main shareholder dievini granted the Company a loan of €3.7 million in October 2016. The cash has been and will be used for further development of the proprietary ADC technology and expansion of the Company's own ATAC pipeline. The corporate actions and loan are described in detail in the management report and the notes to the financial statements in this annual report.

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Annual General Meeting

The Annual General Meeting of WILEX AG was held at the Munich Conference Centre, Hanns-Seidel-Stiftung, on 13 May 2016. A total of 7,352,190 shares (corresponding to an equivalent number of votes) out of WILEX AG's share capital of €12,927,564 (which is denominated in 12,927,564 no par value bearer shares) were present at the Annual General Meeting. This means that 56.87% of the Company's share capital was present. In addition to obligatory items such as the approval of the annual financial statements, formal approval of the actions of the members of the Executive Management Board and Supervisory Board and the appointment of the auditor, the revocation of the existing Authorized Capital 2016/I and the creation of new Authorized Capital 2016/I and a corresponding amendment to the Articles of Association were resolved.

The new Authorized Capital 2016/I amounts to €6,463,781 and is valid until 12 May 2021. This enables the Executive Management Board to increase the Company's share capital, with the approval of the Supervisory Board, by up to a total of €6,463,781, by issuing new no par value bearer shares in return for cash contributions and/or contributions in kind on one or several occasions. The resolution of new authorized capital gives the Company greater flexibility to react to short-term funding requirements in connection with the implementation of strategic decisions.

Another item on the agenda was the change in the composition of the Supervisory Board and a corresponding amendment to the Articles of Association. The Annual General Meeting approved the proposal by the Company's management to reduce the number of Supervisory Board members from six to five. This action was driven by the change in the profile of WILEX AG and also the desire of Supervisory Board member Andreas Krebs to step down from the Supervisory Board following the Annual General Meeting for professional reasons.

All proposed resolutions were adopted by majorities of more than 99%.

Shareholder structure of WILEX AG

Dietmar Hopp and affiliated companies[1]	approx. 63.5%
UCB	approx. 8.7%
Gilbert Gerber	approx. 3.4%
Corporate bodies (held directly)	approx. 1.0%
Free float	approx. 23.4%

[1] Comprises dievini Hopp BioTech holding GmbH & Co. KG and DH-Holding Verwaltungs GmbH. All figures are assumptions by WILEX AG based on the most recent notifications in accordance with the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and/or the voting rights reported at the most recent General Meeting.

General information[1]

Listed:	Regulated Market (Prime Standard)
Stock exchange symbol:	WL6/WL6G.DE/WL6.GR
WKN/ISIN:	000A11QVV/DE000A11QVV0
Share capital:	€12,927,564
Admitted capital:	12,927,564 bearer shares of common stock
Designated sponsors:	Equinet Bank, OddoSeydler

[1] As of 27 March 2017

Please see cover page 3 for the current financial calendar. The current conference calendar is available on the website.

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COMBINED MANAGEMENT REPORT

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1 BUSINESS AND OPERATING ENVIRONMENT

This management report is a combined management report for the WILEX Group (IFRS) and WILEX AG (HGB).

Chapters 1 through 5 and chapter 10 of this management report provide an overview of business activities in the past fiscal year, while chapters 7 through 10 outline the current situation and predict future developments. Reference is made particularly to chapter 7, “Risk report.”

1.1 Corporate structure, locations and reporting

WILEX GmbH was founded in 1997 by a team of physicians and cancer research specialists from the Technische Universität München (TUM). The Company 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 rents office space; it does not own real estate. The Company’s Executive Management Board consists of Dr. Jan Schmidt-Brand and Professor Andreas Pahl.

The subsidiary Heidelberg Pharma GmbH (hereinafter referred to as "Heidelberg Pharma") has been part of the WILEX Group since March 2011. The subsidiary’s Managing Director is Dr. Jan Schmidt-Brand. Heidelberg Pharma is domiciled in Ladenburg and does not own any property. Its offices and laboratories are located in rented premises.

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), London, as applicable in the European Union (EU), taking into account the recommendations of the International Financial Reporting Standards Interpretation Committee (IFRS IC). The provisions applicable in accordance with section 315a (1) German Commercial Code (Handelsgesetzbuch - HGB) were also taken into account. The IFRS consolidated financial statements include WILEX AG as the parent company as well as the subsidiary Heidelberg Pharma GmbH for the full 2016 fiscal year (1 December 2015 to 30 November 2016). “WILEX” will be used as a synonym for the Group hereinafter. Each entity’s full corporate name is stated whenever facts specific to WILEX AG as the parent company or Heidelberg Pharma as the subsidiary are reported.

As of the close of the fiscal year, WILEX had 53 employees, including the two Executive Management Board members, at the Ladenburg (48 employees) and Munich (5 employees) sites.

1.2 Business activities

The purpose of WILEX AG as a holding company is to act as the parent company of the Group and to out-license the portfolio of diagnostic and therapeutic oncology drug candidates with the related intellectual property rights. The WILEX AG team in Munich and Ladenburg mainly performs functions relating to Group strategy, finance, investor relations, legal affairs and contract management. Other areas covered are alliance and data management, as well as patents. In addition, strong research & development support is being provided to the partner to develop an out-licensed clinical drug candidate.

R&D activities are focused on the operations of WILEX's subsidiary Heidelberg Pharma in Ladenburg, which refines and markets a proprietary novel technology platform for therapeutic antibody drug conjugates (ADCs) and offers preclinical services. Heidelberg Pharma is the first company to utilize and develop the compound Amanitin for cancer therapies. It uses the toxin's unique biological mode of action as a new therapeutic principle, employing its ATAC (**A**ntibody **T**argeted **A**manitin **C**onjugates) technology platform for this purpose. The objective is to produce, research and develop selected proprietary therapeutic antibody drug conjugates, as well as a large number of ATAC candidates, in collaborations with external partners.

For detailed information regarding the products and the current status of development, please see chapter 3, "Course of business in 2016." A summary of markets and competitors is contained in chapter 2, "Economic environment in 2016."

1.3 Management and control

In keeping with the dual management structure predominant under German law, the Company is managed and controlled by both an Executive Management Board and a Supervisory Board. The Executive Management Board comprising two members manages the business and closely collaborates with the Supervisory Board. The Supervisory Board regularly advises and monitors the Executive Management Board with respect to its management of the Company. The 2016 Annual General Meeting adopted a resolution to reduce the size of the Supervisory Board from six to five members. Since then, the Supervisory Board of WILEX has comprised five members, as specified in the Company's Articles of Incorporation. Three committees have been established to enhance the Supervisory Board's efficiency: a joint Remuneration and Nomination Committee, an R&D Committee and an Audit Committee. For detailed information on corporate governance, please see chapter 6, "Corporate governance."

1.4 Corporate strategy and goals

WILEX is committed to the interests of shareholders and employees, who are at the center of the Company's strategic, value-driven management. Its research and development work is aimed at developing new targeted cancer therapies for patients based on biopharmaceutical, highly potent compounds.

In recent years Heidelberg Pharma has developed extensive expertise and an extensive patent portfolio around the compound Amanitin, which can be linked with various antibodies. The result is a platform approach enabling a series of new development projects and research alliances based on these ATACs.

Heidelberg Pharma intends to further develop and market the ATAC technology as part of a hybrid business model. On the one hand, the Company will produce its own ATAC molecules based on licensed antibodies, test these as development candidates and thus build its own

pipeline. This approach was enabled by licensing suitable antibodies in recent years and applying an extensive selection and optimization process. Separate building blocks (antibody, linker, Amanitin) will be produced for the ATAC development candidates and the relevant cell lines and processes developed. One of the main objectives for 2017/2018 is to make Amanitin and the requisite “linkers” available on an industrial scale. For this, a GMP-compliant process in cooperation with a contract development and manufacturing organization (CDMO) is being developed to produce GMP-quality Amanitin in sufficient quantities for clinical development. At the same time, the ATAC candidates will undergo preclinical testing to determine their efficacy and tolerability. The aim is to begin clinical development in 2018 with the development candidates selected and to conduct initial trials with patients.

In addition, work is underway with partners to produce ATACs using the partners’ antibodies as part of early-stage research partnerships. These early-stage collaborations are expected to culminate in license agreements based on which the partners would make payments for technology support and licenses. WILEX expects these ATAC alliances and the preclinical service business to continually generate sales revenue and license payments.

WILEX’s own development activities and envisaged out-licensing take place exclusively for specific antigens (biological target proteins). Given that numerous tumor-specific antigens exist, this enables the development of the Company’s own product candidates as well as parallel alliances with various pharmaceutical and biotech companies for their candidates. These may be developed as different products and in different indications. The hybrid business model of business-to-business activities and building a proprietary ATAC portfolio offers a prime opportunity for leveraging the technology’s potential.

Going forward, WILEX AG’s existing clinical R&D projects will only be developed in cooperation with licensing partners. The out-licensing of MESUPRON® and REDECTANE® would generate upfront and milestone payments plus royalties on net sales in the event of successful development and regulatory approval. This also applies to a potential partnership for RENCAREX®.

To date, the total income generated has not been sufficient to finance WILEX’s ongoing research activities; so, R&D activities must also be financed in the medium term by raising capital.

1.5 Internal management system

Cash funds, cash reach, sales revenue and other income from grants, as well as operating expenses, are reviewed at least monthly and are the key control variables of WILEX. Research and development expenses are a particularly important measure of performance. These expenses exceed income and will continue to do so in the medium term. Hence the average change in cash funds - i.e., the cash flow in a given period - is a key financial indicator. The ratio of liquid funds to cash usage shows how long sufficient cash will be available to fund operations.

The section entitled, “Overall assessment of the fiscal year 2016 by the Executive Management Board of WILEX” in chapter 5, “Results of operations, financial position and net assets of the Group”, contains a qualitative and quantitative assessment of the Company’s internal control system.

2 ECONOMIC ENVIRONMENT 2016

2.1 Macroeconomic environment

The hallmarks of the geopolitical situation in 2016 remained the conflicts in the Middle East and the wave of refugees, the ongoing economic and political pressure in Europe and the economic slowdown in Asia. With Brexit and the election of Donald J. Trump as the 45th US president, other dramatic events unfolded whose repercussions for the global economy are not yet apparent, though they contributed to uncertainty in the financial markets and led to revisions of growth forecasts.

The International Monetary Fund (IMF) lowered its forecast for the 2016 global growth rate to 3.1% (2015: 3.2%). This means that global growth is still well below the long-term average. After five consecutive years of downturns, it is expected that in 2016 the emerging market and developing economies will start seeing slightly stronger growth once again of 4.1% (2015: 4.0%). A slowdown in growth in the eurozone's gross domestic product (GDP) to 1.7% in 2016 is anticipated (2015: 2.0%).[1] With GDP growth of 1.7%, the German economy is developing in tandem with the eurozone and will again exceed the prior-year figure (2015: 1.5%).[2] This is attributable to strong domestic demand and confidence that the German economy is sufficiently robust to overcome challenges in the coming year.[3]

The uncertainty and development of the global economy last year did not directly impact WILEX's business activities, but they did exert a considerable influence on the financial markets.

After experiencing volatility during the year, the USD/EUR exchange rate remained relatively constant, closing the 2016 calendar year at USD 1.052/EUR.

The overall equity markets delivered a satisfactory performance in 2016, although pharmaceutical and biotechnology indices declined significantly at the outset of 2016 and had difficulty making up the losses. While pharmaceutical and biotechnology stocks rallied immediately after the US presidential election, the medium-term influence of President Donald J. Trump on the pharmaceutical and biotechnology industries is impossible to assess at the present time.[4]

2.2 Development of the pharmaceutical and biotechnology industry

Given the growing and aging global population and economic developments in emerging markets such as China and India, the general growth trend in the healthcare industry continues. This is linked to an increased incidence of chronic diseases, growing urbanization and higher disposable income, rising demand for more effective treatments and higher government spending on healthcare. According to an industry report published by the US market research institute, IMS Health, global drug spending is expected to rise to USD 1.5 trillion annually by 2021, representing an average annual increase of 3%.[5]

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[1] http://www.imf.org/external/pubs/ft/weo/2016/02/index.htm
[2] http://www.imf.org/external/pubs/ft/weo/2016/02/index.htm
[3] http://www.zew.de/en/press/3241/zew-indicator-of-economic-sentiment---economic-optimism-increases
[4] http://www.npr.org/2016/11/10/501597652/fact-check-donald-trumps-first-100-days-action-plan, https://www.washingtonpost.com/news/wonk/wp/2016/11/09/winners-and-losers-in-the-health-care-industry-under-president-trump/?tid=a_inl
[5] IMS Institute for Healthcare Informatics, The Global Use of Medicines: Outlook through 2021, November 2016

In 2016, the US Food and Drug Administration (FDA) approved just 22 new drugs, whereas it approved on average 28 new drugs per year from 2006 to 2014.[6] The 22 newly approved drugs included six anti-cancer drugs.

There continues to be general agreement that the biotech sector remains the strongest and possibly the only growth sector. North America continues to be the largest market, generating around 40% of global pharmaceutical revenue.

According to figures released by the auditing firm PwC, the number of mergers and acquisitions (M&A) in the pharmaceutical and healthcare sectors was down substantially compared to the previous year. In 2016, there were 387 transactions (-11%) with a total reported value of USD 197 billion (-31%) – compared to 435 M&A transactions in 2015 with a total reported value of USD 286.6 billion.[7]

According to BioCentury, 2016 was a difficult year for biotechnology. In addition to a number of disappointments from clinical trials, the industry saw fewer regulatory approvals, political instability and a decrease in the market capitalization of biotech companies. No sooner had the year begun than the NASDAQ Biotech Index plummeted and recovered only gradually over the course of the year before finishing down 22%. Nevertheless, access to the capital market in the US remained open. Financing continued at a high level, although the volume of funds raised was substantially lower than in the two preceding years. A total of USD 7.2 billion was raised in 65 IPOs (-10% compared to 2015) and 159 capital increases brought in a further USD 10.2 billion (-35%). Even though the election of Donald J. Trump as US president provided short-term momentum to the pharmaceutical and biotechnology industries, 2017 will be a year marked by uncertainty.[8]

Although biotech shares in Europe performed better overall (BioCentury Europe +11%, DaxBiotech Index +5%), there was a sharp decrease in financings – at €3.3 billion, the amount raised was down 48% compared to 2015. Seventeen IPOs generated €556 million (-54%) and 141 financing deals brought in €2.75 billion (-46%). As in the previous year, most of the companies elected to list on European stock exchanges (2016: Europe - 14, NASDAQ - 3; 2015: Europe - 21, NASDAQ - 4). The most attractive segment for investors remained oncology.[9] The medium- to long-term trend in biotechnology in Europe appears to be positive. The total number of European biotech companies rose to 213 (30 September 2016) compared with 191 at the end of 2015.[10]

In Germany, €505 million was raised by biotechs in 2016, 8% below the prior-year figure. While venture capital decreased by 17%, the volume raised in the public markets increased by 5%. The hoped-for increase in IPOs by German companies in 2016 did not materialize. German biotech companies are optimistic about the future: a survey conducted by BIO Deutschland and the industry magazine Transkript estimated that two-thirds of companies are satisfied with business situation.[11]

[6] http://www.fda.gov/Drugs/DevelopmentApprovalProcess/DrugInnovation/ucm483775.htm
[7] http://www.pwc.com/us/en/health-industries/pharma-life-sciences/publications/pharma-life-sciences-deals-insights.html
[8] Biocentury 9 January 2017, all information
[9] BIOCOM Facts & Trends 2016 Analysis of European Biotech Companies on the Stock Markets: US versus Europe from January 2017, all information
[10] Ibid.
[11] Börsen-Zeitung, Biotech-Unternehmen sammeln 500 Mill. Euro ein, from 13 January 2017, based on BIO Deutschland survey

2.3 Oncology

According to the latest World Cancer Report published by the World Health Organization (WHO) in February 2015, there were 14 million new cases of cancer worldwide in 2012,[12] resulting in more than 8.2 million deaths.[13] US market research institute IMS Health estimates the global oncology market in 2015 was USD 107 billion and that the market will grow between 7.5% and 10.5% to USD 150 billion by 2020.[14] A continuous increase in innovative therapies is considered to be of the main driving forces in the market. Particularly targeted cancer therapies, such as antibody therapies, have risen by almost 15% each year in recent years and now account for nearly 50% of the overall market. Datamonitor reported sales of targeted cancer therapies of up to USD 13.7 billion for 2014 in the seven largest pharmaceutical markets (the US, Japan, EU5).[15]

This growth trend is set to continue beyond 2018. The WHO estimates that the number of new cases of cancer worldwide will rise by 70% in the next 20 years. On the other hand, with restrictions on and increasing debate about the pricing of therapies, as well as an increasing interest by drug development companies in orphan diseases and niche populations, the market is expected to become more fragmented of the market.

2.3.1 Therapies using monoclonal antibodies and ADCs

Antibodies are part of the fastest-growing sector in the pharmaceutical industry. Therapies based on monoclonal antibodies continue to be considered among the most promising medical treatment options for cancer or autoimmune diseases. By 2017, the market for these powerful therapeutic agents is predicted to reach USD 31.7 billion, after growing at an annual rate of 10.6%.[16] Approximately 55% of the therapeutic antibodies for cancer therapy are currently in clinical development. In 2016, the FDA approved six antibodies for treatment of different types of cancer.[17]

Cancer immunotherapy antibodies, such as the immune checkpoint anti-PD1 and anti-PD-L1 antibodies, were again the main focus of attention in 2016. According to the Antibody Society, it can be clearly seen that antibody therapies are becoming increasingly diversified. Around 40% of the product candidates currently being developed in Phase III are not conventional antibodies; they have added liposomes, radionuclides or toxins or are modified to increase their functionality. Combination therapies of ADCs and checkpoint inhibitors also seem to be an increased focus of development companies.[18]

At the end of 2016, four ADC compounds were in Phase III clinical trials (2015: 2), 16 compounds were in Phase II studies (2015: 11) and nearly 60 (2015: 35) were in Phase I trials. Around 50 ADC candidates are in preclinical testing.[19] The ADC segment is growing

[12] WHO World Cancer Report

[13] http://www.cancerresearchuk.org/health-professional/cancer-statistics/worldwide-cancer

[14] https://www.imshealth.com/en/about-us/news/ims-health-study-global-market-for-cancer-treatments-grows-to-107-billion-in-2015-fueled-by-record-level-of-innovation

[15] Datamonitor, Market and Product Forecasts: Targeted Cancer Therapies 2011-21 - Eurozone price cuts impact targeted cancer therapies market, July 2012

[16] 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

[17] http://www.fda.gov/Drugs/DevelopmentApprovalProcess/DrugInnovation/ucm483775.htm

[18] http://www.antibodysociety.org/antibodies-watch-2016-mid-year-update/

[19] BioCentury data base BCIQ, as of 5 January 2017

and most ADCs are being developed as cancer therapies. Roughly 20% of all cancer antibodies currently in clinical development are ADCs. There is a considerable variety of target antigens, compounds and linkers available, not to mention compound-antibody ratios. Over 50 antigens (targets) have been made public, most of which are unique. Popular antigens for a series of ADCs are CD19, CD37, EGFR, HER2 and mesothelin.[20] The rising complexity of the molecules notwithstanding, the growing market of biosimilars (copies of antibodies) will also positively support the trend towards the development of ADCs.[21] As more knowledge and data on this class of compounds are amassed, the faster and more often new ADCs will enter the market and join the two approved ADC products – brentuximab vedotin (Adcetris®) by Seattle Genetics and ado-trastuzumab vedotin (Kadcyla®) by Roche.

Positive data from various ADC trials were presented at the major annual cancer conventions of ASCO and ESMO, and at the World ADC Conference.[22] Adcetris®, for instance, completed a Phase III trial in an additional indication (Cutaneous T Cell Lymphoma, CTCL) with a positive outcome and Seattle Genetics indicated it would apply for regulatory approval for this indication in 2017. In a combination trial with the checkpoint inhibitors, Opdivo® and Yervoy® – both developed by Bristol-Myers Squibb – AbbVies Rova-T-ADC showed survival advantages and improved response rates for small-cell lung cancer (SCLC). But there were also setbacks. At the end of December 2016, the FDA ordered the discontinuation of the vadastuximab talirine trial being conducted by Seattle Genetics due to deaths resulting from hepatic toxicity in one Phase I/II trial with patients with Acute Myeloid Leukemia (AML).

M&A, licensing and financing activity was brisk again in 2016, which saw twelve ADC transactions and at least five major financing deals.

AbbVie purchased the ADC producer Stemcentrx for around USD 2 billion in cash plus USD 3.8 billion in shares. In addition, Stemcentrx shareholders will receive payments of up to USD 4 billion if certain milestones are achieved. The lead ADC compound is Rova-T and in Phase III. Further transactions and licensing deals were concluded between Seattle Genetics/Takeda Pharmaceuticals, Mersana Therapeutics/Takeda Pharmaceuticals, Chiome Bioscience/ADC Therapeutics, Nerviano Medical Sciences/Oxford BioTherapeutics, AbbVie/Bristol-Myers Squibb, Synaffix/ADC Therapeutics and Synthon/MacroGenics, among others.

Notable financing deals included: ADC Therapeutics (Switzerland) - USD 105 million private financing round, Fortis (USA) – founding of company and USD 18 million series A round, Ambrx (USA/China) - USD 45 million financing and Mersana (USA) - USD 33 million series C round.

Heidelberg Pharma has an innovative, promising ADC technology platform featuring the Amanitin toxin that could participate in this growth market.

[20] http://www.antibodysociety.org/antibodies-watch-2016-mid-year-update/
[21] http://www.antibodysociety.org/antibody-drug-conjugates-spotlight/
[22] http://www.antibodysociety.org/phase-data-enfortumab-vedotin-world-adc-awards/

2.3.2 Cancer diagnostics: monoclonal antibodies

Monoclonal antibodies are also used in diagnostic imaging as disease-specific contrast agents. According to the BioCentury database BCIQ, four diagnostic antibodies are marketed in cancer indications and one is in registration.[23] Eight technologies are in clinical development, three of which are in Phase III trials. Imaging techniques such as positron-emission tomography (PET) – where radioactive substances are administered to render the tumor visible – play an increasingly important role in tumor diagnosis.

In 2016, the FDA approved an imaging antibody labeled with F-18 for the PET diagnosis of possible recurring prostate cancer and an antibody labeled with gallium-68 for diagnosis of neuroendocrine tumors.[24] WILEX has a near-to-market product candidate in this field - the radioactively labeled antibody **REDECTANE®**. It is the only radiopharmaceutical diagnostic agent for clear cell renal cell carcinoma (ccRCC) in clinical development. The antibody was out-licensed to a partner in early 2017 for further development. For more information, please see the report on post-balance sheet date events.

3 COURSE OF BUSINESS IN 2016

3.1 Research and development

3.1.1 Projects at Heidelberg Pharma

Amanitin as an innovative compound for cancer therapy

Heidelberg Pharma is developing the compound Amanitin for the first time as a new cancer therapy. Amanitin has a unique biological mode of action which could serve as the basis for developing highly effective, innovative drugs. Amanitin is a member of the amatoxin group of natural poisons, which occur in the death cap mushroom (Amanita phalloides), among others. It works by inhibiting RNA polymerase II, which results in programmed cell death, or apoptosis. All other chemotherapy drugs used to date, including other ADCs, either function as what are known as “spindle poisons” (tubulin inhibitors) or work via DNA, which makes them dependent on cell division. RNA polymerase inhibition is a novel principle in cancer therapy and offers the possibility of breaking through drug resistance and destroying dormant tumor cells, which could produce major clinical advances.

To enable therapeutic use of this natural toxin, Heidelberg Pharma is utilizing already clinically proven ADC technology, which is being refined for use with Amanitin. The core of the ADC technology consists of using a chemical compound (linker) to crosslink a suitable antibody to a toxin. The role of the antibody is to transport the crosslinked toxin specifically to – and then into – the cancer cell. After binding to the tumor cell, the ADC is taken up and releases the toxin within the cell. The released toxin then destroys the tumor cell without affecting healthy tissue.

The combination of antibody specificity and toxin efficacy potentially offers new approaches to antitumor therapy. New cytotoxic substances such as Amanitin can be developed in this way for antitumor therapy. Selective treatment of tumors using cytotoxins via specific

[23] BioCentury database BCIQ as of 16 March 2017, search: imaging agent, radiolabelled antibody
[24] http://www.snmmi.org/NewsPublications/NewsDetail.aspx?ItemNumber=15955

antibody drug conjugates could thus enable much more effective cancer treatments with acceptable side effect profiles.

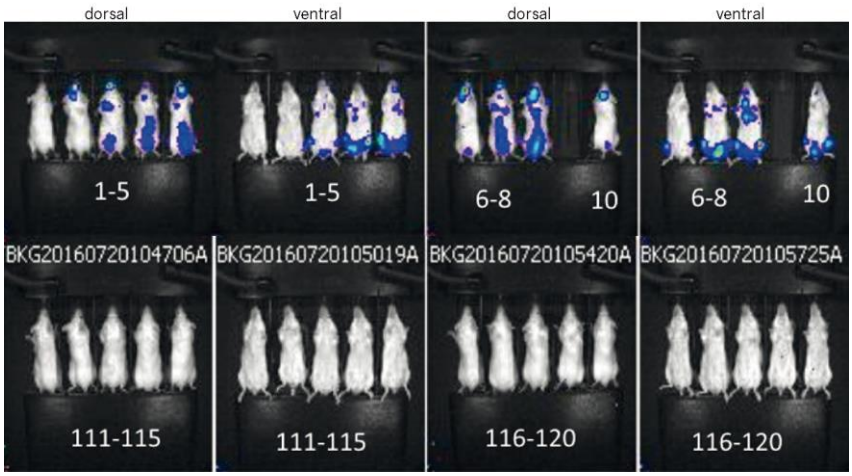
Antibody Targeted Amanitin Conjugates (ATACs) are third generation ADCs characterized by improved efficacy, including in quiescent tumor cells, which are scarcely reached with existing standard therapies and contribute to tumor recurrence and resistance formation. These ATACs may also be used to treat tumors that no longer respond to standard chemotherapy or anti-tumor antibodies.

Building WILEX's own ATAC pipeline

The activities of Heidelberg Pharma are focused on building its own pipeline. This move stems from the successful in-licensing of antibodies and the data generated from the ATACs produced from these. The data available so far support that the advantages of products based on Amanitin can be transferred also to specific ATACs for use in different cancer indications.

BCMA ATAC project/HDP-101: In September 2016, it was announced that Heidelberg Pharma had signed an exclusive option agreement with the Max Delbrück Center for Molecular Medicine in the Helmholtz Association (MDC) in Berlin covering various BCMA (B-cell maturation antigen) antibodies. Financial details were not disclosed. BCMA is a surface protein that is highly expressed in multiple myeloma cells and to which the selected antibodies specifically bind. Scientists at the MDC developed these BCMA-specific antibodies. Heidelberg Pharma has generated several proprietary ATAC molecules with it and generated comprehensive preclinical data. Based on these data, Heidelberg Pharma has selected the lead candidate HDP-101, which consists of a BCMA antibody, a specific linker and the Amanitin toxin.

Preclinical data showed that HDP-101 had strong in vitro anti-tumor activity and led to complete tumor remission in mouse models for multiple myeloma even at very low doses. In addition, tolerability studies conducted in different in vivo models identified a very favorable therapeutic window. Multiple myeloma is the third most common hematologic cancer and represents a major unmet medical need where new, more effective therapies are urgently needed. HDP-101 also has potential in other hematologic indications.



Caption: This shows a mouse model in which human multiple myeloma cells are modified in such a way that they emit light after a suitable substrate has been added, enabling the progression of the cancer in live animals to be followed. In the top row, in the control animals, many blue dots of varying intensity light up, depicting the progression and spread of the tumor cells. In the bottom row, animals that were treated with HDP-101 on a single occasion are completely free of detectable tumor cells. These photographs were taken 40 days after treatment to underpin the lasting effect of HDP-101 in tumor remission.

Preparations for formal preclinical (GLP tox and GMP manufacturing) as well as the clinical development of HDP-101 have been started. This includes cell line development for the production of non-GMP and GMP batches of antibody material to be used in the manufacture of HDP-101 clinical material. These tasks are being performed externally by Celonic AG, Basel, Switzerland, a contract development and manufacturing organization (CDMO) for biopharmaceutical proteins. Other preclinical trials are planned to be conducted at the same time, including tolerability studies in monkeys, in line with high quality standards (GLP/GMP) to guarantee safety for the subsequent human trials.

PSMA-ATAC project: Another proprietary project is the development of a PSMA-ATAC (PSMA; Prostate-specific membrane antigen). In January 2015, Heidelberg Pharma received a research grant commitment for the development of PSMA antibody drug conjugates for the treatment of prostate cancer. The new research project, with a total estimated cost of €1.8 million, will run for 30 months and receive grants from the Federal Ministry of Education and Research (BMBF) totaling €0.9 million, which will be disbursed to Heidelberg Pharma after successful performance and verification of costs.

PSMA is overexpressed in prostate cancer and is a promising target for ATAC technology, as it shows very low expression in normal tissues.

In pilot studies, Heidelberg Pharma investigated the anti-tumor efficacy of several monoclonal antibodies targeting PSMA conjugated to amatoxin. After humanization and de-immunization of the chosen anti-PSMA antibody, this was used to produce various ATACs, which will be tested preclinically for safety, tolerability and efficacy.

ATAC partnerships

Licensing model for toxin linker technology: The second key pillar in the business model involves the granting of ATAC technology licenses and application on antibodies provided by customers. Heidelberg Pharma also offers customers the necessary preclinical work related to designing, optimizing, profiling and manufacturing new ATACs. Integrated into license agreements, toxin linker prototypes are to be made available and cross-linked to antibodies developed by partners and tested biologically. These technology partnerships give licensees access to the ATAC technology and rapidly generate sales revenue through technology support to customers and from licenses to access the technology. These partnerships are also intended to provide attractive potential for generating sales revenue and creating added value. In the long term; the agreements provide for upfront payments, assumption of development costs, milestone payments and royalties.

Product partnerships: In this model, Heidelberg Pharma will contribute the toxin linker technology to the cooperative partnership as a contribution in kind, while other biotechnology companies will contribute their traditional antibodies or innovative antibody formats such as antibody fragments. Together, novel ATACs will be developed up to the preclinical stage, in which their efficacy and tolerability can be meaningfully assessed. Through the consolidation of the relevant skills and resources at the project level, 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.

Such a collaboration was agreed with US-based MabVax, San Diego, in February 2015. MabVax's technology is based on the protective immune response from patients who have been immunized against targeted cancers with MabVax's proprietary vaccines. From these patients, antibodies are isolated that target the tumor in question. MabVax's HuMab-5B1

antibodies are thus fully human and target a specific surface antigen. A potent antitumoral effect has already been demonstrated in vitro. Efficacy in animal models for pancreatic, colon and lung cancer has been demonstrated in vivo. The antigen that the antibody identifies is expressed in more than 90% of all pancreatic tumors, which makes this tumor an ideal indication for this antibody.

At the end of October 2016, WILEX entered into a research collaboration with Nordic Nanovector ASA, Oslo, Norway, a biotech company focusing on the development and commercialization of novel targeted therapeutics in hematology and oncology. Under this arrangement, new ADCs will be developed for treating leukemias. Leukemias are orphan diseases with a significant unmet medical need, applicable indications representing a growing market worth over USD 5 billion by 2020.

Technology partnerships: In June 2016, Heidelberg Pharma entered into a technology partnership with Advanced Proteome Therapeutics Corporation (APC), Vancouver, Canada. The aim is to test combining APC's proprietary site-specific protein modification technology and Heidelberg Pharma's ATAC technology to generate a cancer therapeutic with enhanced characteristics that can also serve as a prototype for a new generation of ADCs.

Funding projects: Since 2015, the ADC research strategy has also been applied to peptides, for example, in a research program. The European Union supports promising research projects within the Horizon 2020 Framework Programme for Research and Innovation and granted the ETN MAGICBULLET consortium, to which Heidelberg Pharma belongs, a subsidy for the period from 2015 to 2018 for the development of new peptide-based concepts for anti-tumor therapies.

Academic collaboration with the MD Anderson Cancer Center: Study results achieved in cooperation with the well-known MD Anderson Cancer Center in Texas, USA, showed exceptionally good efficacy of an ATAC therapeutic in a colorectal cancer subpopulation with changes in the status of the tumor suppressor gene TP53. In a clinical setting, selecting patients based on their TP53 or POLR2A gene status could broaden the therapeutic window of ATACs and ensure high efficacy while minimizing side effects. These data were published in *Nature* in 2015. These findings are currently being further explored in animal models with primary tumors of patients to investigate the relevance of a possible companion diagnostic agent for ATACs.

Heidelberg Pharma and the MD Anderson Cancer Center are discussing way to expand their collaboration in this area.

Customer-specific preclinical services business

In addition to its core technology business, Heidelberg Pharma has the technical 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, the Company focuses on early substances (for example, lead structures to be optimized) up to the profiling of preclinical candidates. Both standard models and innovative developments are offered to customers for specified indications. Finally, Heidelberg Pharma develops customer-specific efficacy models upon request to support customers' individual research activities.

Tumor implantation models Heidelberg Pharma uses both syngeneic and human tumor implant models based on human tumor cells to conduct in-depth studies of potential oncology compounds. These models can be used to define parameters such as tumor growth, tumor regression or metastasis in comparison to reference agents. The visualization

of metastases and orthotopic tumors via innovative imaging techniques is also part of the portfolio. Heidelberg Pharma complements the human tumors with syngeneic mouse and rat models. For preliminary testing, in vitro models are offered, for which Heidelberg Pharma has access to more than 100 types of tumor cell lines.

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 anti-inflammatory or immunomodulating effect and the mechanisms of new compounds. For this purpose, in addition to acute inflammation models, Heidelberg Pharma can draw on in vivo models for autoimmune diseases, such as for experimental autoimmune encephalomyelitis (EAE), multiple sclerosis (MS), collagen-induced arthritis (CIA) and Type 1 diabetes mellitus.

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

3.1.2 WILEX AG clinical pipeline

MESUPRON® – oral uPA inhibitor

With MESUPRON® (INN: upamostat), WILEX AG developed an oral uPA/serine protease inhibitor until Phase II that is designed to block the activity of tumor-relevant serine proteases such as uPA, plasmin and thrombin to prevent tumor growth and metastasis.

In 2014, the development and commercialization rights for MESUPRON® were out-licensed to Link Health Co., Guangzhou, China (Link Health) for China, Hong Kong, Taiwan and Macao, and RedHill Biopharma Ltd., Tel Aviv, Israel (RedHill) for the rest of the world. More information about the two license agreements can be found in chapter 4.3.

In early January 2016, WILEX's partner Link Health submitted an investigational new drug (IND) application to the China Food and Drug Administration (CFDA) for a Phase I dose-escalation study with MESUPRON®. The IND is expected to be granted in 2017. Following this trial, which is expected to confirm the optimal biological dose, further Phase II trials in cancer patients are planned.

WILEX's partner RedHill conducted non-clinical trials in 2016 and analyzed certain earlier clinical data in order to define the molecular markers and the patient groups for future trials more precisely. RedHill has entered into a research alliance with the Institute of Molecular Biology and Genetics of Aarhus University in Denmark to identify further high-affinity molecular target proteins for MESUPRON®. This should help to optimize patient selection for the planned clinical trials. RedHill has announced plans to begin a Phase II clinical trial in 2017.

The Company is in regular dialogue with its two partners about the further clinical development of MESUPRON®.

WILEX AG will no longer develop these product candidates itself and no further significant costs for maintenance of intellectual property will be incurred as these will be borne by the Company's partners.

REDECTANE® – diagnostic antibody

REDECTANE® (INN: 124I-Girentuximab) is a radiolabeled form of the antibody Girentuximab, which binds to the antigen CAIX (carbonic anhydrase IX) on clear cell renal cell carcinoma. Accumulation of this antibody in tumor tissue can be visualized by positron emission tomography scans (PET). Additional information provided by computer tomography (CT) can be used to localize the accumulation of the antibody. This could fundamentally change therapy planning for renal cancer patients and avoid potentially unnecessary surgery. REDECTANE® may also prove suitable for monitoring response to treatment and for diagnosing other kinds of tumors.

The Phase III REDECT trial completed in 2010 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. In September 2012, agreement was reached with the FDA to conduct a confirmatory diagnostic performance study. WILEX drew up the development strategy and trial design for a confirmatory Phase III trial (REDECT 2), for which it received a special protocol assessment (SPA) from the FDA in 2013. WILEX will no longer conduct the REDECT 2 trial.

After the end of the reporting period, an exclusive license agreement was signed with the Australian company Telix Pharmaceuticals for the development and commercialization of REDECTANE®. For more information please see the report on post-balance sheet date events.

RENCAREX® – therapeutic antibody

RENCAREX® (INN: Girentuximab) is a chimeric monoclonal antibody made from human and murine genetic sequences that binds to the tumor-specific antigen 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 tumor visible to the endogenous immune system such that natural killer cells can bind to destroy the tumor. CAIX is also present in renal, colon and head and neck cancer.

Renal cell carcinoma (RCC) is the most common type of kidney cancer and accounts for more than 90% of malignant kidney tumors. Two-thirds of RCC patients show no evidence of metastases at the time of first diagnosis but have a high risk of relapse within a few years after surgery. RENCAREX® is designed to prevent relapsing tumor cells or metastases (adjuvant therapy).

More information on the unsuccessful Phase III ARISER trial that was conducted can be found on the Company's website.

Further development of this immunotherapy at WILEX will not be conducted due to the discontinuation of operating R&D activities at the Munich site. While it may be possible to further develop RENCAREX® with a partner, talks held with various potential partners have not yet resulted in a satisfactory outcome.

3.2 Other key events in fiscal year 2016

3.2.1 Implementation of several corporate actions

A comprehensive, multi-stage financing strategy that involved several transactions was approved at the end of November 2015. WILEX's main shareholder, dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany (dievini), supported this strategy with a commitment to provide financing of up to €10 million, provided that the subscription price did not exceed €1.84 per share.

Three capital increases were implemented during the reporting period. The first two transactions were completed in December 2015 and entered in the Commercial Register on 11 December 2015.

Initially, the share capital was increased by 10% by way of a private placement excluding shareholders' subscription rights. Main shareholder dievini acquired all 930,560 new no par value bearer shares from authorized capital at an issue price of €1.84, in a first step, raising the share capital from €9,305,608.00 to €10,236,168.00.

A capital increase using authorized capital including subscription rights of all shareholders was subsequently implemented. WILEX shareholders acquired all 443,124 new shares by exercising their subscription and additional subscription rights at a subscription price of €1.84 per share. dievini exercised all of its subscription rights and also subscribed shares as part of the additional subscription. Accordingly, this second capital increase lifted the Company's share capital from €10,236,168.00 to €10,679,292.00.

In a third capital increase that was completed in April 2016 and entered in the Commercial Register on 27 April 2016, 2,248,272 shares were made available for subscription and additional subscription by means of a capital increase from authorized capital. A total of 1,074,845 new no par value bearer shares at a price of €1.84 per share were subscribed by exercising subscription and additional subscription rights by the end of the subscription period on 22 April 2016. Thereby, shareholders exercised subscription rights for a total of 1,035,286 new shares. This meant that 1,212,986 new shares were available for additional subscription by shareholders, of which 39,559 new shares were allocated to the shareholders through their custodian banks in connection with the capital increase. The 1,173,427 new shares not subscribed by exercising subscription and additional subscription rights were taken up by dievini by way of a private placement at the same price of €1.84. After the implementation of the capital increase was entered in the Commercial Register, the Company's share capital increased from €10,679,292.00 to €12,927,564.00.

The total proceeds of €6.7 million from the three capital increases are being used to finance the further development of the Company's proprietary ADC technology.

3.2.2 Shareholder loan from WILEX's main shareholder

In October 2016, WILEX and its main shareholder dievini signed a subordinated loan agreement for a total amount of €3.7 million, which was paid out at the beginning of November 2016. The amount of the loan granted by dievini corresponds to the remaining amount of the financing commitment from November 2015 of €10 million.

3.2.3 Personnel news

Professor Andreas Pahl was appointed to the Executive Management Board as Chief Scientific Officer on 2 June 2016 and succeeds Dr. Paul Bevan, who retired on 31 March 2016 as planned. Professor Pahl served as a member of the senior management team of Heidelberg Pharma from 2012 onward.

On 13 May 2016, the Company's Annual General Meeting adopted a resolution to reduce the Supervisory Board from six to five members. One of the reasons for this step was the decision by Supervisory Board member Andreas R. Krebs to leave the Supervisory Board at his own request and for professional reasons.

3.2.4 Two patent registrations approved

Two important patent registrations were approved in 2016. An important in-licensed patent for the proprietary ADC technology for the production of ATACs was granted in the United States, while a patent for the chemical synthetic building block dihydroxyisoleucine for the production of Amanitin was granted in Europe. For more information, please see section 4.3, Patents.

4 NON-FINANCIAL KEY PERFORMANCE INDICATORS AND CONTRACTS

4.1 Manufacturing and supply

WILEX AG and Heidelberg Pharma currently do not possess a manufacturing and import permit in accordance with Section 13 (1) and Section 72 (1) German Medicines Act (Arzneimittelgesetz – AMG). Instead, they collaborate with third-party manufacturers (CMOs) who possess the required qualifications.

4.2 License agreements and important contracts

WILEX has signed several license agreements and other important contracts essential to the Group's business activities, WILEX AG's holding activities and Heidelberg Pharma's business activities.

4.2.1 Contracts entered into by Heidelberg Pharma GmbH

An exclusive patent and expertise license agreement exists between Heidelberg Pharma as the licensee and Professor Heinz Faulstich and the German Cancer Research Centre (DKFZ), Heidelberg as the licensors.

The licensors jointly developed Amanitin oncology antibody conjugates and had specialist expertise in the utilization of Amanitin based on this ADC technology. In accordance with the contractual arrangements, the licensors granted Heidelberg Pharma GmbH an exclusive license to the licensed patent rights and know-how for the development, production and distribution of antibody Amanitin conjugates.

Furthermore, an exclusive option agreement is in place with the Max Delbrück Center for Molecular Medicine in the Helmholtz Association (MDC) in Berlin covering various BCMA antibodies. Scientists at the MDC developed those BCMA-specific antibodies. Heidelberg Pharma has generated several proprietary ATAC molecules with these antibodies.

In addition, through license agreements with the University of Freiburg and the DKFZ, Heidelberg Pharma has access to several antibodies for exclusive use in the production and development of ATACs as oncology therapeutics.

Heidelberg Pharma has also entered into contracts for the manufacture and optimization of Amanitin antibody conjugates. Firstly, there is a license agreement between Heidelberg Pharma and a scientific institute covering knowledge relating to the fermentation technique developed there for the manufacture of Amanitin from certain types of mushrooms. Secondly, Heidelberg Pharma has placed orders with an external subcontractor for manufacturing optimization and humanization of certain antibodies.

The ATAC technology is currently being reviewed by several interested parties as part of material transfer agreements (MTAs). If the outcome is positive, additional cooperation and license agreements may be signed granting target-related exclusivity (selected target proteins) for the ATAC technology.

Heidelberg Pharma GmbH has entered into alliances with several biotech companies (including MabVax Inc. and Nordic Nanovector ASA) for the development of new antibody drug conjugates. These companies are using Heidelberg Pharma's proprietary ATAC technology with different antibodies of their own to develop new ATACs for cancer therapy.

4.2.2 Contracts entered into by WILEX AG

Contracts relating to the antibody Girentuximab

Several of these agreements related to the development and commercialization of Girentuximab, the 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 license for the antibody's target antigen has been granted by Bayer Corporation Business Group Diagnostics, Tarrytown, NY, USA (Bayer) by way of a sub-license. Following the termination of the main license agreement between Bayer and the Biomedical Research Center, Slovak Academy of Sciences, Slovakia, WILEX commenced negotiations on a direct license agreement with the Biomedical Research Center in 2016. To exclude possible patent violations, WILEX AG also acquired a non-exclusive license for the Cabilly II patent from Genentech Inc., San Francisco, CA, USA.

Contracts relating to REDECTANE®

In January 2017, after the end of the reporting period, WILEX AG signed a license agreement for REDECTANE® with the Australian company Telix Pharmaceuticals Ltd. Telix has been granted the worldwide licensing rights to further develop and commercialize the diagnostic antibody. Under the terms of the agreement, WILEX receives an upfront payment and could receive milestone payments totaling up to USD 3.7 million if the collaboration is successful.

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. WILEX AG could receive undisclosed license payments for this in case of successful further development and approval.

Contracts relating to MESUPRON®

In 2006, WILEX AG acquired five patent families and patent applications for its uPA programs from Pentapharm AG, Basel, Switzerland, related to WX-UK1 and MESUPRON®. In 2007, WILEX AG also acquired a portfolio from 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-party copies or the therapeutic use of the relevant serine protease inhibitors.

In March 2014, WILEX AG concluded a licensing and development partnership for MESUPRON® with Link Health Co., Guangzhou, China (Link Health). Link Health received the exclusive licensing rights for the development and potential subsequent 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 for all oncology indications, as well as for the regulatory process and future marketing of the product. Under the terms of the agreement, WILEX AG received an upfront payment and, in the case of successful clinical development, is entitled to milestone payments of over €7 million, as well as tiered royalties in the mid-single-digit percentage range.

In June 2014, WILEX AG signed an exclusive license agreement for MESUPRON® with RedHill Biopharma Ltd., Tel Aviv, Israel (RedHill) under which RedHill acquired the exclusive development and subsequent marketing rights to MESUPRON® in all indications for all territories outside of China, Hong Kong, Taiwan and Macao. WILEX AG received an upfront payment of USD 1 million and, in the event of successful product development and marketing following regulatory approval, would be entitled to tiered royalties ranging from the mid-teens up to 30%. RedHill is responsible for the entire development and would be responsible for regulatory approval and subsequent marketing of MESUPRON®.

4.3 Patents

A strong patent position is essential for WILEX for the successful marketing and licensing of early-stage research projects or clinical product candidates, which is why the Company endeavors to safeguard its product candidates, as well as their manufacture and use, through patents or licenses.

Through a license from the German Cancer Research Center (Deutsches Krebsforschungszentrum; DKFZ) and Professor Faulstich, Heidelberg Pharma has access to technology patents protecting the ATAC technology. The patents underlying the technology have been registered with the European and the US Patent Offices as an invention by Professor Faulstich and the DKFZ. By implementing proprietary programs, the Company has systematically improved the technology since 2009 and expanded its patent portfolio through applications for new patents. In the meantime, applications for six more international patents have been filed, which have already been nationalized and regionalized in many countries. Also in 2016, two further priority applications were submitted to the European Patent Office. Patent protection for the improved toxin linker technology has been strengthened in recent years through the granting of intellectual property rights in Europe and the United States. The current patent horizon extends until 2040.

In early 2016, an important patent for the production of ATACs was granted in the US. The patent, “Amatoxin armed therapeutic cell surface binding components designed for tumor therapy”, was submitted by Professor Faulstich and the DKFZ. Heidelberg Pharma exclusively in-licensed the patent in December 2009.

The patent relates to the chemical reaction to crosslink certain carrier molecules, such as antibodies, to amatoxins. Heidelberg Pharma is the first company worldwide to work with the corresponding Amanitin toxin to develop ATACs for use in cancer therapy.

In mid-2016, the European Patent Office granted to Heidelberg Pharma a patent for the Company's proprietary chemical synthesis of dihydroxyisoleucine. The patent has a term until 2033. The amino acid dihydroxyisoleucine is an important synthetic building block of alpha-Amanitin and of Amanitin derivatives. Without this building block, it is not possible to chemically produce Amanitin. Dihydroxyisoleucine, on the other hand, has to be chemically produced as it has no natural source. The patent protects the Company's internal Amanitin production process, since the production of adequate quantities of GMP-quality Amanitin for clinical use can only be ensured by a completely chemical production of Amanitin.

At the end of the 2016 fiscal year, WILEX AG held licensed intellectual property rights, owned more than 100 patents worldwide and had filed 30 applications for patents in 25 patent families. Whilst most of these patent families were developed by the Company itself, WILEX AG has expanded its intellectual property rights in targeted ways through strategic acquisitions of patent portfolios.

The uPA-based patent family currently comprises well over 80 patents and patent applications. Patent protection applies to both the active ingredients (claim to the compound, i. e., the chemical structure) and the medical use of the given, as well as to both formulation and production. In fiscal year 2014, nine patent families with 60 patents and patent applications for the lead compound MESUPRON® and for WX-UK1 were out-licensed to RedHill, while seven patents and patent applications were out-licensed in China and Hong Kong to Link Health.

More than 40 patents and patent applications currently apply to the Girentuximab antibody program. These patents and applications for patents, if granted, are set to expire between 2022 and 2030. The intellectual property rights cover, among others, the hybridoma cell line producing the Girentuximab antibody, the production of Girentuximab or a pharmaceutical compound containing this antibody, and the antibody itself for use in adjuvant therapy or as combination therapy.

4.4 Employees and remuneration system

The development of a new generation of cancer drugs and diagnostic agents requires special dedication, know-how and scientific expertise on the part of WILEX's employees. WILEX AG employs a five-person team (including one Executive Management Board member), which primarily takes care of holding company activities for the Group. Heidelberg Pharma has 48 employees at its site (including one member of the Executive Management Board allocated to it), which means that the WILEX Group had 53 employees at the end of the reporting period (including the Executive Management Board) (30 November 2015: 55). Two Heidelberg Pharma employees are financed externally through the EU's HORIZON 2020 program and are employed temporarily for the duration of the project.

They are distributed as follows among business areas:

Employees	**30 Nov. 2016**	**30 Nov. 2015**
Administration	13	15
Research and development	24	23
Manufacturing, service and distribution	16	17
Employees, total	**53**	**55**

The Company has a performance-related remuneration system for its employees. Every employee is paid variable remuneration based on defined goals in addition to an annual fixed salary. The 2005 and 2011 Stock Option Plans give employees a stake in the Company's performance, although the authorization to grant options has expired for both plans, which means that no further options can be issued.

In the 2016 fiscal year, 415,227 new options were issued under the 2011 Stock Option Plan, including 252,000 to the Executive Management Board and 163,227 to employees. During the past fiscal year, 722,484 options under the 2005 Stock Option Plan expired at the end of their term, including 579,335 held by former members of the Executive Management Board and 143,149 held by current and former employees. No options were returned due to beneficiaries leaving the Company during the year. No stock options were exercised.

This means that 598,437 options – 337,500 for existing or former members of the Executive Management Board and 260,937 for existing or former employees of WILEX AG and Heidelberg Pharma – were outstanding under the 2011 plan as of the end of the fiscal year.

Overall, 835,631 options – 487,500 for existing or former members of the Executive Management Board and 348,131 for existing or former employees – were outstanding from both stock option plans as of 30 November 2016.

Independent of this, employee inventions that lead to patent applications are compensated under the Patent Incentive Program.

5 RESULTS OF OPERATIONS, FINANCIAL POSITION AND NET ASSETS OF THE GROUP

The 2016 fiscal year concerns the period from 1 December 2015 to 30 November 2016. Due to rounding, it is possible that individual figures in this combined management report may not add up exactly to the totals and that percentages given may not precisely reflect the absolute figures to which they relate. The results of operations, financial position and net assets according to the German Commercial Code (HGB) of WILEX AG as an independent company are explained separately in chapter 10.

The basis of consolidation comprises WILEX AG, Munich, Germany, and Heidelberg Pharma GmbH, Ladenburg, Germany.

As a consequence of the restructuring measures implemented in 2014, which led to the discontinuation of research and development activities at the Munich site, business activities since the 2015 fiscal year have not differed materially in their risk/reward profiles. Since R&D activities have focused on the operations of the subsidiary, segment reporting is no longer applied.

The WILEX Group recognized earnings before tax of €-6.4 million (previous year: €-6.5 million) in the 2016 fiscal year. Net loss for the year was €6.4 million (previous year: €6.6 million). Earnings per share improved from €-0.75 in the previous year to €-0.53. As expected, expenditures were higher than revenue and other income.

5.1 Sales revenue and other income

In fiscal year 2016 WILEX posted sales revenue of €1.3 million (previous year: €2.3 million), which was mainly attributable to Heidelberg Pharma (€1.2 million). Of this figure, the ADC technology accounted for €0.2 million and the service business for €1.0 million. In the previous year, Heidelberg Pharma reported sales revenue of €1.9 million, of which €0.9 million was from the ADC technology and €1.0 million from the service business.

Additionally, portions of a milestone payment were due to the parent company in 2016 from Link Health for the out-licensing of MESUPRON® (€0.1 million). In the previous year, this agreement had brought in sales revenue of €0.4 million.

Income	**2016** **€ million**	**2015** **€ million**
Sales revenue	1.3	2.3
Other income	1.4	1.6
Income	**2.7**	**3.9**

At €1.4 million, other income was down compared to the previous year (€1.6 million). This was primarily due to grants provided by the Federal Ministry of Education and Research (BMBF) that support Heidelberg Pharma projects in the amount of €0.8 million (previous year: €0.3 million). Furthermore, income of €0.4 million (previous year: €0.9 million) was generated from the reversal of unutilized accrued liabilities, most of which were subject to limitation. In addition to other items, income of €0.2 million was recorded from recoveries on receivables written off from the loan agreement with Nuclea for the sale of the former subsidiary WILEX Inc.

Other income	**2016** **€'000**	**2015** **€'000**
Income from grants	763	328
Liabilities and provisions not utilized to date	387	887
Nuclea income	162	0
Income from sublease and sales of fixed assets	12	303
Income from exchange rate gains	8	27
Other items	49	93
Total	**1,381**	**1,638**

5.2 Operating expenses

Operating expenses, including depreciation, amortization and impairments, fell to €9.1 million in 2016 (previous year: €10.4 million).

Operating expenses	**2016** **€ million**	**2015** **€ million**
Cost of sales	0.8	1.1
Research and development costs	6.1	4.5
Administrative costs	2.0	4.5
Other expenses	0.2	0.3
Total	**9.1**	**10.4**

Cost of sales includes costs directly related to revenue from services provided. At €0.8 million, the cost of sales was lower than in the previous year (€1.1 million), which was in line with the reduction in sales revenue and represents 9% of total costs. These costs mainly related to Heidelberg Pharma expenses for customer-specific research.

Research and development (R&D) costs rose by 38% from €4.5 million in the previous year to €6.1 million due to the expansion of R&D activities at Heidelberg Pharma. R&D costs thus accounted for 67% of all costs. The increase was mainly due to the establishment of the manufacturing process for the relevant antibodies, the Amanitin drug and various ATAC candidates at subcontractors in accordance with GMP (Good Manufacturing Practice) standards during the year, as well as further preclinical testing under GLP (Good Laboratory Practice) conditions. The reason for these activities is that the Company plans to prepare its first ATAC candidate, HDP-101, for clinical development in the coming months.

Administrative costs were €2.0 million, down 56% compared to the prior year (€4.5 million) and accounted for 22% of operating expenses. In addition to staff costs (€1.1 million; previous year: €1.1 million), this line item also included, legal consulting (€0.2 million; previous year: €0.2 million), rent and utilities(€0.1 million; previous year: €0.1 million), as well as expenses related to the Annual General Meeting, Supervisory Board remuneration andthe stock market listing (combined: €0.4 million; previous year: €0.4 million).

Administrative costs in the previous year included the write-off in full of a receivable (€1.6 million) from Nuclea, the legal successor to the former WILEX Inc., as the result of prolonged payment difficulties and the recognition of a provision set up in the event the Company is held liable under a rent guarantee in respect of Nuclea's lessor (€0.4 million). Regardless of these two one-off costs, administrative cost savings of €0.5 million were achieved in 2016.

Other expenses for business development, marketing and commercial market supply activities amounted to €0.2 million (previous year: €0.3 million) – down 33% compared to the previous year – and accounted for 2% of operating expenses.

5.3 Financing and liquidity

In late November 2015, a financing strategy was adopted to ensure the further development and marketing of the ADC technology at Heidelberg Pharma GmbH in the 2016 fiscal year. The multi-level financing package included several corporate actions and a shareholder loan. WILEX’s main shareholder, dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany (dievini) supported this strategy with a total of €10 million.

The Group had cash and cash equivalents of €4.6 million at the close of the fiscal year (30 November 2015: €1.3 million). Cash and cash equivalents as of the end of 2016 were considered insufficient to show going concern beyond the first half of 2017.

The increase in cash and cash equivalents was from the proceeds of the three capital increases during the fiscal year and the shareholder loan from dievini. This increase was partially offset by cash outflows from operating activities, particularly research and development.

WILEX's main shareholder therefore issued another financing commitment for €10 million in February 2017. The type and details of financing are contingent on Company and market conditions.

Finance income was €1 thousand (previous year: €3 thousand). The year-on-year decline was due to interest rates on credit balances approaching zero percent. WILEX 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. At €20 thousand, finance costs was significantly higher than in the previous year (€0.5 thousand) due to the interest-bearing shareholder loan granted by dievini. The financial result was therefore €-19 thousand (previous year: €3 thousand).

The Company's liquidity ratio (cash positions plus bank credit balances divided by current liabilities) was 84% as of 30 November 2016 (previous year: 50%).

5.4 Cash flow statement

Net cash outflow from operating activities during the reporting period was €6.5 million (previous year: €4.8 million). The year-on-year increase is attributable to the higher disbursement-related operating expenses despite a similar net loss. In 2015, earnings were reduced by a €2.0 million non-disbursement-related charge for the write-off of a receivable that did not affect net cash flow.

Total cash outflow from investing activities was €0.5 million (previous year: €0.2 million) and was mainly attributable to the acquisition of property, plant and equipment, specifically laboratory equipment, by Heidelberg Pharma.

The net change in cash flow from financing activities was mainly attributable to cash inflows of €10.3 million from the three capital increases completed during the year and from a payment received from the dievini shareholder loan. Cash inflows of €4.1 million from a rights issue were recorded in the previous year.

Furthermore, there was a positive exchange rate effect of €6 thousand (previous year: €10 thousand).

The total net change in cash and cash equivalents in the 2016 fiscal year was positive at €3.3 million (previous year: €-0.9 million). This corresponded to an average net change of € 0.3 million per month (previous year: € -0.1 million per month). Excluding the effect of capital increases and the dievini shareholder loan, i.e., the financing component, the average monthly outflow in 2016 was €0.6 million compared to €0.4 million in 2015.

Cash flow	2016 € million	2015 € million
Cash as of 1 December 2015	1.3	2.2
Net change in cash from operating activities	(6.5)	(4.8)
Net change in cash from investing activities	(0.5)	(0.2)
Net change in cash from financing activities	10.3	4.1
Exchange rate effect	0.01	0.01
Cash as of 30 November 2016	**4.6**	**1.3**

5.5 Assets

The financing commitment of €10 million made by the main shareholder in February 2017 significantly extended the Company's cash reach, which enabled it to prepare the financial statements on a going-concern basis.

Non-current assets rose to €10.2 million as of 30 November 2016 (previous year: €10.0 million). They mainly included Heidelberg Pharma's goodwill (€6.1 million) as well as the recognition of the not yet ready for use intangible assets "In Process Research & Development" (IP R&D) (€2.5 million) identified in connection with the purchase price allocation.

As of 30 November 2016, property, plant and equipment was €1.3 million (previous year: €1.0 million) and intangible assets excluding goodwill and capitalized, not yet ready for use IP R&D remained at €0.3 million.

Other non-current assets of €31 thousand decreased compared to the previous year (€70 thousand).

Current development expenses for WILEX's product and development candidates were not capitalized because they were not deemed to fully meet the requirements of IAS 38 for capitalization. They were expensed in full as current research and development costs.

Balance sheet – Assets	30 Nov. 2016 € million	30 Nov. 2015 € million
Non-current assets	10.2	10.0
Cash and cash equivalents	4.6	1.3
Other current assets	0.4	0.8
Total	**15.2**	**12.1**

Current assets increased to €5.0 million (previous year: €2.1 million). Cash and cash equivalents included in this item amounted to €4.6 million and were up on the prior-year figure of €1.3 million due to the completed capital increases and the inflow from the shareholder loan from dievini.

Other current assets decreased to €0.4 million (previous year: €0.8 million).

Inventories and prepayments made were €0.2 million, slightly lower than the previous year. At €0.2 million, aggregated **trade receivables** and **other receivables** were also lower than the previous year (€0.5 million).

At the end of the fiscal year, total assets amounted to €15.2 million, up €3.1 million from the previous year (€12.1 million), due to higher cash and cash equivalents.

5.6 Liabilities

Non-current liabilities of €7 thousand were reported for a pension liability (previous year: €5 thousand).

Current liabilities rose to €5.5 million at the close of the reporting period (previous year: €2.6 million) as a result of the new loan liability.

In addition to **provisions** for the potential utilization of a rent guarantee (€0.4 million; previous year: €0.4 million) and **other current liabilities** (€1.2 million; previous year: €1.9 million), this item also includes **trade payables** of €0.1 million, which were down compared to the previous year (€0.3 million). In addition, WILEX reported **financial liabilities** of €3.8 million for the first time in connection with the new shareholder loan.

Other current liabilities included the following:

Other current liabilities	**30 Nov. 2016 € million**	**30 Nov. 2015 € million**
Provisions for holidays not taken	0.1	0.1
Other deferred income	0.1	0.2
Social security and other taxes	0.1	0.2
Other accrued liabilities	0.9	1.4
Total	**1.2**	**1.9**

WILEX recognized other accruals for goods and services (€0.6 million; previous year: €0.9 million) as well as for employee bonuses (€0.2 million; previous year: €0.4 million) and for the auditing of the financial statements (€0.1 million; previous year: €0.1 million).

5.7 Equity

As a result of the three capital increases completed during the year and entry of these corporate actions in the Commercial Register, the total number of WILEX shares issued as of the reporting date increased from 9,305,608 by 3,621,956 to 12,927,564.

Equity of the WILEX Group at the end of the reporting period was €9.7 million (30 November 2015: €9.5 million). The capital reserve was €191.1 million (30 November 2015: €188.0 million) and losses accumulated since WILEX's founding totaled €194.3 million (30 November 2015: €187.9 million). The equity ratio was 64.0% (30 November 2015: 78.3%).

Balance sheet - Equity and liabilities	**30 Nov. 2016 € million**	**30 Nov. 2015 € million**
Equity	9.7	9.5
Non-current liabilities	0.0	0.0
Current liabilities	5.5	2.6
Total	**15.2**	**12.1**

5.8 Overall assessment of the 2016 fiscal year by the Executive Management Board

2016 was dedicated in particular to expanding WILEX's own product pipeline of ATAC development candidates. This focus laid the foundation for making it possible not only to integrate Heidelberg Pharma's Amanitin-based core technology into ADC candidates developed by licensing partners, but to advance the Company's own product portfolio in parallel, starting with preclinical development candidates.

An important prerequisite for this was the licensing of antibodies developed by the University of Freiburg, the German Cancer Research Center and the Max Delbrück Center to be able to manufacture complete substances that could potentially be used for therapeutic purposes in conjunction with the toxin linker technology. The candidates with the best data were selected from among a number of manufactured variants of the licensed antibodies and WILEX's lead compound HDP-101 was prioritized for the treatment of multiple myeloma. This project is now the key focus of WILEX's ATAC development activities.

The data generated with the Company's proprietary portfolio were also used to convince other companies to enter into early-stage technology partnerships. In addition, existing research ties with other companies were deepened and talks about further licensing collaborations initiated. The ever-growing body of data, especially regarding the tolerability of effective substances and the use of different antibodies, is important for building trust in the technology.

Major advances were also made with WILEX's existing clinical portfolio. These included submission of the request for examination by Chinese partner Link Health to the Chinese FDA for a Phase I trial with MESUPRON®. RedHill, obtained further important findings from the intensive preclinical studies it conducted, which RedHill will use to prepare a further clinical development. Finally, negotiations were also conducted for the antibody-based diagnostic agent REDECTANE® and a license agreement was signed after the end of the fiscal year.

While it was not possible to sign a license agreement for the ATAC technology in 2016, the partnering process is proceeding . The preclinical service business was successfully carried out in line with planning.

The financing strategy adopted at the end of 2015 and backed by WILEX's main investor was implemented during the fiscal year according to plan. The further financing commitment by dievini of €10 million in February 2017 is expected to provide sufficient funds for operations through the end of the second quarter of 2018. We will continue to strengthen our liquidity from sales revenue from partnerships and possible rights issues.

Comparison of target to actual performance for certain targets and key indicators in the 2016 fiscal year:

Operative Goals	Target 2016	Actual 2016
ADC	– Start of the CMC development process for GMP -compliant Amanitin	– CMC development process for GMP-compliant Amanitin started
	– Selection of an internal ATAC development candidate for (antibody + toxin)	– BCMA-ATAC selected as HDP-101 development candidate – Option agreement with MDC for several BCMA antibodies
	– Further development of the ADC technology platform for expanding the therapeutic window for ATACs	– Therapeutic window for ATACs expanded, supported by preclinical data in various animal models
	– Expansion of business-to-business activities	– Additional material transfer agreements signed – Development partnerships with Advanced Proteome Therapeutics and Nordic Nanovector – Agreement for antibody production signed with contract manufacturer Celonic
Portfolio	– MESUPRON®: Advance development activities at partners Link Health and RedHill	– IND application submitted by Link Health in China – In-depth discussions with RedHill regarding development strategy
	– Further development and commercialization of RENCAREX®	– No financing obtained or partnership agreed
	– New partner for development and commercialization of REDECTANE®	– License agreement signed in 2017
Financing	– Substantial financing from license agreements – Financing through capital measures	– Milestone payment from Link Health, but no significant funding secured – Implementation of several corporate actions in connection with the announced financing strategy

Financials	Guidance 2016 € million	Actual 2016 € million
Sales revenue and other income	2.0 – 3.0	2.7
Operating expenses	7.0 – 10.0	9.1
Operating result	(4.0) – (8.0)	(6.4)
Total funding requirement	4.0 – 8.0	7.1*
Funds required per month	0.4 – 0.6	0.6*

* Not including inflows from the completed capital increases and the shareholder loan

All key indicators were reached as forecast. Total assets and equity increased year over year because the newly raised liquid funds from the corporate action were higher than the excess of expense over income and the negative cash flow from operating activities.

6 CORPORATE GOVERNANCE

6.1 Statement on Corporate Governance pursuant to Section 289a German Commercial Code for the 2016 fiscal year

The Statement on Corporate Governance pursuant to Section 289a of the German Commercial Code contains the Declaration of Conformity of the Executive Management Board and the Supervisory Board with the German Corporate Governance Code (GCGC) pursuant to section 161 of the German Stock Corporation Act (Aktiengesetz, AktG). Both corporate bodies had an in-depth discussion regarding compliance with the requirements of the GCGC as amended on 5 May 2015.

In addition, the Statement addresses the principles of proper corporate governance and makes relevant disclosures about 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 the composition and procedures of their committees.

The Statement on Corporate Governance was posted at www.wilex.com under "Press+Investors > Corporate Governance" on 3 February 2017. Pursuant to Section 317 (2) sentence 3 of the German Commercial Code, the statement on corporate governance in accordance with Section 289a of the German Commercial Code is not part of the audit of the financial statements.

6.2 Corporate governance report

Responsible corporate governance is integral to WILEX's philosophy. As an instrument of self-regulation, the GCGC contains recommendations and suggestions for transparent and exemplary corporate governance. This code, 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 corporate governance rules. Both the Executive Management Board and the Supervisory Board of WILEX AG expressly endorsed the Code and have implemented it with exceptions.

6.2.1 Remuneration of the Executive Management Board and the Supervisory Board

WILEX AG complies with the recommendations of the GCGC to disclose all remuneration paid to the Executive Management Board and the Supervisory Board, broken down by individual. Please see chapter 6.3, "Remuneration Report" for more detailed disclosures on the remuneration of the Executive Management Board members (fixed and variable components as well as other ancillary benefits) and the remuneration of the Supervisory Board members. The remuneration paid to the members of the Executive Management Board and the Supervisory Board is also disclosed on the Company's website under "Press+Investors> Corporate Governance > Corporate bodies."

6.2.2 Directors' dealings

The German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) requires that members of the Executive Management Board, the Supervisory Board and the inner circle of WILEX AG's executives and parties related to them must disclose any personal trading of 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 2016 fiscal year, WILEX AG's executives reported the following transactions subject to disclosure in accordance with Section 15a of the German Securities Trading Act (Wertpapierhandelsgesetz) (Directors' dealings), which were also posted on WILEX's website, www.wilex.com, under "Press+Investors> Announcements > Directors' Dealings."

Name	Date	Transaction[1)]	Marketplace	Price in €	Number	Volume in €
dievini Hopp BioTech holding GmbH & Co. KG (dievini)[1)]	4 Dec. 2015	Purchase[2)]	OTC	1.84	148,897	273,970.48
dievini[1)]	7 Dec. 2015	Purchase[2)]	OTC	1.84	930,560	1,712,230.40
Dr. Jan Schmidt-Brand (CEO/CFO)	8 Dec. 2015	Purchase[2)]	OTC	1.84	1,705	3,137.20
dievini[1)]	11 Dec 2015	Purchase[2)]	OTC	1.84	219,728	404,299.52
dievini[1)]	18 April 2016	Purchase[2)]	OTC	1.84	931,796	1,714,504.64
Dr. Jan Schmidt-Brand	18 April 2016	Purchase[2)]	OTC	1.84	7,901	14,537.84
dievini[1)]	25 April 2016	Purchase[2)]	OTC	1.84	1,173,427	2,159,105.68
Professor Andreas Pahl (CSO)	18 July 2016	Purchase	Munich Stock Exchange	1.755	2,000	3,510.00
Professor Andreas Pahl	18 July 2016	Purchase	XETRA	1.755	4,000	7,020.00
Professor Andreas Pahl	27 Oct. 2016	Purchase	XETRA	1.60	2,500	4,000.00
Professor Andreas Pahl	28 Oct. 2016	Purchase	XETRA	1.60	3,500	5,600.00
Professor Andreas Pahl	1 Nov. 2016	Purchase	XETRA	1.60	4,000	6,400.00

1) Supervisory Board members, Professor Christof Hettich, Dr. Friedrich von Bohlen und Halbach and Dr. Mathias Hothum, have management responsibilities at dievini Hopp BioTech holding GmbH & Co. KG (dievini), which is a shareholder of WILEX AG.

2) Within the context of capital increases

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

Name	Function	Shareholdings	Number
Dr. Georg F. Baur	Deputy Chairman of the Supervisory Board	Direct	27,005
Dr. Friedrich von Bohlen und Halbach	Member of the Supervisory Board	Indirect[1)]	6,531,262
Professor Christof Hettich	Chairman of the Supervisory Board	Indirect[1)] Indirect[2)]	6,531,262 33,804
Dr. Mathias Hothum	Member of the Supervisory Board	Indirect[1)]	6,531,262
Dr. Jan Schmidt-Brand	CEO/CFO	Direct	45,434
Professor Andreas Pahl	CSO	Direct	20,185

1) Professor Hettich, Dr. von Bohlen und Halbach and Dr. Hothum are Managing Directors of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG, which presumably holds the shares.
2) In his capacity as Managing Director of NewMarket Venture Verwaltungs GmbH

One member of the Supervisory Board listed above directly held 27,005 shares and indirectly held 33,804 shares in the Company as of 30 November 2016; both members of the Executive Management Board together directly hold a total of 65,619 shares.

Changes in the shareholdings of members of the Company's corporate bodies are posted at www.wilex.com under "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 time has the right to participate in the Annual General Meeting. The Company makes it easy for shareholders to exercise their voting rights without attending the Annual General Meeting in person through proxies bound by shareholder instructions. In addition, shareholders may also appoint proxies of their own choosing. WILEX AG 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 the meeting 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 on the WILEX AG website at www.wilex.com under "Press+Investors > Annual General Meeting."

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 aims first and foremost to make identical information available to all target groups at the same time and in a

timely manner. WILEX AG makes publications of the Company available in German and English simultaneously.

All information relevant to the capital markets – such as annual and quarterly reports, interim management statements, ad-hoc announcements, press releases, directors' dealings and voting share notifications – are posted on the Company's website under "Press+Investors." Presentations at conferences and 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 disclosures related to corporate governance in both German and English, which are updated on a regular basis. This includes the Declaration of Conformity, the Statement on Corporate Governance, the Articles of Association, the Report of the Supervisory Board, the Remuneration Report and all archived Declarations of Compliance. The Company website (www.wilex.com) also offers comprehensive information on the Company and its shares.

6.2.6 Compliance in the 2016 fiscal year

Ethical standards, professionalism and compliance with statutory requirements are among the key ingredients of WILEX AG's corporate governance. In the 2016 fiscal year, there were no deviations from the Declaration of Conformity 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 GCGC. Any conflicts of interest affecting members of the Supervisory Board pursuant to Section 5.5 of the GCGC were disclosed to the other 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 role of Professor Christof Hettich, the Chairman of the Supervisory Board, as partner of the Rittershaus law firm, which provides legal consulting services for WILEX, has been identified as a potential conflict of interest by the Supervisory Board. All consulting contracts agreed with the Rittershaus law firm are approved 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.

Within the framework of the EU Market Abuse Regulation (MAR) that became effective on 3 July 2016 and the EU Market Abuse Directive (CRIM-MAD), which revised and tightened existing financial market laws, all members of the corporate bodies and employees were briefed once again on the legal regulations on insider trading and on responsible use of sensitive information at WILEX.

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 officers who monitor compliance with the respective statutory requirements in their given departments, analyze and report violations to the responsible member of the

Executive Management Board and initiate the necessary measures in coordination with the Executive Management Board. 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 organized related to these requirements.

6.2.7 Risk management

The responsible management of risks is a material part of good corporate governance. WILEX has established a risk management system, which enables the Executive Management Board to detect the relevant risks and market trends and respond to them in a timely manner. Please see chapter 7, “Risk report” 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 since the German Accounting Law Modernisation Act (Bilanzrechtsmodernisierungsgesetz) took effect is included in chapter 7.2.

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 semi-annual interim reports. As a listed corporation located within the European Union, WILEX AG must prepare and publish its consolidated financial statements in accordance with the International Financial Reporting Standards (IFRS), taking into account Section 315a of the German Commercial Code. 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. The combined management report, the annual financial statements of WILEX AG and the consolidated financial statements for the 2016 fiscal year were audited by Deloitte GmbH Wirtschaftsprüfungsgesellschaft (Deloitte). These audits also review the risk early warning system defined by Section 91 (2) of the German Stock Corporation Act as to its general suitability for the early detection of going-concern risks. Deloitte reports to the Chief Financial Officer and the Audit Committee of the Supervisory Board. The auditor also checks whether the Declaration of Conformity in accordance with Section 161 of the German Stock Corporation Act has been issued and published.

6.3 Remuneration report

The remuneration report summarizes the principles used to determine the total remuneration of the Executive Management Board of WILEX AG and explains the structure as well as the remuneration received by the Executive Management Board members. The principles and the amount of remuneration received by the members of the Supervisory Board are also described. The remuneration report follows the recommendations of the GCGC and satisfies the requirements in accordance with the applicable provisions of Section 314 (1) no. 6,

Section 315 (2) no. 4 and Section 289 (2) no. 4 of the German Commercial Code, including the German Act on Disclosure of Management Board Remuneration (Vorstandsvergütungs-Offenlegungsgesetz).

6.3.1 Remuneration of the Executive Management Board

The Supervisory Board is responsible for determining the remuneration of the Executive Management Board in accordance with Section 107 (3) of the German Stock Corporation Act. Remuneration consists of a salary (fixed remuneration), other benefits (non-cash remuneration), a variable remuneration component and a stock option plan with a long-term incentive and 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.

6.3.2 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. These salaries take into account the financial position of WILEX AG and the level of remuneration paid by competitors. Following the appointment of Professor Pahl to the Executive Management Board effective 2 June 2016, his salary as CSO was calculated proportionally for 2016.

In addition to a salary, Dr. Schmidt-Brand receives the following benefits: Heidelberg Pharma makes payments into a defined-contribution, reinsured pension plan. The amount paid was €10,567 in 2016 (previous year: €10,567). Payments were also made into a pension fund; an amount of €2,688 (previous year: €2,688) was expensed for this in the reporting period.

Prior to Professor Pahl's appointment to the Executive Management Board, €738 was spent on a company pension plan for him that, as agreed, was financed by Heidelberg Pharma (€1,476 for the entire previous year).

In addition, company cars were made available to Dr. Schmidt-Brand (from November 2016) and Professor Pahl (for the entire fiscal year, i.e., including prior to his appointment to the Executive Management Board). The value of this benefit in 2016 was €781 for Dr. Schmidt-Brand and €10,140 for Professor Pahl.

After stepping down from the Executive Management Board of WILEX AG as planned, Dr. Bevan received remuneration of €15,000 for unissued stock options.

No further benefit obligations exist towards the members of the Executive Management Board.

6.3.3 Variable remuneration

Variable remuneration is contingent upon the achievement of personal targets and WILEX's performance targets. The performance-based remuneration of the members of the Company's Executive Management Board is primarily tied to the corporate goals of WILEX and refers to achieving defined milestones, securing additional funding through (e.g.) license agreements and share performance.

Dr. Schmidt-Brand receives a maximum annual bonus of €80 thousand, of which he is entitled to receive a maximum of €40 thousand for his work as a member of the Executive Management Board of WILEX AG and a maximum of €40 thousand as Managing Director of

Heidelberg Pharma. This represents 37% of his fixed salary (previous year: 37%). In the fiscal year now ended, Dr. Schmidt-Brand was paid a bonus of €100 thousand for the 2014 and 2015 fiscal years.

Professor Pahl's annual bonus is capped at €75 thousand, or 45% of his fixed salary. Due to Professor Pahl's appointment to the Executive Management Board of WILEX AG during the year, his bonus as CSO was calculated proportionally.

Dr. Paul Bevan's annual bonus was capped at €87 thousand or 63% of his fixed salary (part-time basis) (previous year: 63%). After Dr. Bevan retired from the Executive Management Board during the year, he was paid a bonus of €100 thousand for the 2014, 2015 and 2016 fiscal years. The bonus attributable to 2016 amounted to €14 thousand.

In addition, up until the expiration of the authorization to grant options, the members of the Executive Management Board were entitled to stock options above and beyond their base salary as a component of their bonus, the granting of which depended on the achievement of milestones. For Dr. Schmidt-Brand and Dr. Bevan, this could have yielded a maximum of 8,000 stock options per year. However, no stock options were issued in the 2016 and 2015 fiscal years as a component of bonuses.

6.3.4 Remuneration component with incentive and risk features

This remuneration component is based on the 2011 Stock Option Plan adopted by the Annual General Meeting on 18 May 2011. Up to 346,924 stock options (30% of the total volume) may be granted to the members of the Executive Management Board thereunder. This authorization remained in effect until 1 July 2016. The stock options may only be exercised when they have vested after four year 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.

Taking into account a capital reduction completed in 2014 at a ratio of 4:1 for the issue in March 2012 (Tranche 1), four stock options entitle the holder to the acquisition of one no par value bearer share of WILEX AG at an exercise price of €3.53. As a result, the conversion price for one share is €3.53 x 4 = €14.12. The reference price is €3.53 + 20% x €3.53 = €4.24. This does not affect this year's issue of Tranche 2 in June 2016 because it took place after the capital reduction. Here one stock option entitles the holder to the acquisition of one new share at an exercise price equal to the conversion price of €1.89. The reference price is €1.89 + 20% = €2.27.

A total of 252,000 stock options were issued to members of the Executive Management Board in the reporting period. Davon erhielten die Vorstände Dr. Schmidt-Brand 162.000 Stück und Prof. Dr. Pahl 90.000 Stück.

As of the 30 November 2016 reporting date, the active members of the Executive Management Board held 312,000 options under the 2011 Stock Option Plan (Dr. Schmidt Brandt 222,000 options, Professor Pahl 90,000). At the reporting date 30 November 2016, three former members of the Executive Management Board held a total of 25,500 options under this plan.

One former Executive Management Board member still holds 150,000 options under a previous plan (2005 Stock Option Plan).

Overall, the following fixed and variable remuneration components as well as non-cash remuneration for Executive Management Board members were recognized as an expense in the 2016 fiscal year:

Executive Management Board member	Fixed remuneration		Variable remuneration[1)]		Other remuneration (non-cash remuneration)		Total remuneration[1) 2) 3)]	
in €	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Dr. Jan Schmidt-Brand [2)]	217,242	217,242	70,000	70,000	14,036	13,255	301,278	300,497
Professor Andreas Pahl [3)]	145,227	0	54,840	0	10,608	0	210,675	0
Dr. Paul Bevan [4) 5)]	46,083	138,250	14,286	65,464	15,000	0	75,369	203,714
Total	**408,552**	**355,492**	**139,126**	**135,464**	**39,644**	**13,255**	**587,322**	**504,211**

[1)] The exact variable remuneration is usually determined and paid in the following fiscal year. The figures shown here for the 2016 fiscal year are based on provisions that were determined on the basis of assumptions and historical data.

[2)] The remuneration of Dr. Schmidt-Brand refers to his work as Chief Executive Officer and Chief Financial Officer of WILEX AG and as Managing Director of Heidelberg Pharma GmbH. A portion of €157 thousand of the total remuneration is attributable to his work as a member of the Executive Management Board of WILEX AG.

[3)] All of Professor Pahl's remuneration relates to the full fiscal year, i.e. including the period in which he served as Chief Scientific Officer at Heidelberg Pharma prior to being appointed to the Executive Management Board of WILEX AG. A portion of €116 thousand of the total remuneration is attributable to his work as a member of the Executive Management Board of WILEX AG.

[4)] Dr. Bevan left the Executive Management Board of WILEX AG effective at the end of 31 March 2016.

[5)] After the expiration of his director's contract, Dr. Bevan was available to the Company as an advisor in the 2016 fiscal year. In this capacity, he received remuneration of GBP 3,000 thousand.

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	1 Dec. 2015 Number	Additions Number	Expiry / Return Number	Exercise Number	30 Nov. 2016 Number
Dr. Jan Schmidt-Brand	60,000	162,000	0	0	222,000
Professor Pahl	0	90,000	0	0	90,000
Dr. Paul Bevan	183,180	0	175,180	0	8,000
Total	**243,180**	**252,000**	**175,180**	**0**	**320,000**

Executive Management Board member	Expense in the IFRS statement of comprehensive income in €	Fair value of the options[1] held on 30.11.2016 in €
Dr. Jan Schmidt-Brand	35,018	323,611
Professor Pahl	16,012	126,864
Dr. Paul Bevan	835	12,700
Total	**51,865**	**463,175**

[1] As of the respective issue date.

As in the previous year, no expense was recognized for former members of the Executive Management Board.

The following figures applied to the previous period:

Executive Management Board member	1 Dec. 2014 Number	Additions Number	Expiry / Return Number	Exercise Number	30 Nov. 2015 Number
Dr. Jan Schmidt-Brand	60,000	0	0	0	60,000
Dr. Paul Bevan	183,180	0	0	0	183,180
Total	**243,180**	**0**	**0**	**0**	**243,180**

Executive Management Board member	Expense in the IFRS statement of comprehensive income in €	Fair value of the options[1] in €
Dr. Jan Schmidt-Brand	18,691	95,256
Dr. Paul Bevan	2,521	433,767
Professor Olaf G. Wilhelm	0	676,052
Dr. Thomas Borcholte	0	440,528
Total	**21,212**	**1,645,602**

[1] As of the respective issue date.

6.3.5 Remuneration of the Supervisory Board

In accordance with the Company's Articles of Association, the members of the Supervisory Board receive a fixed remuneration of €15,000 for each full fiscal year of service on the Supervisory Board. The Chairman of the Supervisory Board receives a fixed remuneration of €35,000 and the Deputy Chairman receives €25,000. Supervisory Board remuneration is paid in four equal installments on the last day of February and on 31 May, 31 August and 30 November of each fiscal 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 fiscal year and committee. In each case, remuneration is limited to activities on a maximum of two committees. Over and above this individual limit, WILEX AG does not pay more than €39,000 per fiscal year for committee activities of all Supervisory Board members combined. 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 fiscal 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 remuneration. Members of Supervisory Board committees do not receive an attendance allowance for committee meetings.

The remuneration paid to Supervisory Board members who were not in service for a full fiscal year is pro rated in accordance with the duration of their membership on the Supervisory Board.

Supervisory Board members do not receive variable remuneration, nor are they granted options or similar rights. Supervisory Board members are not entitled to a settlement if their membership ends.

In the 2016 fiscal year, the members of the Supervisory Board were paid remuneration of €196,524 (previous year: €196,331) without accounting for reimbursement of travel expenses. The table below shows the individual remuneration.

Supervisory Board member	**Fixed remuneration**		**Attendance allowance**		**Committee fee**		**Total remuneration[1)]**	
in €	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**
Professor Christof Hettich	35,000	35,000	18,000	18,000	7,000	7,000	60,000	60,000
Dr. Georg F. Baur	25,000	25,000	8,250	8,250	8,500	7,000	41,750	40,250
Dr. Friedrich von Bohlen und Halbach	15,000	15,000	6,000	7,500	10,000	10,000	31,000	32,500
Dr. Birgit Kudlek	15,000	15,000	8,250	8,250	6,000	6,000	29,250	29,250
Dr. Mathias Hothum	15,000	5,081	9,000	1,500	0	0	24,000	6,581
Andreas R. Krebs[1)]	6,774	15,000	750	6,750	3,000	6,000	10,524	27,750
Total	**111,774**	**110,081**	**50,250**	**50,250**	**34,500**	**36,000**	**196,524**	**196,331**

[1)] Andreas R. Krebs left the Supervisory Board effective at the end of the Annual General Meeting on 13 May 2016.

6.4 Disclosures under Section 289 (4) and 315 (4) of the German Commercial Code as well as explanatory report

6.4.1 Summary of subscribed capital

As a result of the capital increases described under "3.2.1 Implementation of several corporate action", the Company's subscribed capital incrementally increased from €9,305,608 to €12,927,564 compared with the end of the previous year.

The share capital is composed of 12,927,564 no par value bearer shares. These shares are fully paid in. The Company does not hold any treasury shares.

6.4.2 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.

No shareholder was prohibited from selling, pledging or otherwise disposing of the Company's securities (shares and options) as of 30 November 2016.

6.4.3 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 as of the reporting date
Dietmar Hopp and companies controlled by him[1)]	approx. 63.53%

[1)] Shares of dievini Hopp BioTech holding GmbH & Co. KG, DH-Holding GmbH & Co. KG and DH-Holding Verwaltungs GmbH (based on voting rights notifications received as of December 2016)

The shareholdings of Mr. Dietmar Hopp, including the companies he controls, exceed the 50% threshold. He is the majority shareholder and can exercise far-reaching control over WILEX AG and its subsidiaries or can exert significant influence over the Company.

6.4.4 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.

6.4.5 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.

6.4.6 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 in 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 of the German Stock Corporation Act.

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

6.4.7 Authority of the Executive Management Board to issue and buy back shares

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 increases of the share capital entered in the Commercial Register in December 2015 and April 2016 have no effect on the Company's contingent capital.

Any 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 authorization by the Annual General Meeting on 8 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 fiscal 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 authorization resolved by the Annual General Meeting on 18 May 2011 with respect to 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 2011 Stock Option Plan" 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 fiscal 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 authorized to determine any other details concerning the contingent capital increase and its implementation in connection with all contingent capital. The Supervisory Board is authorized to change the wording of the Articles of Association to reflect the scope of the respective capital increase from Contingent Capital.

Up until the reporting date, the Executive Management Board was authorized 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 €6,463,781.00 by issuing up to 6,463,781 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 12 May 2021 (Authorized Capital 2016/I).

The shareholders generally have a subscription right in connection with 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 authorized, however, subject to the approval of the Supervisory Board, to exclude shareholders' subscription rights 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 rights while this authorization is in effect does not exceed a total of 10 % of the share capital, specifically, neither at the date this authorization 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 (3) sentence 4 of the German Stock Corporation Act subject to the exclusion of shareholders' subscription rights while this authorization is in effect; or

b) to avoid fractions of shares.

The Executive Management Board is also authorized 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 authorized 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 authorized to amend the wording of the Articles of Association to reflect the scope of the capital increase from Authorized Capital 2016/I.

The Company is not authorized at present to acquire treasury shares pursuant to Section 71 (1) No. 8 of the German Stock Corporation Act. There are no key agreements entered into by the Company providing for a change of control following a takeover bid.

6.4.8 Remuneration 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 remuneration agreements that provide for remuneration to members of the Executive Management Board or employees in the event of a takeover bid.

6.4.9 Wesentliche Vereinbarungen des Mutterunternehmens, die unter der Bedingung eines Kontrollwechsels infolge eines Übernahmeangebots stehen

Es bestehen bei der WILEX AG keine wesentlichen Vereinbarungen, die unter der Bedingung eines Kontrollwechsels infolge eines Übernahmeangebots stehen.

6.5 Closing statement from the dependent company report

In fiscal year, 2016 WILEX was a dependent company within the meaning of section 17 (1) of the German Stock Corporation Act because a majority of its shares were held by DH-Holding GmbH & Co. KG and its affiliated companies (Curacyte GmbH, dievini Hopp BioTech holding GmbH & Co. KG, DH-Holding Verwaltungs GmbH), all of which represent the same general interests of the investor, Mr Dietmar Hopp. Pursuant to section 312 (1) of the German Stock Corporation Act, the Executive Management Board of WILEX AG therefore prepared a dependent company report that includes the following closing statement:

“In accordance with section 312 (3) of the German Stock Corporation Act, the Executive Management Board of WILEX AG hereby declares that, with respect to the legal transactions listed in this dependent company report and measures that the Company took or failed to take in the 2016 fiscal year during the period from 1 December 2015 to 30 November 2016, and according to the circumstances that were known to the Executive Management Board when those legal transactions were performed or when the Company took or failed to take those measures, the Company received appropriate consideration for each legal transaction and was not placed at a disadvantage due to the Company taking or failing to take those measures.”

7 RISK REPORT

7.1 Risk management and control

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 significant ramifications and a reasonable probability of occurring are closely monitored on a regular basis. All major business 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 is responsible for the Company’s risk management and control. The Controlling Department regularly reports the current status of risk management to the full Executive Management Board.

WILEX has established a comprehensive and efficient system across its divisions, functions and processes to detect, assess, communicate and manage risks. Risk management is designed 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 to identify risks early; the system complies with the requirements of the German Stock Corporation law (Aktiengesetz) and 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 measures aimed at minimizing risk.

All material risks are addressed in a risk report that was made available to the Executive Management Board monthly beginning in 2016. 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 subsidiaries are included.

WILEX distinguishes between short-term risks that might affect the Company in the next 12 months and longer-term strategic risks. Unforeseen risks are discussed alongside the usual risk management process, and countermeasures are put in place upon 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. The risk early warning system is reviewed by the Company's auditor at least once per year in order to ensure that it meets the requirements of Section 91 (2) of the German Stock Corporation Act.

7.2 Internal control system for financial reporting

Pursuant to Section 315 (2) no. 5 of the German Commercial Code in conjunction with Section 91 and 93 of the German Stock Corporation Act, the Executive Management Board is responsible for ensuring compliance with and duly 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 comprises 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 AG fulfills the requirements of the German Commercial Code and IFRS.

Financial control in the Group is divided into planning, monitoring and reporting. Based on its strategic business plan, WILEX prepares annual budgets for internal management and control purposes that are applicable not only to the Group but also to the parent company and subsidiary. Based on these plans, a monthly as well as a more comprehensive quarterly variance analysis is prepared for all financial and non-financial key performance indicators and reported to the Executive Management Board with the support of the relevant departments. This control tool enables the Finance Department and the Executive Management Board to identify opportunities and risks at an early stage.

The corporate bodies of WILEX AG periodically review the effectiveness of the internal control system to ensure reliable financial reporting. Internal reviews have not uncovered any material weaknesses, and minor defects were remedied immediately. In particular, regular reports on this system are submitted to the Audit Committee of the Supervisory Board, which discusses the audit activities.

To ensure reliable financial reporting, WILEX AG observes the International Financial Reporting Standards (IFRS) and the provisions of the German Commercial Code (HGB). In addition, the Company uses an internal control system (ICS) which follows the framework "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
- Monitoring the internal control system.

The Company'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, and care is taken to maintain both the division of responsibilities in the Finance Department and compliance with corporate guidelines (e. g., four-eyes principle when approving expenditures). These controls also include the utilization of IT-based solutions that define different access and permission rights and thus grant limited access, especially in connection with the Group's Finance and Accounting Department, which will be consolidated within an integrated system as of the 2017 fiscal year.

If necessary, WILEX AG also includes external experts in the process, such as for 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 regarding the recognition and measurement of assets and liabilities. To prevent these risks, WILEX AG consults with auditing firms - e.g., the auditor of the Company's annual financial statements - and has established a team of professional finance specialists. The risks are monitored both as part of the monthly reporting system and during the year via the internal control system. 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. A software-based invoice management system that has greatly simplified and accelerated invoice processing is being used. Control activities also serve to ensure that the bookkeeping records provide reliable and plausible information and that all measures taken significantly reduce the risk of a negative impact on the financial reporting.

With WILEX's organizational, control and monitoring structures, the internal control and risk management system makes it possible to record, process and measure all transactions pertaining to the Company and to present them appropriately through the accounting of the Group companies and the Group. However, personal discretion, defective controls, criminal acts or other circumstances cannot be precluded and, as a result, may limit the effectiveness and reliability of the internal control and risk management system such that even group-wide application of the systems utilized 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.

7.3 General business risks

WILEX is exposed to the risks typical for a biotechnology company, namely those arising from the development and production of potential drug candidates for the treatment of cancer. The time between the commencement of drug development and marketing approval spans many years. There is a high risk that none of WILEX's product candidates or ATAC

development candidates will receive regulatory approval. For Heidelberg Pharma, there is the risk that efficacy and safety data from animal models will not be confirmed in humans.

To date, neither WILEX nor a licensing partner has completed clinical development for any of the product candidates in the WILEX portfolio or applied for regulatory approval for them. Two projects (MESUPRON® and REDECTANE®) have been completely transferred to a licensee for further development and marketing. The licensees are also exposed to the risks typical for the industry.

WILEX is currently unable to finance the Company solely through sales and license revenue and is dependent on funding from equity providers or licensees. Debt financing has not been an alternative for biotechnology companies.

Some of the individual risks set forth below are related and can affect each other in a positive or negative way. Should these risks occur, either individually or together with other risks or circumstances, this may severely compromise WILEX's business activities, its achievement of key corporate goals and/or its ability to fund its operations, as well as significantly adversely affect the results of operations, financial position and net assets of WILEX AG and the WILEX Group and therefore jeopardize the ability of WILEX AG and the WILEX Group to continue as a going concern.

7.4 Going-concern risks

Based on the current status of the Company's technology and licensing prospects, as well as updated planning, the Executive Management Board estimated that cash and cash equivalents available as of the 30 November 2016 reporting date would not be sufficient to fund the Company's business activities for at least the next 12 months.

WILEX's main shareholder therefore issued another financing commitment for €10 million in February 2017. The type and details of financing are contingent on Company and market conditions. The committed funding should be sufficient to ensure financing of the planned business activities at Heidelberg Pharma and the holding activities at WILEX AG until the end of the second quarter of 2018.

The funding commitment was a prerequisite for preparing the IFRS consolidated financial statements and the HGB annual financial statements on a going-concern basis in accordance with IAS 1.25 and Section 252 (1) No. 2 of the German Commercial Code.

If the Executive Management Board is unable to implement the corporate strategy focused on the ADC technology according to plan, and/or if the Company fails to obtain additional equity funding, the continued existence as a going concern of the Group and/or its consolidated companies would be at risk.

After the end of the second quarter of the 2018 fiscal year, the WILEX Group and WILEX AG might be unable to meet their payment obligations and/or become overindebted as a result of its subsidiary Heidelberg Pharma missing budget targets. This would jeopardize the Group's and/or consolidated entities' existence as a going concern and shareholders could lose some or all of their invested capital.

7.5 Operational risks

7.5.1 Risks arising from workforce reduction or employee turnover

The Group's success depends on its executives and research staff, especially their knowledge of the ATAC technology and its successful development and commercialization. The loss of executives and research staff in key positions could delay the Company's research and development work. The ability of the Group to implement its business strategy will also depend on whether the Company continues to be able to recruit highly qualified staff and executives and retain them over the long term.

7.5.2 Management and monitoring of the Company's future growth

To continuously expand its business activities, WILEX needs to expand its development capacity and manage the Company efficiently. If the WILEX Group continues to grow, the current management structure and headcount, as well as systems and facilities, will not meet the increased requirements.

7.5.3 Product development and technology risks

Drug development is subject to risks typical for the industry. Like other biotechnology companies, WILEX AG has suffered setbacks in clinical development and therefore discontinued clinical development of certain product candidates. Licensing partners conducting development activities are also exposed to this risk, which thus indirectly affects WILEX as the licensor.

The subsidiary Heidelberg Pharma is currently involved in early-stage research and preclinical development and to date has not collected any clinical data. There is a risk that the ATAC technology and the use of Amanitin for cancer therapy may not be suitable for patients due to severe side effects.

As is the case for all drugs, efficacy and tolerability are of pivotal importance for ADCs and ATACs. While most drugs have side effects, there must be a sufficiently wide therapeutic window between efficacy and intolerable side effects. Heidelberg Pharma assumes that when the compound (toxin) is connected to the appropriate antibody, the linker technology developed (bridging molecule, used to connect a toxin to an antibody) will allow for strong anti-tumor efficacy with adequate tolerability. The antibody used is particularly relevant to changing the toxicity profile; it must not affect any vital organs.

Data to date show that undesirable side effects may occur with the antibodies used to date if high doses are prescribed. It is therefore possible that further testing could reveal that the therapeutic window (ratio of efficacy to side effects) of the manufactured conjugates is not wide enough due to their toxicity profile. If this issue is found to be due to the toxin and a sufficiently effective dose cannot be administered, the ATAC technology could ultimately fail to be viable for therapeutic applications. This could adversely affect the further development of the operations of Heidelberg Pharma.

Furthermore, no assurance can be given that contractual partners will not terminate technology partnerships. The possibility that the technology might be unusable or unsuitable for the market for certain antibodies cannot be ruled out. It is impossible to make any predictions based on successful preclinical and early clinical trials; such trials do not offer any certainty regarding a compound's safety and efficacy in later-stage trials. 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 execution does not satisfy regulatory requirements.

7.5.4 Use of hazardous substances and compliance with relevant environmental and health protection as well as general traffic safety laws and regulations

Hazardous substances (such as poisonous or corrosive substances) are used in the research and development programs conducted by Heidelberg Pharma. Use of these materials is subject to the relevant environmental and health protection as well as general traffic safety laws and regulations. The costs incurred in complying with these and any future regulations could be considerable. The Company cannot completely exclude the risk of accidents with these substances, possibly resulting in contamination or personal injury. Were an accident or contamination to occur, Heidelberg Pharma could be required to pay damages and compensation for personal suffering in addition to fines and penalties. The amount of such payments could be substantial. In certain circumstances, the authorities could impose a ban on operations or revoke a manufacturing permit. The facts mentioned above could significantly negatively impact the Company's net assets, financial position and results of operations.

7.5.5 Impact on research and development activities through restrictions on or obstruction of animal experiments

In the course of its business and as a service provider when developing drugs for its clients, Heidelberg Pharma is required by certain laws and regulations to test drug candidates on animals before clinical testing in humans can be initiated. Experiments involving animals are the subject of controversial debate and negative reporting in the media. Animal activists and other organizations and individuals try to lobby the competent authorities, ministries and political decision-makers to limit animal experiments through the enactment of new laws and regulations or attempt to disrupt or prevent animal experiments from taking place through protests or by other means. Germany has an animal welfare law in place with very high standards. These standards are the basis for work at Heidelberg Pharma and its service providers. Nevertheless, the legal situation regarding testing on animals and official practice may change and make it much more difficult to perform experiments on animals in connection with the Company’s preclinical studies. This could delay Heidelberg Pharma’s research and development work or significantly increase its cost.

7.5.6 License agreement for use of ATAC technology

Heidelberg Pharma has entered into a license agreement with Professor Heinz Faulstich and the German Cancer Research Center (both as licensors) for the use of patents related to the ATAC technology. Dieser Lizenzvertrag ist eine wesentliche Voraussetzung für die Weiterentwicklung der ATAC-Technologie. Er kann durch die Lizenzgeber nur aus wichtigem Grund gekündigt werden. Sollte der Lizenzvertrag dennoch beendet werden, besteht die Gefahr, dass die ATAC-Technologie nicht weiter entwickelt werden kann. Lack of market maturity of the proprietary ATAC technology

The ATAC technology developed by Heidelberg Pharma is still in the development phase and not yet mature enough to be sold and used on the market. It cannot be precluded that the technology might turn out to be useless or unsuitable for the market. In this case,

Heidelberg Pharma GmbH's business model would have to be rethought. This could have an adverse effect on the WILEX Group's net assets, financial position and results of operations.

7.5.7 Risks arising from production and collaboration with service providers

Heidelberg Pharma does not have a Good Manufacturing Practice (GMP) certificate for the Ladenburg site. In the future, antibodies, the toxin and the conjugates for the planned trials will be manufactured by service providers (CDMO). A technology transfer process to a CDMO will need to be established for the CDMO to set up a GMP process. Heidelberg Pharma is exposed to the risk that service providers could have quality or capacity problems during or after production, problems with production facilities or problems arising from supply interruptions or delivery delays. The quality of the manufactured substance must be demonstrated to regulatory authorities. On account of poor quality in manufacturing, inadequate documentation or other quality defects could result in regulatory authorities requiring that trials be discontinued, repeated or terminated of. This could significantly negatively impact the Company's results of operations and net assets.

7.5.8 Risks from license collaborations

WILEX has entered into alliances and partnerships for the development, manufacture and/or commercialization of development or product candidates. Problems relating to development, production or marketing may arise in the course of the partnership. As a licensor, WILEX is materially dependent on the successful production by licensing partners. Licensees must produce the material for trials or contract to have it produced. This situation involves risks, including the risk of not finding suitable manufacturers. Licensees are also exposed to risks arising from collaboration with service providers as described above.

In addition, WILEX could be liable to third parties, particularly to patients who participated in completed clinical trials, for damages caused by clinical trial material produced by the subcontractor, which, if the material is defective, may result in claims against WILEX. WILEX has obtained appropriate insurance for its clinical trials to protect against such risks. If risks associated with production at licensees were to occur, this could negatively affect agreed milestone and royalty payments.

Additional risks to WILEX could result from license agreements, including: insufficient allocation of capacity by the contracting party, financial difficulties experienced by the contracting party, a change in business strategy resulting in termination of an agreement, a change in the ownership structure of the contracting party or the partial or entire absence of agreed payments such as milestone payments or license payments. Such circumstances could impair the contractual relationships, delay the development or production of the drug and diagnostic candidates concerned and increase the costs for their development or production.

7.6 Financial risks

7.6.1 Financing risks

WILEX's funding requirements have been reduced due to the fully implemented restructuring program at the Munich site, but no substantial inflows of funds have been generated to date from sales revenue or license payments that would significantly extend the Company's cash reach substantially and eliminate the risk of the Company's inability to continue as a going

concern. The Company's plan to build a proprietary ATAC pipeline will result in an increase in research and development expenses in the future.

WILEX's main shareholder issued another financing commitment for €10 million in February 2017. Based on the current financial plan, the committed funding should be sufficient to ensure financing of the planned business activities at Heidelberg Pharma and the holding activities at WILEX AG until the end of the second quarter of 2018.

There is a high risk that the funds at the parent company WILEX AG and/or at Heidelberg Pharma for generating cash flow will not be sufficient to ensure financing of the planned business activities beyond Q2 2018. Without additional funding, the existence of the WILEX Group and/or the parent company WILEX AG and/or Heidelberg Pharma as a going concern would be jeopardized.

To date, funds available to WILEX AG have also been used for the expansion and profiling of the ATAC technology. The ability of Heidelberg Pharma to increase its sales revenue from the ATAC technology and the service business and find additional collaboration partners is a key pillar of the business model. The success of such partnerships depends not only on upfront payments and milestone payments by licensing and collaboration partners, but also on the ability of these partners to achieve success in clinical development and to generate the projected sales revenue and any resulting license fees.

If Heidelberg Pharma fails to cover its costs sustainably by increasing sales revenue and fails to achieve profitability in the medium term, Heidelberg Pharma will not be able to meet its payment obligations. To avoid insolvency, the subsidiary might require further financial support – for instance through additional shareholder loans or capital increases. In the event of insolvency, most of WILEX AG's investments in Heidelberg Pharma's business and the shareholder loan extended by WILEX AG would be lost.

The executive management of Heidelberg Pharma assumes that, despite the risks arising from product research and development described above, the ADC technology will prove to be marketable in the long term and licensees for the technology will be found, or that it will be able to sell the business and the technology platform to a third party to preserve the solvency of WILEX AG.

In view of the Company's performance to date, there is a high risk that the Company's share price will continue to stagnate at a very low level absent positive news flow. The ability of the Company to obtain broad-based capital market financing at acceptable terms and conditions is therefore very limited. See also section 7.9.2 "7.9.2 Risks related to a possible significant influence of main shareholders" for more information about the risk of depending on main shareholders.

7.6.2 Risks arising from the impairment of assets

WILEX's RENCAREX® project is a potential asset that is expected to be out-licensed in full or in part in the future to generate cash. In view of the status of these efforts, however, the possibility that out-licensing may no longer be possible cannot be ruled out.

Assets, particularly equity investments, goodwill, not yet ready for use IP R&D licenses and trade receivables are subject to an inherent impairment risk. Such impairment risk might be triggered by a negative business development at WILEX AG or its subsidiary or by the insolvency of a creditor. An impairment loss must be recognized if the regular impairment

test shows that there are objective indications of impairment which, in turn, arise from events that may have occurred after the initial measurement of the asset.

The carrying amount of the investment in Heidelberg Pharma reported in WILEX AG's HGB single-entity financial statements was tested for impairment as part of the annual impairment testing and was found to be fully recoverable at €13.26 million.

Based on the annual impairment testing, these risks will continue to exist in the future and might lead to impairment losses. This would have a negative effect on the earnings and equity of WILEX AG, which in turn could impact the Group's share price as well as its net assets, financial position and results of operations. Furthermore, a potentially negative effect on the value of the intangible assets, as well as on the goodwill recognized in the IFRS consolidated balance sheet, cannot be excluded.

7.6.3 Halving of the share capital due to an increasing accumulated deficit

WILEX AG is not yet a profitable company and has always posted an annual operating loss. Due to the high expenses, particularly for previous research and development activities, net losses each year add up to a large accumulated deficit that reduces equity. There is a risk that the share capital of WILEX AG could be halved as a result of further losses, which would trigger a mandatory notification.

As soon as half of the equity under German commercial law has been depleted by the accumulated deficit, the Executive Management Board is required by Section 92 (1) German Stock Corporation Act to convene the Company's General Meeting immediately and disclose this fact. Convening a General Meeting would entail both organizational and financial costs for WILEX AG and might also have a negative impact on the Company's share price.

7.6.4 Risks related to the allowance of tax losses carried forward

Tax losses carried forward as of 30 November 2016 were mainly attributable to WILEX AG (loss carryforward of €173.5 million for corporation tax; €170.5 million for municipal trade tax) and may be carried forward indefinitely. Heidelberg Pharma GmbH carried forward a loss of €58.5 million for corporation tax and municipal trade tax.

Deferred tax assets of €0.7 million were offset against deferred tax liabilities in the past fiscal year. Deferred tax assets were recognized only in the same amount as the deferred tax liabilities.

In fiscal year 2016, WILEX AG was subject to a tax audit for the period from 2011 to 2014. Since the audit did not result in any changes in the tax base, the final determination was made that the loss carryforwards accrued by 31 December 2014 amounted to €169.2 million (corporation tax) and €166.2 million (trade tax).

Effective 1 January 2008, under revised Section 8c of the 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 of the German Corporation Tax Act, the capital increases carried out after 2014 and the changed identity of the Company as a result of the restructuring measures might possibly have led to the pro-rated elimination of the tax loss carryforwards.

The full utilization of Heidelberg Pharma's tax loss carryforward in excess of the value of the hidden reserves may also be jeopardized by WILEX AG's acquisition of this company in March 2011. In the future, this risk will be reduced by Section 8d of the German Income Tax Act (business continuation loss carryforwards), which was introduced at the end of 2016 with retroactive effect to 1 January 2016 but cannot be ruled out completely on account of various derogations.

7.6.5 Market risks

Given its business activities, WILEX is exposed to market risks, particularly currency risks, interest rate and price risk, liquidity risk and default risk. WILEX's risk management focuses on the unpredictability of the financial markets and aims to minimize 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.

WILEX collaborates with different service providers and cooperation partners worldwide and, due to service costs incurred in foreign currency, is exposed to currency risks in connection with currency positions in US dollars, which could have a negative or positive effect on expenses within the Group.

7.6.6 General fluctuations in share prices

The Company's share price could undergo significant fluctuations. A variety of factors could lead to substantial fluctuations in the Company's share price, including the Company's product development results, technological innovations, new products or services or other competitive developments by the Company or its rivals, publications about the Company's competitors, recent publications by public authorities and changes in regulatory requirements, the duration of official approval procedures, general and industry-specific economic conditions, the recruitment or departure of key employees at the Company, changes in financial forecasts or recommendations by securities analysts, fluctuations in financial figures, events and changes in the market valuation of other companies that have a similar research focus or are active in the same area of business or segment as the Company, an insufficient trading volume in the Company's shares, publications about the Company's business partners or licensors, changes in accounting policies and the general market situation.

7.7 External risks

7.7.1 Risks resulting from competition and technological change

The business area of oncology, in which WILEX is active, is extremely competitive due to the high unmet medical need and enormous market potential. Various companies are active in areas similar to those in which WILEX is active. In addition, there is the risk that competitor products might produce better efficacy data, reach the market earlier or be more commercially successful than products developed by WILEX. Competitors also could be faster and more successful at out-licensing.

7.7.2 Risks and dependencies related to the provision of health care and spending by the pharmaceutical industry

Following regulatory approval of a drug, the framework within which public health authorities, research institutes, private health insurance providers and other organizations (such as the German Institute for Quality and Efficiency in Health Care, IQWiG) operate impacts the business activities of WILEX and its partners. Healthcare reforms and the persistent debate about prices in the key markets of the United States, Europe and Japan are putting increasing pressure on healthcare budgets and thus on the pharmaceuticals market. Overall, this situation could cause potential partners or investors to refrain from making new commitments in drug development and also pose a risk for WILEX.

7.8 Strategic risks

7.8.1 Marketing risks

The Company and its licensees will have to cooperate with other entities to market future products. Through license agreements, WILEX generally receives upfront payments, payments contingent on certain achievements (milestone payments) and, if regulatory approval has been achieved, royalties on product sales. Hence WILEX's future sales revenue will also depend on the performance of its licensees and their partners. The continued existence of the Group and/or the entities included in consolidation would be materially affected if WILEX AG or its subsidiary Heidelberg Pharma failed to conclude license agreements for development and product candidates on reasonable terms or if cooperation agreements entered into were not successful or were terminated.

7.8.2 Risks related to intellectual property rights

WILEX endeavors to protect its product candidates and technologies in all major markets through patents. Nevertheless, WILEX is unable to ensure that patents will be issued on the basis of pending or future patent applications. Even if patents are issued, there is no certainty that they will not be contested, circumvented or declared invalid.

Any infringement by third parties of the patents or the intellectual property rights used or out-licensed by WILEX could have a negative impact on the Company's business operations. There is a risk that WILEX or its licensing partners might infringe the intellectual property rights of third parties, including those of whom WILEX is unaware. This could lead to time-consuming and cost-intensive litigation or force WILEX to purchase licenses from third parties to develop and market the Company's products.

7.8.3 Product risks

The marketing and sale of pharmaceuticals and services for specific indications is subject to product liability risks. Product liability actions against WILEX AG or Heidelberg Pharma at a later stage cannot be ruled out. In connection with this, there is no guarantee that WILEX would be able to purchase insurance coverage at both a reasonable price and on acceptable terms or that such insurance would be sufficient to protect the companies from lawsuits or loss. Licensees are likewise subject to product risks. If these risks were to occur, they could negatively affect agreed milestone and/or royalty payments.

7.9 Other risks

7.9.1 Legal risks

WILEX AG and Heidelberg Pharma could become party to a legal dispute, for example in a drug safety, patent, licensing, liability or labor law case, as the plaintiff, defendant or intervener. A court case or even an arbitration case could be time-consuming and expensive. Even if such cases were successful or settlements reached, they could adversely affect the Group's results of operations and shorten the currently expected cash reach.

The former US subsidiary WILEX Inc. was sold to Nuclea on 6 September 2013. Due to rent and utility payments in arrears owed by Nuclea to the lessor Siemens Corporation, NJ, USA, the latter is holding WILEX AG liable for these costs under a guarantee in the lease. WILEX AG had to assume this guarantee in 2010 as part of the acquisition of WILEX Inc. (formerly Oncogene Science). In the summer of 2016, bankruptcy proceedings were opened for Nuclea. In accordance with the principle of prudence, WILEX AG recognized a provision for the liability from the rent guarantee in the amount of €408 thousand, as in the previous year. Siemens is demanding that WILEX pay the rent in arrears and compensation for the period through July 2016 totaling USD 832 thousand (€783 thousand). However, based on the opinion of the US attorneys hired, WILEX believes that Siemens does not have grounds to assert legal claims against WILEX AG for payment of the rent in arrears after 1 February 2016 and damages due to default beyond 31 January 2016. Negotiations on this matter are currently being conducted with Siemens. Until an agreement is reached with Siemens, there is still a risk that the provision recognized by WILEX AG will be utilized. For this reason, the provision recognized in the previous year that reflects the expected amount for which the Company could be held liable based on sound business judgment was maintained.

7.9.2 Risks related to a possible significant influence of main shareholders

Certain shareholders of WILEX AG (Dietmar Hopp and associated companies) hold a material proportion of its shares (approx. 63.53%) and could exercise a significant influence on the Company in the General Meeting. They could block decisions by the Annual General Meeting or cause their own interests to prevail. Depending on their presence at the Annual General Meeting of WILEX AG, these shareholders could possibly exert a controlling influence over the resolutions passed at the Annual General Meeting.

In addition, there is a risk that the majority interest of the main shareholder could affect the Company's financing activities. In the event of corporate actions, the influence and control of this shareholder could prevent other investors from participating in a financing of the Company. The minimal number of shares in freefloat lowers the liquidity of WILEX shares.

7.9.3 Other risks

Risk could arise from the use of computer systems, networks, software and data storage devices. Other risks related to environmental protection, IT security, purchasing as well as general safety requirements are not deemed significant. WILEX has taken organizational precautions to fulfill the requirements in question and control the internal processes.

7.10 Overall assessment of the risk situation

Should Heidelberg Pharma perform strongly and ATAC development candidates and the remaining clinical projects of WILEX AG be out-licensed, currently perceived risks and the danger to the Company's and the Group's continued existence as a going concern would be substantially reduced.

Were WILEX unable to implement the measures described in the section "Going-concern risks", it cannot be precluded that the Group companies might then be unable to meet their payment obligations and/or might become overindebted, thus jeopardizing the existence of the WILEX Group, the parent company WILEX AG and/or Heidelberg Pharma as a going concern.

8 REPORT ON POST-BALANCE SHEET DATE EVENTS

8.1.1 Worldwide license agreement signed for REDECTANE® diagnostic antibody

On 16 January 2017, WILEX AG signed an exclusive license agreement for the development and commercialization of the imaging agent REDECTANE® with the Australian company Telix Pharmaceuticals Limited, Melbourne, Australia (Telix), which also covers radiotherapy applications.

WILEX granted Telix the worldwide licensing rights to further develop and commercialize REDECTANE®. Under the agreement, Telix will, as a first step, invest in an improved manufacturing process for the antibody. Under the terms of the agreement, WILEX received an upfront payment and could receive milestone payments totaling up to USD 3.7 million. In addition, WILEX is eligible to receive significant royalties on global net sales of REDECTANE®, commensurate with a Phase III asset, if the collaboration is successful. Telix is responsible for all development costs, as well as manufacturing and commercialization costs.

Telix will also develop a therapeutic radioimmunoconjugate program based on Girentuximab. Early clinical data has suggested that Lutetium-177-labeled Girentuximab has disease stabilizing effects in patients with advanced metastatic renal cancer. Telix is evaluating the use of CAIX-targeting therapeutic agents with both beta- and alpha-emitting radionuclides for a variety of malignancies. Under the terms of the agreement, if a therapeutic product developed by Telix is ultimately granted marketing approval, WILEX will receive single-digit royalties.

8.1.2 License agreement signed for BCMA antibodies with the MDC

In January 2017, Heidelberg Pharma signed a license agreement with the Max Delbrück Center for Molecular Medicine in the Helmholtz Association (MDC) in Berlin covering BCMA antibodies. The license agreement follows an option agreement signed in September 2016.

Financial details are confidential but will not have an impact on WILEX's cash reach.

As a result of a selection and optimization process of the BCMA antibodies, the ATAC candidate HDP-101 was selected and is currently being prepared for clinical development that could start by the end of 2018.

8.1.3 Financing commitment secured from main shareholder dievini

On 6 February 2017, WILEX announced that it had secured a further financing commitment from its main shareholder dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany (dievini). Dievini will provide the company up to €10 million. The details of the financing will be decided by the Executive Management Board and the Supervisory Board of WILEX AG with dievini at a later date.

With this additional commitment, the Company's cash reach is secured until the end of the second quarter of 2018.

9 REPORT ON EXPECTED DEVELOPMENTS AND ON OPPORTUNITIES

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

9.1 Economic environment

The International Monetary Fund (IMF) is forecasting global economic growth of 3.4% for 2017, a slight increase over 2016 (3.1%). While the difficult-to-predict risks affecting economic performance in 2016 were the geopolitical tensions in many regions, in 2017 these will primarily be the planned Brexit, the political course taken by new US President Trump and changes in the political landscape in Europe. An economic upturn with a growth rate of 2.3% (2016: 1.6%) is still anticipated in the United States based on anticipated higher government spending on infrastructure and an economic policy[25] dominated by protectionism. Economic growth in Asia in 2017 is expected to be up slightly year over year at 6.4% (2016: 6.3%). The IMF estimates growth of 1.6% for the Eurozone (2016: 1.7%) and 1.5% for Germany (2016:1.7%), both lower rates than in 2016.[26] In its October 2016 projection, the federal government anticipated an increase of 1.4% for Germany, compared with 1.8% for 2016.[27] The already apparent rises in oil and commodity prices are expected to continue in 2017 as a result of the agreement reached among oil-producing nations to cut output and the expansion of government spending programs in the United States and China. It is estimated that key rates will be increased again to counteract inflationary tendencies.[28]

9.2 Market opportunities in the biotechnology industry

As seen in previous years, the need for and the market share of biopharmaceutical drugs is expected to continue to grow. More than 30% of all new substances are biotechnology compounds.[29] Of the ten highest-revenue products worldwide, seven are biotech products.[30]

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[25] Handelsblatt, Das Jahr er großen Entglobalisierung, from 6 January 2017, http://www.handelsblatt.com/my/politik/konjunktur/nachrichten/wirtschaftsausblick-2017-das-jahr-der-grossen-entglobalisierung/19217712.html?ticket=ST-24269-pQjUvY6WeLYzW65THAS7-ap2
[26] http://www.imf.org/external/pubs/ft/weo/2017/update/01/index.htm
[27] https://www.tagesschau.de/wirtschaft/konjunkturprognose114.html
[28] Handelsblatt, Das Jahr er großen Entglobalisierung, from 6 January 2017, ibid.
[29] 9 July 2013, www.Biotechnologie.de

Tumor diseases are amongst the most frequent causes of death in industrialized countries, and the number of cancer diagnoses is expected to continue to rise as a result of numerous factors such as higher life expectancy, unhealthy lifestyles and changes in the environment. Viruses such as HPV and bacteria such as Helicobacter pylori and hepatitis have also been shown to cause cancer.[31] There are 14 million new cases of cancer worldwide per year, and the World Health Organization (WHO) expects this figure to increase by 70% over the next two decades.[32] The report concluded that the number of cancer deaths worldwide will also rise. In 2015, 8.8 million people died from cancer, mostly in countries with low to medium levels of income.[33] More than 60% of new cases worldwide are forecast to occur in Africa, Asia and Central and South America, with these regions expected to account for 70% of deaths.[34]

Accordingly, there is an urgent medical need for cancer therapies that are both effective and well tolerated. Innovative technologies provide new opportunities for the industry. Major trends include immunotherapies such as checkpoint inhibitors and combinations of these with other approaches, such as vaccines and oncolytic viruses or CAR-T cell therapies which make camouflaged cancer cells visible to the immune system. Given the limited patient population for checkpoint inhibitors and the severe side effects and high costs of T-cell therapies, antibody drug conjugates (ADCs) continue to represent an important alternative for the pharmaceutical industry in developing new effective therapies.

Development of ADC candidates is advancing; nevertheless, to date only two products – Adcetris® by Seattle Genetics/Takeda and Kadcyla® by Genentech/Roche – have received market approval. However, there are also good prospects for ADC candidates in early stages of product development, as shown by the impressive licensing agreements concluded last year by competitors and big pharmaceutical firms. WILEX believes that its innovative ADC technology will enable it to participate in this encouraging trend.

Another trend is biosimilars, which have been marketed in Europe for some years now and gained a foothold in the US market in 2016. By November 2016, four biosimilars had been approved by the FDA and the number of candidates is growing.[35] Patent expiration of many biological blockbusters and greater confidence in this class of drugs among physicians are increasing the amount of biosimilars being prescribed.[36]

In early 2017, industry information service *BioCentury* described the mood in the industry, stating that after the miserable year 2016, things could only improve. This conclusion was based on results in 2016 from a number of clinical trials, which had led to major industry disappointments and distortions. For this reason, M&A activity rather than clinical data is seen as a driving force for 2017. Mainly immunotherapies, diseases of the central nervous system and rare diseases are on pharmaceutical companies' radar.[37]

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[30] http://www.aktiv-online.de/nachrichten/detailseite/news/ranking-die-zehn-umsatzstaerksten-medikamente-der-welt-8558?pic=10
[31] http://www.who.int/mediacentre/factsheets/fs297/en/
[32] http://www.who.int/cancer/world-cancer-day/2017/en/, 7 February 2016 at World Cancer Day
[33] Ibid.
[34] http://www.who.int/mediacentre/factsheets/fs297/en/, February 2015
[35] http://www.biopharma-reporter.com/Markets-Regulations/2016-year-of-the-US-biosimilar-approval vom 20 December 2016
[36] https://www.drugs.com/slideshow/looking-ahead-pharma-projections-for-2016-and-beyond-1230#
[37] BioCentury, Delivering takeouts, Buyside view, from 02 January 2017

Furthermore, the price debate – what new therapies should cost, what advantages they must show and what price increases for established drugs are ethical – is expected to continue to shape discussions and move the markets. Initial statements by the new US president have irritated industry rather than provided greater clarity about his healthcare ambitions. Nevertheless, the healthcare industry worldwide, including in Germany, is firmly established and growth, new therapies and a rising trend towards combination therapies are anticipated.[38]

Right at the start of 2017, the Association of Research-Based Pharmaceutical Companies announced that at least 30 drugs with new active substances would be launched in Germany. One-third of these will be for treating different types of cancer, but others are expected to help patients with infectious diseases, diseases of the central nervous system and autoimmune diseases.[39]

After conducting a survey of its members at the end of 2016, the industry association BIO Deutschland started the new year with great optimism; the growth of the biotechnology industry continues unabated; people are being hired, and companies are investing in R&D.[40]

9.3 Opportunities

ADC technology

ADC technology is continuing to experience a positive trend. There have never been so many development candidates in companies' pipelines. In 2016, around 80 ADCs were in clinical development, compared with 48 in the previous year. Another 50 candidates are in preclinical development.

Heidelberg Pharma's ATACs occupy a special position in this promising market environment due to the Amanitin toxin used and its unique mode of action. Thanks to additional data from a variety of preclinical ATAC trials, especially tolerability studies in monkeys, and the start of development of a GMP process for Amanitin production, there is growing interest by pharmaceutical and biotechnology companies in this new, innovative anti-cancer treatment option. The preclinical data give clear indications of improved efficacy and show that ATACs have the potential to be effective, even in the case of resistance to existing therapies or against quiescent tumor cells.

With the increasing maturity of the preclinical data, Heidelberg Pharma expects to be able to significantly expand its partnerships with pharmaceutical and biotechnology companies. The granting of two key patents, including one in-licensed patent, has considerably strengthened the Company's IP position. Heidelberg Pharma plans to grant exclusive license rights for the testing, development and marketing of each individual ATAC to secure significant revenues in the form of customary upfront payments, co-funding of development, milestone payments and royalties, which increase as a project matures. Early-stage research collaborations

[38] Scrip intelligence, What does 2017 hold for Pharma?, from 6 January 2017
[39] Vfa press release, Ausblick auf 2017: neue Impfstoffe und Medikamente, from 2 January 2017, https://www.vfa.de/de/arzneimittel-forschung/woran-wir-forschen/neue-impfstoffe-und-medikamente.html
[40] BIO Deutschland press release, Biotech-Branche setzt Wachstumskurs fort, from 12 January 2017, https://www.biodeutschland.org/de/pressemitteilungen/biotech-branche-setzt-wachstumskurs-fort.html?year=2017

(material transfer agreements, MTAs) are currently ongoing, as are negotiations with different companies on continuing such collaborations under license agreements.

In addition, Heidelberg Pharma has begun to build its proprietary ATAC portfolio. Work on this is intended not only to build an in-house body of data and knowledge, and therefore increase the value of possible license agreements, but also to create additional potential value with its own promising candidates. The antibodies in-licensed by the MDC target the interesting antigen BCMA and promise a new therapeutic approach for treating certain forms of blood cancer. The selected BCMA ATAC will now be prepared for clinical development as HDP-101. If the existing preclinical data are confirmed and the manufacturing process for HDP-101 is established, clinical development could begin at the end of 2018 and an ATAC could be tested in patients for the first time. Heidelberg Pharma's ADC portfolio includes a number of other early-stage candidates that are being developed in-house or in collaboration with partners.

MESUPRON®

The product candidate MESUPRON® has been fully out-licensed. After being issued an Investigational New Drug (IND) by Chinese regulatory authorities, WILEX's partner Link Health is planning to commence clinical development in China in 2017. Another partner, RedHill, entered into a new research alliance with Aarhus University in Denmark at the beginning of 2017 to identify further high-affinity molecular target structures for MESUPRON®. Further evaluation could facilitate the selection of suitable patient subpopulations for demonstrating the activity of MESUPRON® in planned clinical trials. RedHill plans the initiation of a Phase I/II study with MESUPRON® for pancreatic cancer in Germany in the second half of 2017.

Granting global licensing rights in 2014 ensured that this product candidate would continue to be developed at no further cost to WILEX and could generate attractive royalties following regulatory approval. As it has been shown to be safe and well tolerated, MESUPRON® also has the potential to be used in combination therapies, assuming it successfully completes clinical development.

REDECTANE®

A worldwide license agreement was concluded in early 2017 for the development and commercialization of this radiolabeled antibody as a diagnostic. WILEX's partner Telix Pharmaceuticals will, as a first step, invest in an improved manufacturing process for the antibody. In a confirmatory Phase III trial, the superior diagnosis of clear cell renal cell carcinoma by molecular imaging with REDECTANE® and PET/CT compared to standard CT will be evaluated. WILEX was granted a special protocol assessment (SPA) from the FDA for a planned confirmatory study (REDECT 2), which means that the approval path for this innovative product is clearly mapped out. WILEX received an upfront payment from Telix and is eligible to receive milestone payments and significant royalties if the collaboration is successful.

In addition, Telix is also evaluating the development of therapies based on CAIX-targeting therapeutic agents with both beta- and alpha-emitting radionuclides for a variety of malignancies. For example, Lutetium-177-labeled Girentuximab could be evaluated for disease-stabilizing effects in patients with advanced metastatic renal cancer. Under the terms of the agreement, if a product developed by Telix is ultimately granted marketing approval, WILEX will receive single-digit royalties for therapeutic applications.

RENCAREX®

WILEX is looking for a financially viable commercial use for its clinical product candidate, RENCAREX®. There continues to be reason for hope given the quality of the clinical data, the need for therapies for clear cell renal cell carcinoma, the IP position and now also the prospect of a new manufacturing process for the Girentuximab antibody. If ongoing negotiations are fruitful, WILEX could receive license fees in the event of successful development and regulatory approval.

9.4 Strategy

WILEX is focused on the development and marketing of its proprietary ATAC technology. Heidelberg Pharma, the subsidiary responsible for operations, will work on developing longer-term research collaborations, signing more extensive license agreements and securing additional MTA partners for evaluation projects.

A second main focus is the advancement of its proprietary ATAC pipeline. GMP manufacturing of the first proprietary candidate HDP-101 is a critical milestone for starting clinical development in multiple myeloma at the end of 2018. For other ATAC projects such as the partnerships with Nordic Nanovector and MabVax, preclinical development will be continued and key data generated in leukemia and metastatic pancreatic cancer.

WILEX is working with the Advanced Proteome Therapeutics Corporation on location-specific protein modifications to optimize certain properties of antibodies in the interaction with linkers and toxins. In addition, various options for cooperation and extending the linker technology to molecules other than antibodies are being investigated.

In its services business, Heidelberg Pharma intends to expand the portfolio of models offered based on customer demand.

The current financing plan ensures the GMP manufacturing of the antibody and Amanitin that is important for the Company's own portfolio and possible partnerships, as well as finalizing cell line development for the antibodies. The key steps towards implementing this strategy will be realized with the funds available from the commitment made by the main investor dievini in February 2017.

Stable revenue from the services business and increased payments from Heidelberg Pharma's technology partnerships are expected to help finance in-house development work. A large part of the financing for such projects, however, will likely have to be procured via corporate actions.

9.5 Financial guidance

9.5.1 Expected results of operations

The Executive Management Board expects the WILEX Group to generate between €4.0 million and €6.0 million in revenue and other income (2016: €2.7 million) in the 2017 fiscal year. These will primarily comprise the sales revenue generated by Heidelberg Pharma and, to a lesser extent, potential milestone payments to WILEX AG.

Other income will mainly comprise government grants. Sales revenue from a potential license agreement or from the partnering of RENCAREX® was not included in this planning.

Based on current planning, operating expenses are expected to be in the range of €11.0 million to €15.0 million, higher than in the reporting year (€9.1 million).

Earnings before interest and taxes (EBIT) in the 2017 fiscal year are expected to be between €-6.0 million and €-10.0 million (2016: €-6.4 million).

The results of operations in the next few years will depend to a large extent on whether additional agreements for ADC partnerships and license agreements can be concluded with various pharmaceutical partners.

WILEX assumes that expenses will continue to exceed income in the medium term after 2016.

9.5.2 Expected financial position and net assets

If income and expenses develop as anticipated, net change in cash and cash equivalents in the 2017 fiscal year is expected to be between €-6.0 million and €-10.0 million. This corresponds to an average monthly use of cash of €0.5 million to €0.8 million.

This planning takes into account additional potential cash inflows from new licensing activities at Heidelberg Pharma. Based on current planning and assuming the financing strategy can be implemented successfully, WILEX has secured financing until the end of the second quarter of 2018.

Equity (30 November 2016: €9.7 million) will continue to decline given the anticipated loss for the 2017 fiscal year.

All measures being discussed to improve the Company's financial situation are described in detail in the "Going-concern risks" section of chapter 7, "Risk report."

Financial outlook	**Actual 2016 € million**	**Plan 2017 € million**
Sales revenue and other income	2.7	4.0 – 6.0
Operating expenses	(9.1)	(11.0) – (15.0)
Operating result	(6.4)	(6.0) – (10.0)
Total funding requirement	(7.1)*	(6.0) – (10.0)
Funds required per month	(0.6)*	(0.5) – (0.8)

* Not including the completed capital increase

10 DISCLOSURES ON THE ANNUAL FINANCIAL STATEMENTS OF WILEX AG (HGB)

The management report of WILEX AG and the Group management report for the 2016 fiscal year have been combined in accordance with Section 315 (3) in conjunction with Section 298 (3) of the German Commercial Code (HGB). The annual financial statements of WILEX AG prepared in accordance with the German Commercial Code and the combined management report are published simultaneously in the Federal Gazette.

Domiciled in Munich, WILEX AG is the parent company of the WILEX Group. WILEX AG wholly owns the company Heidelberg Pharma GmbH, Ladenburg, Germany.

The business activities, economic conditions, non-financial key performance indicators, including important contracts, and the risks and opportunities for WILEX AG have been described in detail in the relevant sections or do not differ materially from the situation of the Group.

10.1 Results of operations, financial position and net assets of WILEX AG

WILEX AG recognized a result from ordinary activities of €-0.5 million (previous year: €-4.3 million) in the 2016 fiscal year (1 December 2015 to 30 November 2016) according to German commercial law. Net loss for the year was also €0.5 million (previous year: €4.3 million).

Despite the decline in sales revenue and operating income (combined: €0.7 million; previous year combined: €1.8 million), the improvement in results in 2016 was primarily attributable to lower operating expenses (€1.9 million; previous year: €3.5 million) and the non-recurrent write-downs of financial assets in the previous year (€3.1 million).

Although WILEX was unable to reach the projected level of earnings (€1.0 million to €1.5 million), the projected range for total operating expenses (€1.5 million to €2.5 million) and the operating result (€-0.5 million to €1.5 million) were both achieved.

10.1.1 Sales revenue and other operating income

WILEX posted sales revenue of €0.1 million in the 2016 fiscal year (previous year: €0.4 million) related to the remaining portion of a milestone payment from Link Health for the out-licensing of MESUPRON®.

Other operating income of €0.6 million was lower than the previous year (€1.4 million) and mainly included income from the reversal of unutilized provisions attributable to other periods (€0.4 million; previous year: €0.9 million) that were subject to limitation.

In addition, income of €0.2 million from the loan agreement with Nuclea was recorded; this resulted from the sale of the former subsidiary WILEX Inc. In 2015, this also included income from the sale of fixtures and furniture to subletters (€0.1 million), rental income from sublease (€0.3 million) and other items (€0.1 million).

10.1.2 Operating expenses

Personnel expenses decreased from €1.0 million in 2015 to €0.7 million in the 2016 fiscal year due to the further reduction of the workforce.

Amortization of intangible assets and depreciation of property, plant and equipment totaled €14 thousand (previous year: €35 thousand).

Other operating expenses of €1.1 million decreased year over year (previous year: €2.5 million) due to the discontinuation of research and development activities and other savings in connection with the realignment of the Company.

These were mainly composed of legal and consulting costs (€0.3 million; previous year: €0.7 million), expenses related to the stock market listing (€0.3 million; previous year: €0.3 million), Supervisory Board remuneration (€0.2 million; previous year: €0.2 million) as well as costs to prepare and audit the annual financial statements (€0.1 million; previous year: €0.1 million).

10.1.3 Interest

Net interest income comprises interest income from the granting of a loan to the subsidiary Heidelberg Pharma and interest expenses in connection with the shareholder loan that dievini granted to WILEX AG. Interest and similar income mainly consists of interest income on the loan to affiliated company Heidelberg Pharma (€0.7 million; previous year: €0.5 million). Interest and similar expenses of €18 thousand were incurred due to the dievini shareholder loan.

10.1.4 Write-down of financial assets

No write-downs of financial assets were recognized in 2016. In the previous year, write-downs of €3.1 million were partly the result of the impairment loss recognized in the full amount of a loan to Nuclea Inc. (€1.4 million). In addition, a write-down of €1.7 million was taken due to the permanent impairment of the carrying amount of the equity investment in Heidelberg Pharma.

10.1.5 Financing and liquidity

With the three capital increases during the year and the cash inflow from the dievini shareholder loan, WILEX AG had sufficient funds throughout fiscal year 2016 to ensure the financing of its business operations.

WILEX AG had cash and cash equivalents of €4.1 million at the close of the fiscal year (30 November 2015: €1.1 million). However, these funds were insufficient to fund business operations at the Company's locations and conduct further research and development activities beyond the second quarter of 2017.

For this reason, WILEX's main shareholder issued another financing commitment for €10 million in February 2017. The type and details of financing are contingent on Company and market conditions. The committed funding should be sufficient to ensure financing of the planned business activities at Heidelberg Pharma and the holding activities at WILEX AG until the end of the second quarter of 2018.

10.1.6 Capital expenditures

There were no additions to property, plant and equipment and intangible assets (previous year: €21 thousand).

10.1.7 Net assets and financial position

Total assets rose by around 36% to €35.1 million compared to €25.8 million in the previous year. This increase was due to the expansion of the Heidelberg Pharma loan and the inflow of capital in connection with the financing.

Fixed assets were mainly unchanged compared to the previous year at €13.3 million at the end of 2016, with the carrying amount of the equity investment in Heidelberg Pharma accounting for almost 100% of non-current assets.

The impairment test for the carrying amount of the equity investment requires the estimation of the value in use based on the expected future cash flows of Heidelberg Pharma and the appropriate discount rate.

Impairment testing, and therefore the calculation of the lower fair value of the equity investment, is based on a model that makes assumptions with respect to company planning and uses the present value of the cash flow calculated in this way to determine the enterprise value.

Mid-term planning of the ADC business is based on a detailed five-year plan for the period from 2017 to 2021 (preclinical phase and clinical phases I and II). This is followed by a second, longer-term 17-year planning phase from 2022 to 2038 (clinical phase III, approval and market launch) that is based on model assumptions and continues the first planning phase. A terminal value for the service business is also factored into the calculation. Allowing for the risks and opportunities arising from the business activities, the weighted average cost of capital (after tax) used for the impairment test was 10.9%. Furthermore, an effective tax rate of 28.43% was used for the calculation.

Further model parameters:

- Derivation of potential sales revenue based on comparison data of approved cancer drugs
- Sustainable positive cash flows through potential licensing income not until 2026
- Maximum exploitation period for license income extended until 2038 through patents granted and new patent applications
- Discounts for the success rates of individual clinical phases according to the scientific literature

The carrying amount of the equity investment in Heidelberg Pharma was €13.2 million for the fiscal year ended, which was the same as the previous year. Despite start-up losses incurred by Heidelberg Pharma, the Executive Management Board firmly believes that, based on future revenue potential and expected future cash flows, there is no need to write down the investment above and beyond the write-down recognized in the previous year.

The receivables from affiliates include loan and interest receivables from Heidelberg Pharma under an interest-bearing, uncollateralized and indefinite loan (overdraft or credit line) granted to Heidelberg Pharma to secure its financing. Overall, this receivable (including interest) from Heidelberg Pharma increased from €11.3 million to €17.6 million in the fiscal year.

Cash and bank balances totaled €4.1 million at the end of the fiscal year (previous year: €1.1 million). For more information on the Company’s strained financial position and a possible

threat to its continuation as a going concern, refer to chapters 7.4 “Going-concern risks” and 7.6.1 “Financing risks.”

Prepaid expenses of €42 thousand (previous year: €22 thousand) mainly related to advance payments to service providers.

Equity according to commercial law increased to €30.2 million at the balance sheet date (previous year: €24.1 million). Subscribed capital increased to €12.9 million due to the capital increases implemented during the year (30 November 2015: €9.3 million). Capital reserve increased correspondingly from €197.5 million in the previous year to €200.5 million at the end of the fiscal year 2017.

Accumulated losses increased by €0.5 million due to net loss from €182.7 million to €183.2 million.

Other provisions decreased by €0.6 million, from €1.6 million in the previous year to €1.0 million as of 30 November 2016, as a result of the reversal to profit or loss of provisions no longer required (€0.4 million; previous year: €0.9 million). These included a provision for rent liability risks in the amount of €0.4 million, provisions for the bonus program for the Executive Management Board and employees (€0.1 million) and provisions for outstanding invoices (€0.5 million).

Trade payables and other liabilities remained mainly unchanged compared to the previous year at €0.1 million.

In addition, WILEX recognized for the first time liabilities to other long-term investees and investors of €3.8 million in connection with the shareholder loan granted by dievini in 2016.

Other liabilities decreased from €47 thousand in the previous year to €17 thousand at the reporting date as a result of the scale-back of business operations.

10.1.8 Cash flow statement

Cash outflow from operating activities during the reporting period was € 7.3 million (previous year: € 5.2 million). The main factors affecting this item were cash operating expenses, which exceeded cash income, and the loan payment to Heidelberg Pharma.

In 2016, there was no cash outflow for investing activities to purchase property, plant and equipment and intangible assets (previous year: €25 thousand).

The change in cash flow from financing activities was primarily attributable to the proceeds from capital increases and the dievini shareholder loan, as well as the associated cash inflows of €10.3 million (previous year: €4.2 million).

There was also a positive exchange rate effect in the amount of €6 thousand (previous year: €10 thousand).

Total net inflow of cash and cash equivalents was €3.1 million in 2016 (previous year: €1.1 million). This corresponded to an average inflow of cash of € 0.3 million per month in 2016 (previous year: outflow of € 0.1 million). Adjusted for the effects of cash inflows from capital increases and the shareholder loan, net cash outflow was €7.3 million, which corresponds to an average monthly outflow of €0.6 million.

At the end of the period, the Company had cash and bank balances of €4.1 million (previous year: €1.1 million).

10.2 Other disclosures

The Company had an average of five salaried employees during the year, all of whom worked in administration, in addition to an average during the year of one member of the Executive Management Board, who was responsible for research and development.

10.3 Financial outlook for the parent company, WILEX AG

10.3.1 Expected results of operations

The Executive Management Board expects WILEX AG to generate between €0.5 million and €1.0 million in sales revenue and other operating income in the 2017 fiscal year (2016: €0.7 million). The earnings target for 2017 does not include potential sales revenue from a potential additional license agreement.

WILEX AG is seeking a quick, financially viable commercial use for RENCAREX® by out-licensing it.

Total operating expenses in 2017 are expected to be in the range of €1.5 million to €2.5 million if business proceeds as planned, thus remaining at a level similar to the 2016 reporting period (€1.9 million).

The operating result in the 2017 fiscal year is expected to be between €-1.0 million and €-1.5 million (2016: €-1.2 million).

It is assumed that expenses will continue to exceed income in the short and medium term.

10.3.2 Expected financial position and net assets

If income and expenses develop as anticipated, financing requirements in the 2017 fiscal year for WILEX AG's business operations will be higher than in 2016. Thus, the funds used in the Company's role as the parent company of Heidelberg Pharma will be approximately the level of the consolidated figure of between €6.0 million and €10.0 million. This corresponds to an average monthly use of cash of €0.5 million to €0.8 million.

Viewed in isolation, equity as defined by German commercial law (30 November 2016: €30.2 million) would continue to decline given the anticipated loss for the 2017 fiscal year. However, the Company could carry out several capital increases in connection with the financing commitment, which would offset this effect.

All measures being discussed to improve the Company's financial situation are described in detail in the "Going-concern risks" section of chapter 7, "Risk report" and in chapter 8 "Report on post-balance sheet events."

Munich, 27 March 2017

The Executive Management Board of WILEX AG

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Consolidated statement of comprehensive income (IFRS)

for the fiscal year from 1 December 2015 to 30 November 2016

	Note	2016 €	2015 €
Sales revenue	21	1,362,137	2,283,864
Other income	22	1,381,320	1,637,574
Income		**2,743,458**	**3,921,438**
Cost of sales	23	(809,061)	(1,139,865)
Research and development costs	23	(6,119,032)	(4,444,590)
Administrative costs	23	(1,954,236)	(4,512,150)
Other expenses	23	(222,159)	(341,337)
Operating expenses		**(9,104,488)**	**(10,437,941)**
Operating result		**(6,361,030)**	**(6,516,503)**
Finance income	26	1,161	3,166
Finance costs	26	(19,719)	(545)
Financial result	**26**	**(18,559)**	**2,621**
Earnings before tax		**(6,379,589)**	**(6,513,881)**
Income tax	27	(9,445)	(37,736)
Net loss for the year		**(6,389,034)**	**(6,551,617)**
Comprehensive income		**(6,389,034)**	**(6,551,617)**
Earnings per share	28		
Basic and diluted earnings per share		(0.53)	(0.75)
Average number of shares issued		11,980,894	8,776,087

Rounding of exact figures may result in differences.

Consolidated balance sheet (IFRS)

for the fiscal year as of 30 November 2016

Assets	Note	30 Nov. 2016 €	30 Nov. 2015 €
Property, plant and equipment	9	1,266,847	985,053
Intangible assets	10	2,842,216	2,867,070
Goodwill	10	6,111,166	6,111,166
Other non-current assets	11	31,350	69,980
Non-current assets		**10,251,579**	**10,033,268**
Inventories	12	190,238	279,168
Prepayments	13	41,888	22,451
Trade receivables	14	91,343	366,749
Other receivables	14	92,042	94,604
Cash and cash equivalents	15	4,574,382	1,305,697
Current assets		**4,989,894**	**2,068,669**
Total assets		**15,241,473**	**12,101,937**

Equity and liabilities	Note	30 Nov. 2016 €	30 Nov. 2015 €
Subscribed capital	16	12,927,564	9,305,608
Capital reserve	16	191,076,991	188,033,840
Accumulated losses	16	(194,248,324)	(187,859,290)
Equity	16	**9,756,231**	**9,480,158**
Pension obligations	17	7,130	5,210
Non-current liabilities		**7,130**	**5,210**
Trade payables	18	132,063	279,205
Provisions	18	408,201	468,528
Other current liabilities	18	1,189,819	1,868,837
Financial liabilities	19	3,748,028	0
Current liabilities		**5,478,112**	**2,616,569**
Total equity and liabilities		**15,241,473**	**12,101,937**

Rounding of exact figures may result in differences.

Consolidated statement of changes in equity (IFRS)

for the fiscal year from 1 December 2015 to 30 November 2016

	Note	Shares	Subscribed capital €	Capital reserve: Corporate actions/ premium €	Capital reserve: Stock options €	Accumulated losses €	Total €
				181,949,202	3,415,635		
As of 1 December 2014		**7,818,876**	**7,818,876**	**185,364,837**		**(181,307,673)**	**11,876,040**
Stock options	24				46,168		46,168
Net loss for the year						(6,551,617)	(6,551,617)
Capital increase after accounting for capital procurement costs		1,486,732	1,486,732	2,622,835			4,109,567
Net change in equity							**(2,395,883)**
				184,572,037	3,461,803		
As of 30 November 2015	**16**	**9,305,608**	**9,305,608**	**188,033,840**		**(187,859,290)**	**9,480,158**
				184,572,037	3,461,803		
As of 1 December 2015		**9,305,608**	**9,305,608**	**188,033,840**		**(187,859,290)**	**9,480,158**
Stock options	24				78,166		78,166
Net loss for the year						(6,389,034)	(6,389,034)
Capital increase after accounting for capital procurement costs		3,621,956	3,621,956	2,964,986			6,586,942
Net change in equity							**276,074**
				187,537,023	3,539,969		
As of 30 November 2016	**16**	**12,927,564**	**12,927,564**	**191,076,991**		**(194,248,324)**	**9,756,231**

Rounding of exact figures may result in differences.

Consolidated cash flow statement (IFRS)

for the fiscal year from 1 December 2015 to 30 November 2016

	Note	2016 €	2015 €
Net loss for the year		**(6,389,034)**	**(6,551,617)**
Adjustment for items in the statement of comprehensive income			
Stock options	24	78,166	46,168
Depreciation, amortization and impairment losses	23	279,887	311,586
Measurement item not relevant for cash flow		0	2,324,002
Finance costs	26	19,770	545
Finance income	26	(1,212)	(3,166)
Tax expense	27	9,445	37,736
		386,057	**2,716,871**
Changes in balance sheet items			
Inventories	12	88,930	(89,458)
Trade receivables	14	355,005	(225,049)
Other receivables	14	(739,688)	(1,432,379)
Prepayments	13	(19,437)	51,883
Financial assets		0	1,777,083
Other non-current assets	11	38,630	(1,689,418)
Trade payables	18	(147,141)	1,710
Provisions	18	(26,967)	(261,981)
Other liabilities	18	(80,709)	905,221
		(531,378)	**(962,388)**
Cash flow from operating activities		**(6,534,355)**	**(4,797,135)**
Finance costs paid	26	(1,741)	(690)
Finance income received	26	1,212	1,783
Net cash flow from operating activities		**(6,534,884)**	**(4,796,042)**
Cash flow from investing activities			
Purchase of property, plant and equipment	9	(523,613)	(199,101)
Purchase of intangible assets	10	(14,256)	(7,924)
Net cash flow from investing activities		**(537,869)**	**(207,026)**
Cash flow from financing activities			
Change in shareholder loan	19	3,748,028	0
Proceeds from capital increases	16	6,664,399	4,162,850
Capital increase costs	16	(77,458)	(37,077)
Repayment of finance leases	29	0	(23,865)
Net cash flow from financing activities		**10,334,970**	**4,101,907**
Influence of foreign exchange effects on cash and cash equivalents		6,468	10,048
Net change in cash and cash equivalents		**3,268,685**	**(891,111)**
Cash and cash equivalents			
at beginning of period	15	1,305,697	2,196,808
at end of period	15	4,574,382	1,305,697

Rounding of exact figures may result in differences.

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. 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 18, 81675 Munich, Germany. Since 13 November 2006, the shares of WILEX AG have been listed in the Regulated Market/Prime Standard of the Frankfurt/Main stock exchange using the symbol WL6 (securities identification number A11QVV / ISIN DE000A11QVV0.

"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 subsidiary Heidelberg Pharma GmbH, Ladenburg, Germany are reported.

WILEX AG is a biopharmaceutical company based in Munich, Germany, that acts as a holding company and Group parent.

R&D activities are focused on the operations of WILEX's subsidiary Heidelberg Pharma in Ladenburg, which refines and markets a proprietary novel technology platform for therapeutic antibody drug conjugates (ADCs) and offers preclinical services. Heidelberg Pharma is the first company to utilize and develop the compound Amanitin for cancer therapies. It uses the toxin's unique biological mode of action as a new therapeutic principle, employing its ATAC (**A**ntibody **T**argeted **A**manitin **C**onjugates) technology platform for this purpose. The objective is to produce, research and develop selected proprietary therapeutic antibody drug conjugates as well as a large number of ATAC candidates in collaborations with external partners.

WILEX's clinical product candidates MESUPRON® (2014) and REDECTANE® (2017, see note 33.1) have been out-licensed; RENCAREX® is available for out-licensing and further development.

1.1 Consolidated company

Heidelberg Pharma GmbH

On 3 November 2010, WILEX AG signed an agreement, with the approval of the Supervisory Board, with all shareholders of Heidelberg Pharma AG regarding the acquisition of all shares in Heidelberg Pharma AG 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 AG acquired all of the shares in Heidelberg Pharma AG 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"), Heidelberg Pharma AG became a wholly-owned subsidiary of WILEX AG and thus an integral part of the WILEX Group. 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.

2 Application of new and revised standards

2.1 New and revised standards and interpretations

First-time application of the following standards and interpretations was mandatory in the past fiscal year beginning on 1 December 2015: All of the amendments listed had either no or just minor effects on the fiscal year just ended or the previous fiscal year.

Amendments to IAS 19: Employee Benefits (EU effective date: 1 February 2015)

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed as well as permits relief if the amount of the contributions is independent of the number of years of service.

Annual Improvements 2010 - 2012 (effective date: 1 February 2015); 2011 - 2013 (effective date: 1 January 2015)

Amendments and clarifications to various IFRSs.

2.2 New and revised standards and interpretations whose application in the consolidated financial statements was voluntary or who were not yet applicable

Application of the following interpretations and standards was voluntary or not yet required as of 1 December 2015. These interpretations and standards were not yet applied by WILEX in the past fiscal year. All of the new and amended standards and interpretations listed would have had either no or just minor effects on the fiscal year just ended or the previous fiscal year.

2.2.1 New and revised standards and interpretations adopted by the EU

Amendments to IFRS 11: Joint Arrangements (effective date: 1 January 2016)

An acquirer of interests in joint operations constituting a business as defined in IFRS 3 must apply all of the principles for accounting for business combinations in IFRS 3 and other IFRSs as long as these do not contradict the guidance in IFRS 11.

IAS 16: Property, Plant and Equipment / IAS 38: Intangible Assets (effective date: 1 January 2016)

These amendments provide guidelines indicating the possible methods of depreciation of property, plant, and equipment and amortization of intangible assets, particularly with regard to revenue-based methods.

Amendments to IAS 16: Property, Plant and Equipment / IAS 41: Agriculture (effective date: 1 January 2016)

With these amendments, bearer plants that no longer undergo significant biological transformation are brought within the purview of IAS 16 so that they can be accounted for in the same way as property, plant, and equipment.

Amendments to IAS 27: Separate Financial Statements (effective date: 1 January 2016)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements.

Annual Improvements 2012 – 2014 (effective date: 1 January 2016)

Amendments and clarifications to various IFRSs.

Amendments to IAS 1: Presentation of Financial Statements (effective date: 1 January 2016)

The amendments aim to remove impediments to preparers in exercising their judgment in presenting financial statements.

Amendments to IFRS 10: Consolidated Financial Statements / IFRS 12: Disclosures of Interests in Other Entities / IAS 28: Investments in Associates and Joint Ventures: Investment Entities — Applying the Consolidation Exception (effective date: 1 January 2016)

The amendments address circumstances that have arisen in connection with application of the consolidation exception for investment entities.

New standard IFRS 15: Revenue from Contracts with Customers (effective date: 1 January 2018)

This standard governs the time when and amount in which revenue must be recognized. IFRS 15 replaces IAS 18 Revenue, IAS 11 Construction Contracts and a number of revenue-related interpretations. IFRS 15 is mandatory for all IFRS adopters and applies to nearly all contracts with customers — the major exceptions are leases, financial instruments and insurance contracts.

This also includes clarifications of the standard that will also be applied from 1 January 2018.

New standard IFRS 9: Financial Instruments (effective date: 1 January 2018)

This standard provides comprehensive guidance on accounting for financial instruments. The new and revised classification rules for financial assets in the latest version of IFRS 9 constitute the primary changes from the predecessor standard IAS 39. These are based on the type of business model and contractual cash flows associated with the financial assets. Also, completely new are the rules regarding the recognition of credit losses, which are now based on an expected loss model. Accounting for hedges was also reformed in IFRS 9 and aims to more accurately reflect risk management activity.

2.2.2 New and revised standards and interpretations that have been approved by the IASB, but have not yet been adopted by the EU

New standard IFRS 14: Regulatory Deferral Accounts (effective date: 1 January 2016)

IFRS 14 Regulatory Deferral Accounts permits entities that are first-time adopters of IFRSs to continue to recognize, with certain restrictions, regulatory deferral account balances in their financial statements in accordance with their previous accounting principles. This applies to both the initial financial statements according to IFRSs and subsequent financial statements. Regulatory deferral accounts, and movements in them, must be reported separately in the statement of financial position and income statement or in other comprehensive income. In addition, certain disclosures are required.

Amendments to IAS 12: Income taxes (EU effective date: 1 January 2017)

The amendment entitled *Recognition of deferred tax assets for unrealized losses* clarifies several issues.

Amendments to IAS 7: Statement of Cash Flows (EU effective date: 1 January 2017)

The amendments in *Disclosure Initiative* (Amendments to IAS 7) come with the objective that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Annual Improvements 2014 – 2016 (effective date: 1 January 2017 and 1 January 2018)

Amendments and clarifications to various IFRSs.

Amendments to IFRS 2: Share-based payment (EU effective date: 1 January 2018)

These amendments clarify issues relating to the classification and measurement of share-based payment transactions such as:

- accounting for cash-settled share-based payment transactions that include a performance condition,
- classification of share-based payments settled net of tax withholdings, and
- accounting for modification of share-based payment transactions from cash-settled to equity-settled.

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (EU effective date: 1 January 2018)

The amendments provide entities that issue insurance contracts within the scope of IFRS 4 with two options:

One option permits entities to reclassify some of the income or expenses arising from designated financial assets from profit or loss to other comprehensive income. This is known as the “overlay approach.”

The other option provides a temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4. This is known as the “deferral approach.”

Entities apply the overlay approach retroactively to qualifying financial assets upon first-time application of IFRS 9. The deferral approach would be applied for annual periods beginning on or after 1 January 2018. The application of both approaches is optional, and entities are permitted to stop applying them before the new standard on insurance contracts is issued.

New interpretation IFRIC 22: Foreign Currency Transactions and Advance Consideration (EU effective date: 1 January 2018)

The Interpretations Committee reached the following conclusions:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or non-monetary deferred income liability.
- If there are multiple payments or receipts in advance, a transaction date is established for each payment and each receipt.

Amendments to IAS 40: Investment Property (effective date: 1 January 2018)

- Paragraph 57 was amended to clarify that an entity can only transfer a property to or from investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management’s intentions for the use of a property does not of itself constitute evidence of a change in use.
- The list of evidence in paragraph 57(a) – (d) was specified as a non-exhaustive list of examples instead of the previous exhaustive list.

Amendments to IFRS 15: Revenue from Contracts with Customers (effective date: 1 January 2018)

The clarifications do not include changes in the standard's basic principles; they provide clarifications and additional transitional relief only.

New standard IFRS 16: Leases (effective date: 1 January 2019)

The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. For lessors, the rules in IAS 17 "Leases" remain largely in effect. Going forward lessors will continue to distinguish between finance and operating leases with different accounting treatments for each.

Amendments to IFRS 10 and IAS 28) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date: postponed indefinitely)

The amendments address a conflict between the requirements in IAS 28 Investments in Associates and Joint Ventures and those in IFRS 10 Consolidated Financial Statements.

3 Key accounting policies

The significant accounting policies applied are explained below.

3.1 Statement of conformity

These consolidated financial statements were prepared in accordance with the International Financial Reporting Standards (IFRSs) and the Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as applicable in the European Union (EU). Moreover, the supplementary provisions of Section 315a German Commercial Code (HGB) were applied.

3.2 Basis for preparation of the consolidated financial statements

The reporting period begins on 1 December 2015 and ends on 30 November 2016. It is referred to hereafter as the "2016 fiscal year" ("2015 fiscal year" for the previous period).

A comprehensive, multi-stage financing strategy that involved several transactions was approved at the end of November 2015. WILEX's main shareholder dievini supported this strategy with a financing commitment of €10 million. During the reporting period, three capital increases were implemented with the help of this financing commitment, and a shareholder loan was extended to WILEX.

The first two transactions were completed in December 2015 and entered in the Commercial Register on 11 December 2015. The share capital was increased by 10% by way of a private placement excluding the other shareholders' subscription rights. Main shareholder dievini acquired all 930,560 new no par value bearer shares from authorized capital at an issue price of €1.84, raising the share capital from €9,305,608 to €10,236,168.

A capital increase using authorized capital including subscription rights of all shareholders was subsequently implemented. WILEX AG shareholders acquired all 443,124 new shares by exercising their subscription and additional subscription rights at a subscription price of €1.84 per share. dievini exercised all of its subscription rights and also subscribed shares as part of the additional subscription. Accordingly, this second capital increase lifted the Company's share capital from €10,236,168 to €10,679,292.

In a third capital increase that was completed in April 2016 and entered in the Commercial Register on 27 April 2016, 2,248,272 shares were made available for subscription and additional subscription by means of a capital increase from authorized capital. By the end of

the subscription period on 22 April 2016, the shareholders had subscribed 1,074,845 new shares at a price of €1.84 per share. The 1,173,427 unsubscribed new shares were taken over by dievini by way of a private placement at the same price of €1.84. After the implementation of the capital increase was entered in the Commercial Register, the Company's share capital increased from €10,679,292 to €12,927,564.

In October 2016, a subordinated loan agreement was signed with the main shareholder dievini for a total amount of €3.7 million, which was paid out at the beginning of November. The amount of the loan granted by dievini corresponds to the remaining amount of the financing commitment from November 2015 of €10 million.

However, as of the 30 November 2016 reporting date, WILEX's cash and cash equivalents without additional measures were not sufficient to cover the Group's financing requirements for the next twelve months. Cash and cash equivalents as of this date would not have lasted beyond the end of the second quarter of 2017. As a result, it would not have been possible to prepare the financial statements on a going-concern basis.

After the end of the fiscal year, the main shareholder dievini made a commitment to the Company in February 2017 to provide cash of up to €10 million. The details of the financing will be decided by the Executive Management Board and the Supervisory Board of WILEX AG with dievini at a later date. This commitment and the cash on hand secure a cash reach until the end of the second quarter of 2018 based on Group-wide financial and liquidity planning, and therefore the Company's continued financial existence.

Description of future measures

By the Executive Management Board's estimate, the cash currently on hand and the planned inflow of cash supported by dievini's financing commitment are expected to guarantee continuation of the Company's business activities for at least the next 12 months in view of the current status of the technology and licensing prospects, and based on the updated planning. Against this backdrop, the value of all assets, especially intangible assets and goodwill, is recoverable. At this time, WILEX expects its cash to be sufficient until the end of second quarter of 2018.

The financing commitment by dievini was therefore a necessary requirement for preparing the IFRS consolidated financial statements on a going-concern basis in accordance with IAS 1.25. At the time the financial statements were being prepared it could be assumed that the Company would continue to operate as a going concern over the next twelve months.

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

These consolidated financial statements were prepared by the Executive Management Board on 27 March 2017 and released for publication in accordance with IAS 10. The consolidated financial statements are to be approved by the Supervisory Board on 28 March 2017. The Supervisory Board can decline to approve the consolidated financial statements and Group management report released by the Executive Management Board, in which case the consolidated financial statements would have to be approved in the Annual General Meeting.

Due to commercial rounding up or down of exact figures, it is possible that individual figures in these consolidated financial statements may not add up exactly to the totals and that percentages given may not precisely reflect the absolute figures to which they relate.

3.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the parent company WILEX AG and its subsidiary Heidelberg Pharma GmbH, which it controls in accordance with IRFS 10.6/10.7.

All intra-group transactions, balances and profits and losses are eliminated in full during consolidation. Figures can be compared directly with those of the previous year because the Group structure did not change. The annual financial statements of the subsidiary are adjusted, if necessary, to bring their accounting policies in line with those used by the Group.

3.4 Foreign currencies

The consolidated financial statements are prepared in euros (€), the Group's functional currency.

Transactions settled in currencies other than the respective local currency are recognized in the separate financial statements at the foreign exchange rate on the transaction date. The temporal method is applied pursuant to IAS 21.21 ff.

At the end of each reporting period the following steps are taken in accordance with IAS 21.23

- monetary amounts in a foreign currency are translated at the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction;
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

WILEX carries out business processes in US dollars (USD) and, to a smaller extent, in Swiss francs (CHF), British pounds (GBP) and other foreign currencies. No sales revenue was generated in foreign currencies in fiscal year 2016; the foreign currency business processes exclusively concern expenses.

The translation of USD amounts within the Group was based on the following euro exchange rates: For reasons of materiality, no exchange rates of other currencies are shown.

- Closing rate 30 November 2016: €1 = USD 1.0627 (previous year: €1 = USD 1.0578)
- Average exchange rate FY 2016: €1 = USD 1.1058 (previous year: €1 = USD 1.1221)

Differences may result from commercial rounding of exact figures.

3.5 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 and is recognized at historical cost less accumulated depreciation and impairment losses.

The cost less net carrying amount is depreciated on a straight-line basis over the useful life of the asset. The expected useful lives, net carrying amounts and depreciation methods are reviewed at every reporting date and all necessary changes to estimates are applied prospectively. In addition, impairment charges are recognized immediately if assets are impaired as defined by IAS 36.

Depreciation of property, plant and equipment is based on the following useful lives:

- Laboratory equipment 8 to 14 years
- Other office equipment 3 to 23 years
- Leased property, plant and equipment 10 years

Expenses for the repair and maintenance and for the replacement of subordinate items are recognized in income at the time they arise. Extensive replacements and new fixtures and fittings are capitalized 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 derecognized. Any gains or losses resulting from such disposal are recognized in profit or loss in the fiscal year.

Impairment losses are recognized if the recoverable amount of property, plant and equipment is lower than the net carrying amount.

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

See note 3.20 for information on the accounting treatment of finance leases recognized in property, plant and equipment.

3.6 Intangible assets

3.6.1 Separately acquired intangible assets

Intangible assets not acquired in a business combination with a determinable useful life are carried at cost less accumulated amortization and impairment losses. Amortization is on a straight-line basis over the expected useful life of the asset and is recognized as an expense. The expected useful life and the amortization method are reviewed at every reporting date and all necessary changes to estimates are applied prospectively. Separately acquired intangible assets with an indefinite useful life are carried at cost less accumulated impairment losses.

In addition, impairment charges are recognized if assets are impaired as defined by IAS 38.111 in conjunction with IAS 36.

The following useful lives are assumed for intangible assets, which comprise capitalized licenses, patents and software:

- Licenses und patents 12.5 to 20 years
- Software 3 years

3.6.2 Intangible assets acquired from a business combination

Intangible assets acquired from a business combination, as well as the not yet ready for use intangible assets (In Process Research & Development, or IP R&D) and the acquired customer base resulting from the takeover of Heidelberg Pharma AG, are recognized separately from goodwill and measured at fair value, i.e., cost, as of the date of acquisition.

In subsequent periods, intangible assets with a definite useful life that were acquired in a business combination are measured in the same way as separately acquired intangible assets: at cost less accumulated amortization and any accumulated impairment losses.

The following useful lives are assumed here:

- Acquired customer base 9 years

The intangible assets not yet ready for use (IP R&D) are not yet being amortized. The development of the ADC technology and other IP components is ongoing, and no antibody-specific product license agreement (PLA) that would specify the current 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 IFRSs. Amortization of this asset will begin once the development work has been completed.

Goodwill and IP & R&D are also not amortized. Instead, they are tested for impairment annually (compare notes 3.8 and 8).

3.6.3 Research and development costs

Costs for research activities are recognized as expenses in the periods in which they are incurred.

Internally generated intangible assets resulting from development activities are recognized if and only if the following has been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- The Group's intention to complete production of the intangible asset and use or sell it.
- The Group's 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 from the use 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.
- The Group's ability to measure reliably the expenditure attributable to the intangible asset during its development.

Since these requirements have not been met, no intangible assets could be recognized in the development phase.

At present, all research and development costs are therefore recognized in the income statement for the fiscal year in which they arise.

3.7 Impairment of property, plant and equipment and intangible assets with the exception of goodwill

The Company reviews the carrying amounts of property, plant and equipment and intangible assets at every reporting date to determine whether there is reason to believe that these assets are impaired. If there is indication of impairment, the recoverable amount of the asset is determined to identify the scope of a possible impairment loss. If the recoverable amount of the individual asset cannot be determined, then the recoverable amount of the cash generating unit to which the asset belongs is estimated.

In the case of intangible assets with an indefinite useful life and those not yet available for use, an impairment test is performed at least once a year and in all cases where there is indication of impairment.

The recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. The estimated future cash flows are discounted using a pre-tax rate when determining the value in use. On the one hand, this pre-tax rate takes into account the current market estimate of the present value of the funds. On the other hand, it reflects the risks inherent in the asset to the extent that these have not already been incorporated into the cash flow estimate.

If the estimated recoverable amount of an asset or a cash generating unit falls below the carrying amount, then the relevant carrying amount is decreased to the recoverable amount. The impairment is recognized immediately in profit or loss.

If there is a subsequent reversal of the impairment loss, the carrying amount of the asset or the cash generating unit is increased to the new estimate of the recoverable amount. The increase in carrying amount is limited to the amount that would have resulted if no impairment losses had been recognized in previous years. An impairment reversal is recognized immediately in profit or loss.

3.8 Goodwill

The goodwill resulting from a business combination is recognized at cost less impairment losses, as required, and is reported separately in the consolidated balance sheet.

For purposes of impairment testing, the goodwill must be distributed among each of the Group’s cash generating units expected to derive benefit from the synergies generated by the business combination.

Cash generating units to which the goodwill is allocated must be tested for impairment at least annually. As soon as there is some indication of impairment, the cash generating unit must be tested immediately. If the recoverable amount of a cash generating unit is less than the carrying amount of the unit, then the impairment loss must be initially allocated to the carrying amount of the allocated goodwill and subsequently pro rata to the other assets based on the carrying amounts of each asset within the cash generating unit. Any impairment loss on goodwill is recognized directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognized on goodwill may not be reversed in future periods.

3.9 Other non-current assets

When leases for buildings and laboratory equipment and motor vehicles are signed, rent security or security for leased equipment may have to be paid to the landlord or lessor. Depending on the duration of the lease, this item is allocated to non-current or current assets as of the reporting date.

3.10 Inventories

Inventories comprise raw materials, consumables and supplies and work in progress.

Inventories are measured at the lower of cost and net realizable value based on the FIFO method. The cost of sales for internally generated inventories contains all directly attributable costs as well as a reasonable percentage of the general overhead costs. Borrowing costs are not included in the cost of inventories because the performance period is shorter than 12 months.

3.11 Trade receivables

Trade receivables belong to the category of loans and receivables (see note 3.14), which are measured at amortized cost. They are therefore recognized at the initial invoice amount net of any adjustments for doubtful accounts. Such adjustments are based on an assessment by management of the recoverability and aging structure of specific receivables.

3.12 Prepayments made

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

3.13 Other receivables

Receivables are initially recognized at fair value and subsequently at amortized cost, less any impairment losses. An impairment of other receivables is recognized if there is an objective, substantial indication that not all of the amounts due according to the original contractual terms and conditions are recoverable or discounting that is adequate for the maturity and risk-adjusted seems reasonable. The impairment is recognized in profit or loss.

3.14 Financial instruments

Financial instruments in accordance with IAS 39 are classified according to type:

- Financial assets or financial liabilities at fair value through profit or loss. This category comprises two sub-categories:
    - 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 recognized at the fair value at every balance sheet date. The remeasurement gains or losses are recognized the net profit/loss for the period. No such assets or liabilities were recognized 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 net profit/loss for the period. 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 recognized in the period under review.
- Available-for-sale financial assets: Non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss are allocated to this category. In particular, this concerns interest-bearing securities, shares and equity interests. They are measured at the fair value. Equity instruments shall be measured at amortized cost if their fair value cannot be reliably determined. No such assets or liabilities were recognized 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

amortized cost. The following are excluded from classification as held-to-maturity investments: (a) financial assets that the entity upon initial recognition designates as at fair value through profit or loss; (b) those that the entity designates as available for sale; and (c) those that meet the definition of loans and receivables.

WILEX currently does not recognize any of the financial instruments listed above.

- 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 amortized cost. Any impairment is recognized in profit or loss at the time the amortized 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 recognized 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 recognized in net financial result over the relevant term. They are also measured at amortized cost.

Financial liabilities are initially measured at fair value. After initial recognition, all financial liabilities shall be measured at amortized cost using the effective interest method, except for:

(a) Financial liabilities at fair value through profit or loss.

(b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

(c) The financial guarantee contracts as defined in IAS 39.9.

(d) Commitments to provide a loan at a below-market interest rate.

All financial liabilities of WILEX shall subsequently be measured at amortized cost using the effective interest method.

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 recognized as non-current financial instruments while those with a remaining life of up to one year are recognized 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.

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 utilize hedge accounting for hedging currency risks. Potential currency risks concern the US dollar in particular. Insignificant amounts of cash and cash equivalents are held in US dollars to minimize risk.

3.15 Capital management

3.15.1 Composition of equity

The Group's equity consists of the subscribed capital, which is denominated in common bearer shares with a notional value of €1.00 each. Additional costs directly attributable to the issue of new shares and a capital measure are recognized under equity as a deduction from equity (e.g. from capital reserves).

The Company's capital comprises its equity including subscribed capital, capital reserves and accumulated deficits.

Due to the three capital increases completed during the fiscal year upon their entry in the Commercial Register on 9 December 2015 and 25 April 2016, the share capital totaling €9,305,608.00 increased by €3,621,956.00 from authorized capital to €12,927,564.00. The capital reserve increased correspondingly from €188.0 million to €191.1 million.

3.15.2 Capital management

The capital management program of WILEX serves to create a solid capital base and to safeguard it in a sustainable manner so as to be able to continue to assume the going-concern premise and to operate under this premise. Given the losses the Company has incurred since its founding, 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. In the fiscal year ended a capital increase was carried out in this context, but no capital was borrowed from banks.

Management regularly monitors the liquidity and equity ratios and the sum of the items recognized in equity. There were no changes during the reporting year in the Company's strategy or objectives as they relate to its capital management program.

In €'000	**30 Nov. 2016**	**30 Nov. 2015**
Liquidity	4,574	1,306
In % of total capital	30.0%	10.8%
In % of current liabilities (cash ratio)	83.5%	49.9%
Equity	9,756	9,480
In % of total capital	64.0%	78.3%
Liabilities	5,485	2,621
In % of total capital	36.0%	21.7%
Total capital	**15,241**	**12,101**

The liquidity ratios (ratio of available cash and cash equivalents to either total capital or current liabilities) increased uniformly compared with the prior-year comparable figures due to the cash inflow from capital increases and the shareholder loan.

The ratio of liquidity to total capital rose from 10.8% to 30.0%. Analogously, the cash ratio, defined as cash and cash equivalents divided by current liabilities, increased from 49.9% to 83.5%.

The equity ratio was 64.0% as of 30 November 2016. Because of the increase in liquidity and the related increase in total assets, at the end of the reporting year this figure was lower than in the previous year (78.3%).

Preventing the share capital from being reduced by more than half by losses in the separate financial statements prepared under German commercial law is a quantitative control variable of equity management.

3.16 Liabilities and provisions

Liabilities are recognized if a legal or constructive obligation exists towards third parties. With the exception of financial liabilities, liabilities are carried at their settlement amount. In contrast, financial liabilities are initially measured at their fair value. They are subsequently measured at amortized cost. All liabilities that fall due within at least one year are recognized as non-current liabilities; they are discounted to their present value.

Provisions are recognized if the Group has a present obligation from a past event, it is probable that the Group will have to meet this obligation and its amount can be estimated reliably. The provision amount recognized is the best estimated amount as of the reporting date for the expenditure required to fulfill the present obligation, taking into account the risks and uncertainties inherent in the obligation. If it is expected that the amount required to settle the provision will be reimbursed by a third party in whole or in part, this claim is recognized accordingly under other receivables.

3.17 Income taxes

Income tax expense is composed of the current tax expense and deferred taxes. The significant loss carryforwards prevented material tax liabilities from occurring.

Deferred income taxes are recognized by applying the balance sheet liability method for temporary differences which arise between the tax base of the assets and liabilities 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 realized or a debt is settled. Deferred tax assets and deferred tax liabilities are not recognized when the temporary differences arise from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in transactions which are not business combinations and affect neither accounting profit nor taxable profit (tax loss).

Deferred tax assets are recognized 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 recognized to the extent it is probable that the benefit arising will be realized in future.

If relevant, current or deferred taxes are recognized in profit or loss, unless they are related to items that are either recognized in other comprehensive income or directly in equity. In this case, the current or deferred tax must also be recognized in other comprehensive income or directly in equity.

3.18 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 (stock options). It is assumed that the options are converted in full in the reporting period. The number of shares issued to the option holder as consideration for the proceeds generated, assuming exercise at the exercise price, is compared with the number of shares that would have been issued as consideration for the proceeds generated assuming the average market value of the shares. The difference is equal to the dilutive effect resulting from the potential shares and corresponds to the number of shares issued to the option holder compared to another market participant receiving no consideration. The proceeds 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 3.19) could potentially dilute the diluted earnings per share in future. Because the stock options issued are currently not dilutive given WILEX AG's share price performance, the diluted and basic earnings per share are identical.

3.19 Employee and Executive Management Board member benefits

3.19.1 Share-based payment

Equity-settled share-based payment provided to employees in the form of stock options is recognized at the fair value of the relevant option prevailing on the respective grant date. Additional information on calculation of the fair value of share-based payment is presented in note 24.

The fair value calculated upon equity-settled share-based payment is recognized as an expense using the straight-line method over the period until vesting with a corresponding increase in equity and is based on the Company's expectations with regard to the equity instruments which are likely to vest. At each reporting date, the Group must review its estimates regarding the number of equity instruments vesting. The effects of changes to the original estimates, if any, must be recognized as in profit or loss in such a way that the cumulative expense reflects the change in the estimate and results in a corresponding adjustment in the reserve for equity-settled share-based payments to employees.

3.19.2 Profit-sharing scheme

WILEX recognizes both a liability and an expense for bonus entitlements of both Executive Management Board members and employees. A liability is recognized 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 remuneration are contingent on the achievement of personal targets and the Company's performance targets. The performance-based remuneration 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 research and development, the securing of the Company's further funding and the future performance of WLEX's shares.

Since profit-sharing payments are made subsequently as of the reporting date and there is uncertainty in terms of their amount as a result, the Company recognizes a corresponding provision that is measured using estimates and judgments based on previous payments.

3.19.3 Pension costs

Payments for defined-contribution pension plans for current and former Executive Management Board members and managing directors are recognized as expenses when the beneficiaries have performed the work that entitles them to the contributions. Currently there is a pension plan at Heidelberg Pharma into which contributions are still being paid.

No material future contributions to a defined benefit pension plan for a former Executive Management Board member at WILEX AG are expected due to the nature of the commitment (one-time payment in the maximum amount of €47 thousand when the benefit comes due) and a reinsurance policy funded with a one-time payment of €15 thousand in 2000 constituting the plan assets. If capital market developments are unfavorable, there could be a coverage gap between the future one-time payment promised to the beneficiary and the existing plan assets totaling no more than approximately €10 thousand.

The payments into a defined contribution plan as pledged in exchange for the work performed by the beneficiaries are expensed in the fiscal year in question. The income from the plan assets and the expenses from the defined benefit pension commitment at WILEX AG are recognized in the fiscal year they arise.

3.19.4 Employer's contributions to the statutory pension insurance scheme

In the 2016 fiscal year, WILEX paid €234 thousand in employer contributions to the statutory pension insurance scheme; this expense is allocated to staff costs (previous year: €220 thousand).

3.20 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. Assets from finance leases are recognized 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 recognized 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 rewards associated with ownership remain essentially with the lessor, are deemed to be operating leases. Any payments made under operating leases are recognized in income on a straight-line basis over the term of the lease.

3.21 Recognition of revenue and earnings

Sales revenue and other income are measured at the fair value of the consideration received or receivable and reduced by discounts and similar deductions.

WILEX's business activities are aimed at generating revenue from cooperation agreements and/or license 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 provision of services as part of its customer specific contract research.

3.21.1 Sales revenue from cooperation and out-licensing agreements

Sales revenue from such agreements can consist of up-front payments, milestone payments or cost reimbursements for current project development and management.

Up-front payments are due as prepayments at the start of a given cooperation. Revenue recognition in connection with up-front payments requires a case-by-case analysis of the overall circumstances and is therefore contingent on the content of the relevant contract. Revenue is recognized upon receipt of the invoice providing all conditions in IAS 18.14 ff. have been satisfied. Where individual conditions have not been met, the up-front payments received are recognized as deferred income and recognized on a pro-rata basis 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 normally generate sales revenues in the form of cost reimbursements for ongoing project development with the respective partner that are billed as the costs are incurred and reported as sales.

3.21.2 Sales revenue from the provision of services

Income from service contracts is recognized according to the percentage of completion. The percentage of completion is determined as follows: Income from customer-specific research is calculated on a time-and-materials basis and recognized at the contractually agreed hourly rates and directly incurred costs.

3.21.3 Other income

In addition to the reversal of unused liabilities and provisions from prior periods through profit or loss, other income relates to government grants, such as those from the Federal Ministry of Education and Research (BMBF). These government grants are used to support certain projects by reimbursing research expenses from public funds. Reimbursement is based on the project costs incurred and non-refundable. The cash amounts received in advance are recognized over the underlying service period according to the research project's stage-of-completion. There was also income from the loan granted in connection with the sale of WILEX Inc. and from exchange rate differences and sub-leases.

3.22 Cost of sales

All costs directly related to generating sales revenue are reported as cost of sales. Cost of sales thus comprise staff costs, material costs and other costs directly attributable to manufacturing in reference to the respective goods and services sold.

3.23 Research and development

Research and development activities comprise all associated costs not related to the generation of sales revenue, including staff costs, consulting costs, depreciation, amortization and impairment losses, material and cost of sales, third party services, laboratory costs and fees for legal advice. They are recognized as expenses in the period in which they are incurred.

3.24 Interest income

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

3.25 Interest expense

Interest expense comprises interest on a shareholder loan, interest expense on current liabilities, interest expense for pension provisions and any interest portion in connection with leases. Since the Group does not own qualifying assets, borrowing costs are recognized as an expense in the period in which they are incurred.

4 Segment reporting in accordance with IFRS 8

Applying IFRS 8 Operating Segments, WILEX reported on three segments in up to and including the 2014 fiscal year: Customer Specific Research (Cx), Diagnostics (Dx) and Therapeutics (Rx). As a consequence of the discontinuation of R&D activities at the Munich site, no further business activities are conducted that differ materially in their risk/reward profiles. R&D activities have since focused on the operations of WILEX's subsidiary Heidelberg Pharma in Ladenburg. As a result, WILEX discontinued its reporting on segments at the beginning of the 2015 fiscal year.

In fiscal year 2016 WILEX posted sales revenue of €1.36 million (previous year: €2.3 million), which was mainly attributable to Heidelberg Pharma (€1.2 million). Of this figure, the ADC technology accounted for €0.2 million and the service business for €1.0 million. In the previous year, Heidelberg Pharma reported sales revenue of €1.9 million, of which €0.9 million was from the ADC technology and €1.0 million from the service business. Additionally, portions of a milestone payment were due to the parent company in 2016 from Link Health for the out-licensing of MESUPRON® (€0.1 million). In the previous year, this agreement had brought in sales revenue of €0.4 million. The following table shows the regional distribution of 2016 sales revenue in terms of a customer’s or collaboration partner’s domicile:

Region	2016		2015	
	in €'000	in %	in €'000	in %
Germany	676	50%	740	32%
Europe	564	41%	1,074	47%
of which B	*204*	-	*30*	-
of which CH	*184*	-	*573*	-
of which UK	*66*	-	*171*	-
of which DK	*60*	-	*0*	-
of which F	*0*	-	*109*	-
of which RUS	*50*	-	*191*	-
USA	29	2%	67	3%
Rest of world	94	7%	403	18%
Total	1,362	100%	2,284	100%

All sales revenue was generated in euros. Complix NV, Zwijnaarde, Belgium (€0.20 million), SuppreMol GmbH, Planegg, Germany (€0.17 million) and Apogenix AG, Heidelberg, Germany (€0.15 million) each were responsible for more than 10% of sales revenue.

5 Financial risk management

5.1 Financial risk factors

Given its business activities, WILEX is exposed to certain risks, in particular market risk (including currency risks, interest and price risks), liquidity risk and default risk. WILEX's risk management focuses on the unpredictability of the financial markets and aims to minimize any potential adverse effects on the Company's ability to finance its business activities. However, 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 throughout the entire 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 analyze 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.

5.1.1 Market risk

5.1.1.1 Currency risk

WILEX cooperates with different service providers worldwide and is therefore exposed to currency risks in connection with currency positions, mainly in US dollars (USD) 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 limited overall, WILEX has not concluded any hedging transactions but is attempting to achieve financial hedging by matching cash inflows and outflows in the same currency.

5.1.1.2 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 commodities.

5.1.2 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.

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.

However, interest rate changes could affect the carrying amount of goodwill and not yet ready for use intangible assets (IP R&D) in the context of impairment testing.

5.1.3 Default risk

WILEX is exposed to bad debt risks in connection with its receivables. No material past due trade or other receivables were shown as of the reporting date.

The maximum default risk in connection with trade receivables is €91 thousand and corresponds to the trade receivables balance sheet item. The maximum default risk from other receivables is €92 thousand, which almost entirely comprises receivables from the tax authorities.

The loan and interest rate receivable in respect of Nuclea Biotechnologies Inc., Pittsfield, MA, USA (Nuclea), valued at a nominal USD 2,031 thousand (previous year: USD 2,232 thousand) arising from the 2013 sale of the US subsidiary WILEX Inc. has been written off in full due to prolonged payment difficulties.

The other non-current assets comprise receivables in connection with rent and lease security deposits (€26 thousand) and other receivables from service providers (€5 thousand).

No reported financial asset is past due. No collateral was furnished for receivables.

5.1.4 Cash flow and fair value interest rate risk from financial instruments

WILEX invests 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 non-payment risk (see note 3.14).

Furthermore, WILEX maintains domestic credit balances only with major banks that belong to the German Deposit Insurance Fund and/or the German Savings Banks Organization's deposit assurance fund. The default risk in connection with these credit balances is therefore minimal.

5.2 Determination and measurement of fair value

The rules in IFRS 13 Fair Value Measurement must always be applied if fair value measurement is stipulated or permitted by another IAS or IFRS, or if disclosures about fair value measurement are required. The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). The fair value of a liability therefore reflects the default risk (i.e. own credit risk). Measurement at fair value assumes that the asset is being sold or the liability is being transferred in the principal market or - if such is unavailable - in the most favorable market. The principal market is the market with the largest volume and the greatest activity to which the entity has access.

Fair value is determined using the same assumptions and taking into account the same characteristics of an asset or a liability on which independent market participants would base their assessment. Fair value is a market-based, not entity-specific measurement. For non-financial assets, the fair value is determined based on the best possible use of the asset by a market participant.

WILEX uses the following hierarchy to determine and disclose the fair value of financial instruments (see note 20):

Level 1: Quoted (unadjusted) prices in an active market for identical assets and liabilities that the entity can access. The fair value of financial instruments traded on an active market is based on the quoted market price at the reporting date.

Level 2: Inputs, other than quoted prices in Level 1, that are observable for the asset or liability either directly (such as prices) or indirectly (derived from prices). The fair value of financial instruments not traded on an active market can be determined using a valuation technique. In this case, fair value is estimated on the basis of the results of a valuation technique that makes maximum use of market inputs, and relies as little as possible on entity-specific inputs. If all of the inputs required to determine fair value are observable, the instrument is classified in Level 2.

Level 3: Inputs for the asset or liability that are not observable. If important inputs are not based on observable market data, the instrument is classified in Level 3.

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

6 Going concern risk

As of the 30 November 2016 reporting date, WILEX's cash and cash equivalents were not sufficient to cover the Group's financing requirements for the next twelve months.

To avoid an impending insolvency, the Company's main shareholder dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany, therefore issued a financing commitment vis-à-vis WILEX AG for up to €10 million in February 2017.

Without this financial commitment made by dievini, the funds would have lasted only until the end of the second quarter of 2017. In that case, it would not have been possible to prepare reporting on a going concern basis. The financing commitment by dievini was therefore a necessary requirement for preparing the IFRS consolidated financial statements on a going-concern basis. Only in this way was it possible to prepare the consolidated financial statements on a going-concern basis in accordance with IAS 1.25.

The details of implementing the financing commitment will be decided by the Executive Management Board and the Supervisory Board of WILEX AG with dievini at a later date. In particular, securities prospectuses could possibly have to be prepared for upcoming capital measures.

By the Executive Management Board's estimate, the cash currently on hand and the planned inflow of cash supported by dievini's financing commitment are expected to guarantee continuation of the Company's business activities for at least the next 12 months in view of the current status of the technology and licensing prospects, and based on the updated planning. Against this backdrop, the value of all assets, especially intangible assets and goodwill, is recoverable. At this time, WILEX expects its cash to be sufficient until the end of second quarter of 2018.

The existing cash and the expected cash inflows will be used to further develop WILEX's business activities with a focus on the innovative ADC technology and proprietary ATAC development candidates by subsidiary Heidelberg Pharma. Ideally, the research agreements already concluded in the area of ADC technology will lead to license agreements for specific antibody drug conjugates that hold prospects of significant future milestone payments and license payments through partnerships. In addition, participation in the development of ATAC development candidates – either independently or in collaboration with partners – is expected to boost internal value creation. For the RENCAREX® project, WILEX AG is striving for rapid, financially viable commercial exploitation with sale or out-licensing of the clinical project in order to extend the Group's cash reach. If ongoing negotiations are fruitful, WILEX could receive license fees in the event of successful development and regulatory approval.

If the Executive Management Board is unable to implement the corporate strategy focused on the ADC technology according to plan, and/or if the Company fails to obtain additional equity funding, the continued existence as a going concern of the Group and/or its consolidated companies would be at risk.

The WILEX Group and WILEX AG might therefore be unable at the end of the second quarter of 2018 to satisfy their payment obligations and/or become overindebted as a result of its subsidiary Heidelberg Pharma missing budget targets. This would jeopardize the Group's and/or consolidated entities' existence as a going concern and shareholders could lose some or all of their invested capital.

7 Critical estimates and discretionary decisions

Application of the accounting principles described under note 3 requires the Management Board to assess facts, perform estimates and make assumptions with respect to the carrying amounts of assets and liabilities that cannot be readily determined from other sources.

Estimates and judgments are continually evaluated and are based on historical data and experience and other factors, including expectations of future events that are believed to be reasonable and realistic 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 fiscal year are discussed below.

The assumptions underlying the estimates are regularly reviewed. Changes in the estimates that concern only a specific period are considered solely in that period; if the changes concerns both the current and subsequent reporting periods, then they are considered in all relevant periods.

Assumptions underlying the recognition of sales revenue (€1.3 million) and other income (€1.4 million) are in some cases based on estimates by the Executive Management Board.

Determining the expense from the measurement of stock options granted in the reporting year (€78 thousand) and the parameters underlying the impairment test for goodwill and IP R&D materially concern assumptions and judgments that are made by management and regularly reviewed.

Last year's write-off of the loan to Nuclea is based on assumptions regarding its recoverability and the creditworthiness of the borrower, which are in turn based on management estimates.

The amount of the continued provision to cover the risk of the Company possibly being held liable under a rent guarantee furnished to Siemens Corporation for the former WILEX Inc. is subject to assumptions based on management estimates.

It is generally possible that WILEX could deviate in the future from the assumptions made to date, which could necessitate a material adjustment of the carrying amounts of the assets or liabilities in question.

7.1 Expense from the granting of stock options

WILEX recognizes expenses in the amount of €78 thousand (previous year: €46 thousand) from the granting of stock options during the reporting year under staff costs (see note 24). 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.

7.2 Impairment test pursuant to IAS 36

The impairment tests of both goodwill (see note 8) in the amount of €6,111 thousand (previous year: €6,111 thousand) and the IP R&D technology asset – which is not yet ready for use – in the amount of €2,493 thousand (previous year: €2,493 thousand) require estimating either the fair value less costs to sell or, alternatively, the recoverable amount as the value in use, determined on the basis of the cash generating unit's expected future cash flows and a reasonable discount rate.

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.

7.3 Impairment loss on the loan to Nuclea Biotechnologies Inc. in accordance with IAS 39

Determining whether or not the loan to Nuclea is impaired requires comparing its carrying amount to the present value of expected future cash flows. In a first step, objective indications of impairment were assessed. An impairment loss is then recognized in the amount of the difference between the carrying amount and the lower present value of the future cash flows. On the one hand, this requires an assessment of the creditworthiness of borrower Nuclea and, on the other hand, an estimate of the timing and amount of expected future payments from the loan agreement. Factors such as a change in credit rating affect the carrying amount.

7.4 Provisions relating to the rent guarantee to Siemens Corporation in accordance with IAS 37

Determining the amount of the continued provision for the rent guarantee furnished to Siemens Corporation (€408 thousand) requires an estimate of the expenditure required to settle the obligation at the reporting date. The expenditure required to settle the obligation must be estimated on a prudent basis as the amount the Company would be required to pay to fulfill the obligation. Estimating the financial consequences of the rent guarantee requires an assessment by management. The most likely result is given as the best possible estimate of the obligation.

Firstly, for purposes of justification this estimate requires an assessment of the creditworthiness of Nuclea, which owes the rent. Secondly, it requires an estimate of the expected future payments from the rent guarantee. Factors such as a change in credit rating could affect the carrying amount.

8 Impairment testing pursuant to IAS 36

The following is a description of impairment testing in January 2017 (previous year: January 2016) of the acquired goodwill and the intangible and not yet ready to use (and therefore not yet amortized) technology asset (IP R&D) acquired in the course of the 2011 business combination with Heidelberg Pharma.

For purposes of annual impairment testing, goodwill and the IP R&D technology asset are assigned to WILEX's lowest cash generating unit, which is monitored by the Executive Management Board.

WILEX AG acquired Heidelberg Pharma in March 2011. This acquisition generated goodwill of €6,111 thousand. Furthermore, an IP R&D asset consisting of the ADC technology with a net carrying amount of €2,493 thousand was identified as a not-yet-ready-for-use technology asset in the course of the purchase price allocation performed at the time. The carrying amounts as of 30 November 2016 correspond to the value at acquisition in each case. Management believes that the general conditions under which Heidelberg Pharma operates have not changed significantly since 2011.

Impairment testing, and therefore the calculation of the recoverable amount as the fair value less costs to sell, is based on a model in which assumptions in respect of company planning are included and in which the present value of the cash flows forecast in this way are

calculated to determine the value in use. The expected future cash flows from Heidelberg Pharma were discounted applying a company-specific risk-adjusted interest rate.

Planning is based on annual sales revenue of around €1 million from the service business of Heidelberg Pharma, with continuous annual growth of 1.0% being expected from 2021 to 2038. For the 20-year period after 2038, a terminal value of €63 thousand was taken into account for the service business.

The ADC business was analyzed as to its future partnership and out-licensing potential, and these assumptions were used for sales revenue planning during the period from 2017 to 2038.

The ADC technology platform is a cornerstone of Heidelberg Pharma's business model. It is expected to be used to optimize antibodies for specific customers and manufacture corresponding antibody-drug conjugates (ADC) to improve cancer treatments in the future. Heidelberg Pharma intends to market the ADC technology to third parties and plans to generate sales revenue in the form of milestone and license payments. Particularly in the final phase of an ADC agreement (product license agreement, PLA), these payments are essential to the business model. They come due as soon as the contractual partner pursues development of a drug candidate and completes the approval process. The development phase comprises the execution of several clinical trials and can therefore take several years, which necessitates a second long-term planning phase for purposes of the impairment test.

The mid-term planning for the ADC business used for the impairment test comprises detailed planning over a five-year period from 2017 to 2021 (preclinical and clinical phases I and II). This is followed by a second, longer-term 17-year planning phase from 2022 to 2038 (clinical phase III, approval and market launch) that continues the first planning phase. Medium-term planning is based on the following assumptions in the model:

- Derivation of potential sales revenue based on comparison data of approved cancer drugs
- Sustainable positive cash flows through potential licensing income not until 2026
- Maximum exploitation period for license income until 2038 through patents granted and new patent applications
- Discounts for the success rates of individual clinical phases according to the scientific literature

All told, the Company expects sustainable positive cash flow starting with the market phase in 2026. In the preceding phase, the model projects cumulative discounted cash flows (adjusted for tax effects) of €-7.9 million. During the phase after 2026, the model projects cumulative discounted cash flows (adjusted for tax effects) of €21.7 million.

The carrying amount of the cash generating unit analyzed was €11,000 thousand as of the reporting date (previous year: €10,920 thousand), which corresponds to the sum total of assets of Heidelberg Pharma. Allowing for the risks and opportunities arising from the business activities, the discount factor used for the impairment test was 12.4% (previous year: 12.3%) before taxes and 10.9% (previous year: 11.1%) after taxes.

The impairment test showed that there was no need to recognize impairment losses on goodwill or the IP R&D technology as of 30 November 2016. Not until a discount factor of 13.2% (after tax) (previous year: 13.3%) is reached would the carrying amount of the cash generating unit equal the total present value calculated.

The income tax rate underlying the cash flows in the model is 28.43%, as in the previous year.

Indications necessitating impairment testing of goodwill and of the IP R&D technology in certain situations in accordance with IAS 36.12 (g) / IAS 36.14 (b) did not arise during the past fiscal year.

The calculation of fair value less cost of disposal is based on unobservable inputs (Level 3; see note 5.2). The cash flows included in the calculation are not influenced by internal transfer prices. There is an active market for the products and services of the cash-generating unit measured.

9 Property, plant and equipment

As of 30 November 2016 and 2015, property, plant and equipment comprised the following:

in €'000	Laboratory equipment (owned)	Laboratory equipment (leased)	Other office equipment	Total
2015 fiscal year				
Opening carrying amount	448	568	37	1,053
Additions	149	0	50	199
Disposals	(42)	0	(2)	(44)
Reclassifications	568	(568)	0	0
Depreciation and impairment losses	(184)	0	(39)	(223)
Net carrying amount as of 30 Nov. 2015	**939**	**0**	**46**	**985**
As of 30 Nov. 2015				
Cost	3,034	0	699	3,733
Accumulated depreciation and impairment	(2,095)	0	(653)	(2,748)
Net carrying amount as of 30 Nov. 2015	**939**	**0**	**46**	**985**

in €'000	Laboratory equipment (owned)	Laboratory equipment (leased)	Other office equipment	Total
2016 fiscal year				
Opening carrying amount	939	0	46	985
Additions	475	0	49	524
Disposals	(1)	0	(2)	(3)
Depreciation	(205)	0	(34)	(239)
Net carrying amount as of 30 Nov. 2016	**1,208**	**0**	**59**	**1,267**
As of 30 Nov. 2016				
Cost	3,556	0	748	4,304
Accumulated depreciation and impairment	(2,348)	0	(688)	(3,036)
Net carrying amount as of 30 Nov. 2016	**1,208**	**0**	**59**	**1,267**

Unless allocable to cost of sales, the full amount of depreciation totaling €239 thousand (previous year: €223 thousand) was recognized in profit or loss as R&D costs and as general and administrative expenses.

No impairment losses were recognized in the reporting year.

Items of property, plant and equipment scrapped during the year are classified as disposals (€3 thousand).

WILEX did not sign new finance leases pursuant to IAS 17 (see note 3.20) in the fiscal year just ended. Finance lease assets are measured at present value and amortized over their estimated useful life on a straight-line basis.

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.

10 Intangible assets

As of 30 November 2016 and 2015, intangible assets comprised the following:

in €'000	Software	Licenses	Patents	Other intangible assets	Intangible assets not yet ready for use	Goodwill	Total
2015 fiscal year							
Opening carrying amount	33	1	295	127	2,493	6,111	9,059
Additions	0	0	8	0	0	0	8
Amortization and impairment	(22)	0	(16)	(51)	0	0	(89)
Net carrying amount as of 30 Nov. 2015	**12**	**1**	**286**	**76**	**2,493**	**6,111**	**8,978**
As of 30 Nov. 2015							
Cost	705	1,796	1,523	320	2,493	6,111	12,947
Accumulated amortization and impairment	(693)	(1,795)	(1,236)	(244)	0	0	(3,968)
Net carrying amount as of 30 Nov. 2015	**12**	**1**	**286**	**76**	**2,493**	**6,111**	**8,978**

in €'000	Software	Licenses	Patents	Other intangible assets	Intangible assets not yet ready for use	Goodwill	Total
2016 fiscal year							
Opening carrying amount	12	1	286	76	2,493	6,111	8,978
Additions	2	0	12	0	0	0	14
Amortization and impairment	(8)	0	(16)	(17)	0	0	(41)
Net carrying amount as of 30 Nov. 2016	**6**	**1**	**282**	**59**	**2,493**	**6,111**	**8,953**
As of 30 Nov. 2016							
Cost	707	1	1,535	320	2,493	6,111	11,168
Accumulated amortization and impairment	(701)	0	(1,253)	(261)	0	0	(2,215)
Net carrying amount as of 30 Nov. 2016	**6**	**1**	**283**	**59**	**2,493**	**6,111**	**8,953**

All of the additions stem from separate acquisitions. Unless allocable to cost of sales, €41 thousand (previous year: €89 thousand) in amortization and impairment losses were recognized in profit or loss as research and development costs and as general and administrative expenses.

In addition, the acquired customer base identified as an intangible asset in connection with a purchase price allocation was amortized.

As a rule, software and patents and licenses as part of intangible assets have a finite useful life.

There were no currency effects from the translation of foreign currencies into the reporting currency for any group of intangible assets. WILEX has not pledged any intangible assets as collateral for liabilities. The Company has no contractual obligations for the acquisition of intangible assets.

10.1 Goodwill

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

Goodwill of €6,111 thousand was identified in connection with the acquisition of Heidelberg Pharma and the subsequent purchase price allocation; it will be tested for impairment annually in accordance with IAS 36 (see note 8).

10.2 Intangible assets not yet ready for use

In the purchase price allocation for Heidelberg Pharma carried out in 2011, the novel ADC technology still under development and not yet ready for use was defined as IP R&D and identified as an intangible asset. The carrying amount is €2,493 thousand.

The Company believes that the ADC technology has the potential to improve the efficacy of many antibody-based compounds, including those marketed.

This technology will not be amortized 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 recognized through profit and loss as research and development expenses. They are not capitalized 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. This IP R&D technology asset was tested for impairment as of 30 November 2016 during the impairment test carried out in November 2016. WILEX has not found any indication of impairment of this intangible asset.

10.3 Other intangible assets

Other intangible assets comprise a customer base (service business) acquired in the course of the business combination with Heidelberg Pharma in fiscal year 2011. This customer base was amortized in the reporting year.

10.4 Patents and licenses

On account of the introduction of the restructuring program in early 2014 and the realignment of the Company, the value of the previously recognized patents licenses of the parent company WILEX AG was no longer recoverable. As a result, all previously capitalized

patents and licenses were written down in full. There was no need to write down the patents and licenses of Heidelberg Pharma in the fiscal year.

10.5 Software

Software includes various capitalized office and laboratory software items written down over their useful lives.

11 Other non-current assets

The other non-current assets (2016: €31 thousand; previous year: €69 thousand) mainly comprise rent security in the amount of €16 thousand (previous year: €10 thousand) and security for leased equipment in the amount of €10 thousand (previous year: €19 thousand) – all of which is deposited in bank accounts. This item also includes other receivables from operations totaling €5 thousand (previous year: €40 thousand). WILEX expects no non-current assets to be realized within the next 12 months.

12 Inventories

The inventories recognized at cost (2016: €190 thousand; previous year: €279 thousand) mainly concern work in progress within the meaning of a service (IAS 2.19) in Heidelberg Pharma's service and contract research segments. The parent company WILEX AG no longer recognizes inventories. The inventories recognized as an expense in the cost of sales (expenses for raw materials, consumables and supplies, and purchased goods and services) amounted to €617 thousand in the fiscal year (previous year: €509 thousand).

No inventories were pledged as collateral for liabilities. WILEX projects that all inventories will be used up within the next 12 months and work in progress/unfinished goods will be completed/realized.

13 Prepayments made

Prepayments are comprised as follows:

	30 Nov. 2016 in €'000	30 Nov. 2015 €'000
Insurance	10	11
Prepayments to service providers	32	11
Prepayments made	**42**	**22**

Prepayments to service providers include, in particular, payments to business partners for cell culture storage, and IT as well as BaFin and Deutsche Börse fees. All prepayments made are of a current nature (< 12 months).

14 Trade and other receivables

The business activities of Heidelberg Pharma generated €91 thousand in trade receivables from a variety of sources (previous year: €367 thousand).

	30 Nov. 2016 in €'000	30 Nov. 2015 in €'000
Trade receivables	91	367
Total	**91**	**367**

The aging structure of trade receivables as of the reporting date was as follows:

	30 Nov. 2016 in €'000	30 Nov. 2015 in €'000
0 – 30 days	91	329
30 – 90 days	0	38
More than 90 days	0	0
Total	**91**	**367**

Since no trade receivables are due for more than 90 days after the invoice date, no trade receivables are recognized as past due as of the reporting date.

Other receivables are comprised as follows:

	30 Nov. 2016 in €'000	30 Nov. 2015 in €'000
VAT claim	91	94
Refund on withholding tax on capital gains	1	1
Other receivables	**92**	**95**

Since the Company has incurred only operating losses, the withholding tax on capital gains is refunded.

WILEX expects all trade receivables and other receivables to be realized within the next 12 months.

15 Cash and cash equivalents

	30 Nov. 2016 in €'000	30 Nov. 2015 in €'000
Cash and cash equivalents	4,574	1,306
Total	**4,574**	**1,306**

Cash and cash equivalents were up on the prior-year figure due to the completed capital increases and the inflow from the shareholder loan granted by dievini.

16 Equity

As of 30 November 2016, the share capital consisted of 12,927,564 (30 November 2015: 9,305,608) no par value bearer shares with a notional value of €1.00 per share.

Three capital increases were implemented during the reporting period. The first two corporate actions were completed on 9 December 2015 and entered in the Commercial Register on 11 December 2015.

Initially, the share capital was increased by 10% by way of a private placement excluding shareholders' subscription rights. Main shareholder dievini acquired all 930,560 new no par value bearer shares from authorized capital at an issue price of €1.84, in a first step raising the share capital from €9,305,608.00 to €10,236,168.00.

A capital increase using authorized capital including subscription rights of all shareholders was subsequently implemented. WILEX shareholders acquired all 443,124 new shares by exercising their subscription and additional subscription rights at a subscription price of €1.84 per share. dievini exercised all of its subscription rights and also subscribed shares as part of the additional subscription. Accordingly, this second capital increase lifted the Company's share capital from €10,236,168.00 to €10,679,292.00.

In a third capital increase that was completed in April 2016 and entered in the Commercial Register on 27 April 2016, 2,248,272 shares were made available for subscription and additional subscription by means of a capital increase from authorized capital. A total of 1,074,845 new no par value bearer shares at a price of €1.84 per share were subscribed by exercising subscription and additional subscription rights by the end of the subscription period on 22 April 2016. Thereby, shareholders exercised subscription rights for a total of 1,035,286 new shares. This meant that 1,212,986 new shares were available for additional subscription by shareholders, of which 39,559 new shares were allocated to the shareholders through their custodian banks in connection with the capital increase. The 1,173,427 new shares not subscribed by exercising subscription and additional subscription rights were taken up by dievini by way of a private placement at the same price of €1.84. After the implementation of the capital increase was entered in the Commercial Register, the Company's share capital increased from €10,679,292.00 to €12,927,564.00.

The arithmetical nominal amount and any premium on the issue of shares are reported under "subscribed capital" and "capital reserves" respectively. For the most part, the capital reserve includes the premiums exceeding the par value from the issue of new shares from capital increases as well as staff costs in connection with stock options granted, and the effect from the shareholder waiver of loan repayment made by UCB S.A., Brussels, Belgium (UCB) in fiscal year 2014.

The following shares were issued in the reporting period:

Issue date	Entry in the commercial register	Number of shares	€
On 30 Nov. 2014		**7,818,876**	**7,818,876**
07 April 2015	10 April 2015	1,486,732	1,486,732
On 30 Nov. 2015		**9,305,608**	**9,305,608**
09 Dec. 2015	11 Dec. 2015	930,560	930,560
09 Dec. 2015	11 Dec. 2015	443,124	443,124
25 April 2016	27 April 2016	2,248,272	2,248,272
On 30 Nov. 2016		**12,927,564**	**12,927,564**

Since the mandatory application of IFRS 2 in respect of the accounting for stock options, the value of the capital reserves is adjusted every quarter in line with the additional expenses resulting from the share-based model. A total of €78 thousand (previous year: €46 thousand) was recognized in this context in the period under review (see note 24).

Furthermore, the waiver of repayment of the shareholder loan which came about due to discontinuation in 2014 of the partnership with UCB (€2.5 million) resulting from the September 2014 contractual arrangement, including the interest accrued up to that point (€100 thousand), in the past had to be recognized as an addition to the capital reserves.

As of the reporting date of 30 November 2016, the capital reserves amounted to € 191,077 thousand (previous year: € 188,034 thousand). The accumulated losses since the start of the Company's business activities in 1997 totaled €194,248 thousand as of the end of the fiscal year (previous year: €187,859 thousand).

17 Pension obligations

WILEX has one defined benefit pension commitment, but otherwise maintains only defined contribution pension plans. With the exception of the defined benefit pension commitment, all other benefit obligations as part of defined contribution plans are covered by matching reinsurance (in terms of their amounts and maturity). The Company has a reinsurance policy for the defined benefit commitment, which does not have matching coverage.

In 1998, WILEX AG granted a defined benefit pension commitment to Professor Olaf G. Wilhelm, the Managing Director at the time and chairman of the Executive Management Board until 31 March 2014, as part of a deferred benefit of €15 thousand. The commitment guarantees a one-time endowment payment of €47 thousand to the former employee who left the Company in 2014 at the end of his 60th year of life on 1 May 2019, or a disability benefit in the event of disability prior to that date in the amount of 85% of the endowment value, or an equivalent benefit to survivors in the case of death. The plan is therefore not based on the employee's final salary, although in the event of unfavorable capital market developments, a coverage gap could occur between the future one-time payment promised to the beneficiary and the existing plan assets. The amount of the obligation was calculated using the PUC method, and measurement was based on the Heubeck RT2005G actuarial tables. The interest rate used in the calculation was 4.03% (previous year: 3.95%)

As of 30 November 2016, the pension obligation amounted to €37 thousand (previous year: € 34 thousand). The present value of the pension obligation as of

30 November 2016 will amount to €37 thousand (previous year: €34 thousand). The Company holds a reinsurance policy that serves as plan assets and cover for the plan. The policy was funded with a one-time payment of €15 thousand on 31 January 2000.

The plan assets as the present value of the actuarial reserve of the reinsurance policy was valued at €30 thousand as of 30 November 2016 (previous year: €29 thousand). The net liability resulting from the defined benefit pension plan is therefore €7 thousand (previous year: €5 thousand), which is reported under pension obligations. No service cost was recognized in the reporting year or the previous fiscal year. In fiscal year 2016, the interest income was €1 thousand (previous year: €1 thousand) and the interest expense was €3 thousand (previous year: €6 thousand). The net interest expense therefore amounted to €2 thousand in (previous year: €5 thousand). No payouts have been made to date.

A total of €13 thousand was paid into Heidelberg Pharma's defined contribution pension plan in the reporting period (previous year: €13 thousand) and included in the staff costs for the fiscal year. There is also a pension commitment in respect of an employee who has since retired and in respect of Dr. Jan Schmidt-Brand, in relation to which reinsurance was arranged for the respective commitment amounts.

18 Liabilities and provisions

Current **trade payables** decreased from €279 thousand in the 2015 fiscal year to €132 thousand in the fiscal year under review, and were mainly incurred for services and consulting provided.

In the 2015 fiscal year, **provisions** for staff costs and potential litigation in connection with the lay-offs during restructuring were recognized in the amount of €60 thousand; these were utilized during the past fiscal year and could be reversed in part to profit or loss.

In addition, a provision set up in 2015 continued to be recognized as of 30 November 2016 in the unchanged amount of €408 thousand for the event the Company were held liable for a rent guarantee furnished to the landlord of Nuclea (legal successor to WILEX Inc.) for its rent liabilities. Due to the now insolvent Nuclea's prolonged difficulties with rent payment, the landlord asserted claims against WILEX AG arising from the rent guarantee. During the fiscal year, there were no additions to, utilization of, or reversals or discounting of this provision.

Provisions are by definition associated with uncertainty in terms of their amount and timing. However, WILEX is confident that there will be an outflow of economic benefits in the first half of the year.

Other current liabilities included the following:

	30 Nov. 2016 in €'000	**30 Nov. 2015 in €'000**
Obligation for holidays not taken	132	138
Other deferred income	70	197
Social security and other taxes	135	138
Accrued liabilities	853	1,395
Other current liabilities	**1,190**	**1,869**

The **accrued liabilities** are composed as follows:

	30 Nov. 2016 in €'000	30 Nov. 2015 in €'000
Employee bonuses and profit-sharing bonuses	137	372
Costs for preparing the financial statements	119	120
Service anniversary payments	0	3
Deliveries/services	597	900
Total	**853**	**1,395**

WILEX recognizes accruals for goods and services where it has a current obligation arising from the supply of goods and services received. Accruals were recognized in the amount of the payment outflow required to fulfill the current obligation. Most obligations in this category comprise external research and development costs of service providers in connection with preclinical work and trials, as well as the cost of production for the basic material.

The year-over-year decrease is due to the reduced business activities of WILEX AG.

Employee bonuses are granted depending on the performance of the Company and of individual employees or members of the Executive Management Board, and are due for payment in the following fiscal year. The year-over-year decrease is attributable to the fact that in the previous year, the provision included items such as Executive Management Board bonuses for 2014 and 2015, some of which were not utilized in 2016 based on a resolution by the Supervisory Board. The provision for employee bonuses and profit-sharing bonuses as of 30 November 2016 was recognized only for the fiscal year ended.

As in the previous year, the other current liabilities have a remaining life of less than one year.

19 Financial liabilities

Financial liabilities in the amount of €3,748 thousand are attributable to the shareholder loan and include the loan disbursement from dievini (€3,730 thousand) and the resulting interest liability (€18 thousand) (see notes 3.2 and 6).

20 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 3.14):

in €'000	Measurement category according to IAS 39	Measurement as of 30 Nov. 2016		Measurement as of 30 Nov. 2015	
		Carrying amount	Fair value	Carrying amount	Fair value
Trade receivables	Loans and Receivables	91	91	367	367
Cash and cash equivalents	Loans and Receivables	4.574	4.574	1.306	1.306
Trade payables	Financial Liabilities Amortized Cost	132	132	(279)	(279)
Financial liabilities	Financial Liabilities Amortized Cost	3.748	3.748	0	0
Total		**8.545**	**8.545**	**1.394**	**1.394**
Aggregation by measurement criteria	Loans and Receivables	4.665	4.665	1.673	1.673
	Financial Liabilities Amortized Cost	3.880	3.880	(279)	(279)

Trade receivables all have remaining maturities of less than one year. No default risks are discernible in connection with the assets.

The carrying amounts of other assets and liabilities such as cash and cash equivalents as well as trade payables correspond to their fair values on account of their current nature.

With the exception of the payment recognized in profit or loss received during the fiscal year relating to the receivable from Nuclea that was written off in 2015 (€162 thousand) and the interest expense arising from financial liabilities due to the shareholder loan from dievini (€18 thousand), no expense and/or income was incurred for loans or receivables, or for financial liabilities carried at amortized cost. A total of €18 thousand were recognized 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.

in €'000	Measured at amortized cost		Measured at fair value	Not within the scope of IFRS 7	Balance sheet item as of 30 Nov. 2016
	Carrying amount	Fair value			
Assets					
Trade receivables	91	91	0	0	91
Cash and cash equivalents	4,574	4,574	0	0	4,574
All other recognized assets	0	0	0	10,576	10,576
Total assets	**4,665**	**4,665**	**0**	**10,646**	**15,241**
Equity and liabilities					
Trade payables	(132)	(132)	0	0	(132)
Financial liabilities (current)	(3,748)	(3,748)	0	0	(3,748)
Equity and all other recognized liabilities	0	0	0	(11,361)	(11,361)
Total equity and liabilities	**(3,880)**	**(3,880)**	**0**	**(11,431)**	**(15,241)**

The following figures apply to the previous year:

in €'000	Measured at amortized cost		Measured at fair value	Not within the scope of IFRS 7	Balance sheet item as of 30 Nov. 2015
	Carrying amount	Fair value			
Assets					
Trade receivables	367	367	0	0	367
Cash and cash equivalents	1,306	1,306	0	0	1,306
All other recognized assets	0	0	0	10,429	10,429
Total assets	**1,673**	**1,673**	**0**	**10,429**	**12,102**
Equity and liabilities					
Trade payables	(279)	(279)	0	0	(279)
Equity and all other recognized liabilities	0	0	0	(11,823)	(11,823)
Total equity and liabilities	**(279)**	**(279)**	**0**	**(11,823)**	**(12,102)**

Fair value hierarchy levels

In accordance with IFRS 13.76 ff., WILEX uses hierarchy levels to determine and disclose the fair value of financial instruments (see note 5.2). In 2015 and 2016, all assets and liabilities were assigned to hierarchy level 1.

Fair value is determined using the same assumptions and taking into account the same characteristics of an asset or a liability on which independent market participants would base their assessment. For assets that the Group holds and liabilities that the Group reports, the quoted market price in each case is the bid price.

As of the balance sheet date, the Company held no underlying financial instruments measured at fair value. In 2016 and 2015, there were no reclassifications of items between fair value hierarchy levels.

Risks from financial instruments:

In respect of risks from financial instruments, see for example the section on the management of financial risks (see note 5).

Financial instruments with an inherent default and liquidity risk mainly comprise cash and cash equivalents, financial assets 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 (€4,574 thousand; previous year: €1,306 thousand) are denominated in euros, with a smaller amount denominated in US dollars, and have been invested essentially with banks belonging to the German Deposit Insurance Fund and/or the deposit assurance fund of the German Savings Banks Organization. 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.

Since the Company's cash and cash equivalents as of the reporting date were invested exclusively in demand deposits and current accounts, the Company believes there is no

interest rate risk and cash and cash equivalents would not react sensitively to interest rate changes.

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 recognize liquidity risks in due time. WILEX was able to meet its payment obligations at all times in the fiscal year just ended.

The trade receivables (€91 thousand; previous year: 367 thousand) at the close of the fiscal year were attributable to business customers; they were invoiced as of the 30 November 2016 reporting date or immediately preceding it. No trade receivables were past due as of the reporting date (see note 14). No bad debt allowances are necessary in the Executive Management Board's view because WILEX does not expect any default 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. 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.

As of 30 November 2016, there were no foreign currency risks concerning trade payables.

A portion of WILEX's sales revenue was affected by the given USD/euro foreign exchange rate in the past. Both the up-front payments and the milestone payments were one-off cash transactions that were translated at the reporting date exchange rate, and recognized as revenue or accrued. However, in the 2016 and 2015 fiscal year no sales revenue was generated in USD. Accordingly, an increase by 10% in the average exchange rate applied (i.e. the USD appreciates vis-à-vis the euro) would have had as little effect on sales revenue in 2016 and 2015 as a decrease in the average exchange rate by 10% (i.e. the USD depreciates vis-à-vis the euro).

The resulting cash and cash equivalents in USD are therefore 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 30 November 2016 reporting date were equivalent to €88 thousand (30 November 2015: €49 thousand).

Given the contractually fixed interest rates and short maturities and the agreement concerning the shareholder loan, potential market-driven interest rate fluctuations do not have material effects on the financial assets and liabilities.

Non-derivative financial liabilities in the form of trade payables must be classified as current. As a rule, trade payables are due within one month.

21 Sales revenue

Sales revenue in the fiscal year just ended totaled €1,362 thousand (previous year: €2,284).

	2016 in €'000	2015 in €'000
Sales revenue from the provision of services	1,268	1,909
Sales revenue from royalties	94	375
Sales revenue	**1,362**	**2,284**

All sales revenue from the provision of services was generated by Heidelberg Pharma. Of that amount, the service business accounted for €1.0 million (previous year: €1.0 million) and the ADC technology accounted for €0.2 million (previous year: €0.9 million).

Sales revenue from royalties (€0.1 million) stems from a milestone-based payment made by Link Health Co., Guangzhou, China, (Link Health) for the out-licensing of MESUPRON®.

22 Other income

Other income (€1,381 thousand; previous year: €1,638 thousand) comprises the following items:

Other income	2016 €'000	2015 €'000
Income from grants	763	328
Income from the reversal of liabilities and provisions not utilized to date	387	887
Nuclea income	162	0
Income from sublease and sales of fixed assets	12	303
Income from exchange rate gains	8	27
Other items	49	93
Total	**1,381**	**1,638**

At €1.4 million, other income was down compared to the previous year (€1.6 million). This was primarily due to grants provided by the Federal Ministry of Education and Research (BMBF) that support the Rhine-Neckar biotech location as an excellence cluster for "cell-based and molecular medicine in the Rhine-Neckar metropolitan region" and Heidelberg Pharma projects in the amount of €0.8 million (previous year: €0.3 million).

Furthermore, income of €0.4 million (previous year: €0.9 million) was generated from unutilized accrued liabilities, most of which were subject to limitation. In addition to other items, income of €0.2 million was recorded from the loan agreement with Nuclea for the sale of the former subsidiary WILEX Inc.

23 Types of expenses

The statement of comprehensive income breaks down operating expenses into the following categories:

- Production
- Research and development
- Administration
- Other

Operating expenses including depreciation, amortization and impairment losses fell by around 12.8% to €9,104 thousand in 2016 (previous year: €10,438 thousand).

Operating expenses	**2016 in €'000**	**2015 in €'000**
Cost of sales	809	1,140
Research and development costs	6,119	4,445
Administrative costs	1,954	4,512
Other expenses	222	341
Total	**9,104**	**10,438**

Cost of sales includes costs directly related to revenue from services provided. At €809 thousand, the cost of sales was lower than in the previous year (€1,140 thousand), which was in line with the reduction in sales revenue and represents 9% of total costs. These costs mainly related to Heidelberg Pharma expenses for customer-specific research.

Research and development (R&D) costs rose by 38% from €4,445 thousand in the previous year to €6,119 thousand due to the expansion of R&D activities at Heidelberg Pharma. R&D costs thus accounted for 67% of all costs.

Administrative costs were €1,954 thousand, down 56% on the prior-year level (€4,512 thousand) and accounting for 22% of operating expenses. This item also includes legal consulting costs for the restructuring measures and, broadly speaking, costs for the Annual General Meeting and the stock market listing.

Administrative costs in the previous year included the write-off in full of a receivable (€1,645 thousand) from Nuclea, the legal successor to the former WILEX Inc., as the result of prolonged payment difficulties and the recognition through profit or loss of a provision set up in the event the Company is held liable under a rent guarantee in respect of Nuclea's lessor (€408 thousand).

Regardless of these two one-off costs, administrative cost savings of around €0.5 million were achieved in 2016, especially due to the parent company's significantly more favorable rental situation.

Other expenses for business development, marketing and commercial market supply activities amounted to €222 thousand (previous year: €341 thousand) – down 35% compared to the previous year – and accounted for 2% of operating expenses.

The following expenses are recognized in the statement of comprehensive income:

	2016 in €'000	2015 in €'000
Staff costs	3,836	3,853
Travel costs	99	122
Rental expenses (incl. utilities)	306	678
Laboratory and other internal costs	1,244	1,141
External research and development costs	1,804	966
Legal and consulting costs	784	849
Depreciation, amortization and impairment losses	280	312
Other expenses	751	2,518
Total	**9,104**	**10,438**

Rental expenses were down considerably in Munich in 2016. This contrasted with the higher costs required to maintain the technical systems in the Heidelberg Pharma building in Ladenburg.

Laboratory and other internal costs include expenses for inventories of €32 thousand (previous year: €89 thousand). External research and development costs comprise the cost of purchased services. They fell year-over-year due to the expansion of research and development work at Heidelberg Pharma.

Legal and consulting costs remained below the previous year's level in spite of the numerous efforts in connection with financing, business development and sales. This expense item contains the cost of conventional legal representation as well as consulting costs related to business development and administration, costs related to industrial property rights and patents and costs related to the development of ongoing research and development activities.

After the extensive impairment losses recognized in 2014 in connection with the gradual wind-up of clinical development activities at the Munich site, depreciation, amortization and impairment losses fell slightly in 2016 year-over-year due to a continued reduction in the basis of depreciation and amortization and despite the investments made in the laboratory and building at the Ladenburg site.

Other expenses in 2015 mainly comprised expenses relating to the impairment loss on the Nuclea loan (€1,645 thousand) and for the recognition of a provision for a possible rent guarantee (€408 thousand). Excluding these two one-off items, other expenses would have increased year-over-year in 2016.

The expenses contained in the statement of comprehensive income include €809 thousand in costs of sales (previous year: €1,140 thousand).

24 Staff costs

Staff costs are comprised as follows:

	2016 in €'000	2015 in €'000
Wages and salaries	2,838	2,874
Social security costs	474	452
Bonuses	358	146
Expense from the measurement of stock options	78	46
Other staff costs	88	336
Total staff costs	**3,836**	**3,853**

The wages and salaries item no longer includes any staff-related expenses for restructuring measures (previous year: €30 thousand).

The wages and salaries and social security costs items differ only marginally from the previous year due to the similar employee numbers and breakdown. Higher expenses for bonuses are attributable to the reversal in the previous year of unused bonus provisions resulting from the decision made by the Supervisory Board to not pay bonuses to the Executive Management Board for fiscal years 2013 and 2012.

Other staff costs mainly comprise expenses for training and continuing education, occupational safety and pensions.

In the comparative periods, WILEX employed the following number of staff on average:

	2016	2015
Administration	13	14
Manufacturing, service and distribution	16	16
Research and development	24	21
Average number of employees*	**53**	**51**

* including the Executive Management Board

The granting of stock options in accordance with IFRS 2 "Share-based Payments" resulted in higher staff costs of €78 thousand in 2016 (previous year: €46 thousand). This was due to the new issue of stock options as part of the 2011 Stock Option Plan.

In the meanwhile, the authorization to grant stock options from the 2005 and 2011 Stock Option Plans expired. Currently, no new options can be issued, because no new plan has been set up.

The following is a breakdown of stock option plan measurement in the reporting year:

2005 Stock Option Plan (2005 SOP)

Tranche	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5	Tranche 6	Tranche 7	Tranche 8
Grant date	30 Dec. 05	31 Jan. 06	28 Feb. 06	30 Apr. 06	30 Sep. 06	30 Sep. 07	31 Oct. 07	30 Sep. 10
Options outstanding at the beginning of the reporting period	318,388	167,343	85,078	3,040	148,635	25,200	152,000	59,994
Options granted during the reporting period	0	0	0	0	0	0	0	0
Options forfeited (returned) during the reporting period	0	0	0	0	0	0	0	0
Options exercised during the reporting period	0	0	0	0	0	0	0	0
Options expired during the reporting period	318,388	167,343	85,078	3,040	148,635	0	0	0
Options outstanding at the end of the reporting period	0	0	0	0	0	25,200	152,000	59,994
Options exercisable as of 30 Nov. 2016	0	0	0	0	0	25,200	152,000	59,994
Maximum term	10 years	10 years	10 years	10 years	10 years	10 years	10 years	10 years

The options defined as vested in the table above cannot be exercised until the next exercise window, according to the option terms. At that point, they can be exercised provided that WILEX AG's share price then is still 10% higher than the relevant reference price. During the past fiscal year, 722,484 options from the 2005 Stock Option Plan expired, including 579,335 options held by former members of the Executive Management Board and 143,149 options held by current and former employees. No options were returned due to beneficiaries leaving the Company during the year. No stock options were exercised. The remaining options issued under tranches 6 through 8 are now available for exercise because the waiting period has expired and the options have vested. At the end of the reporting period, 237,194 stock options from the 2005 SOP were outstanding.

The fair value of stock options has been calculated on the basis of a binominal model. The fair values are illustrated in the following. Settlement is carried out in equity securities.

	Issue date	Expected term	Share price on issue date €	Total term	Exercise price (on issue date) €	Volatility	Risk-free interest rate	Option value (rounded) €
Tranche 1	30 Dec. 2005	24 months	6.90	10 years	5.52	42.54%	2.86%	2.42
Tranche 2	31 Jan. 2006	24 months	6.90	10 years	5.52	40.40%	2.97%	2.36
Tranche 3	28 Feb. 2006	25 months	6.90	10 years	5.52	41.69%	3.06%	2.44
Tranche 4	30 Apr. 2006	24 months	6.90	10 years	5.52	40.61%	3.44%	2.40
Tranche 5	30 Sep. 2006	24 months	6.90	10 years	5.52	43.25%	3.56%	2.48
Tranche 6	30 Sep. 2007	24 to 48 months	9.84	10 years	9.73	45.3% - 47.4%	4.06% - 4.15%	2.92 to 4.08
Tranche 7	31 Oct. 2007	24 to 47 months	9.02	10 years	9.62	47.4% - 50.1%	4.06% - 4.08%	2.55 to 3.57
Tranche 8	30 Sep. 2010	24 to 48 months	4.70	10 years	4.34	61.7% - 72.0%	0.72% - 1.20%	1.96 to 2.33

An expected dividend yield of 0% was assumed for all eight tranches as of the measurement date. The stock options had the following maximum terms as of the reporting date:

	Issue date	30 Nov. 2016	30 Nov. 2015
Tranche 1	30 Dec. 2005	-	0.08
Tranche 2	31 Jan. 2006	-	0.17
Tranche 3	28 Feb. 2006	-	0.24
Tranche 4	30 Apr. 2006	-	0.41
Tranche 5	30 Sep. 2006	-	0.83
Tranche 6	30 Sep. 2007	0.83	1.83
Tranche 7	31 Oct. 2007	0.92	1.92
Tranche 8	30 Sep. 2010	3.83	4.83

WILEX no longer incurred any costs in 2016 under the 2005 Stock Option Plan.

Taking into account a capital reduction completed in 2014, four of these stock options entitle the holder to the acquisition of one new share in return for payment of the exercise price,

After the rights issue in April 2015 in which new shares were offered at a subscription price of €2.80, the exercise price was a uniform €11.20 as of the balance sheet date (and thus also on average). The new reference price is therefore €11.20 + 10% x €11.20 = €12.32.

2011 Stock Option Plan (2011 SOP)

The Annual General Meeting resolved on 18 May 2011 to authorize WILEX AG to issue a total of 809,488 stock options as part of the 2011 Stock Option Plan to employees of WILEX AG and its affiliates.

Taking into account a capital reduction completed in 2014 at a ratio of 4:1 for the issue in March 2012 (Tranche 1), four stock options entitle the holder to the acquisition of one no par value bearer share of WILEX AG at an exercise price of €3.53. As a result, the conversion price for one share is €3.53 x 4 = €14.12. The reference price is €3.53 + 20% x €3.53 = €4.24. This does not affect the issue of Tranche 2 in June 2016 because it took place after the capital reduction.

The first time the stock options can be exercised is after a lock-up period of four years from the respective issuing date. The stock options can only be exercised if WILEX's share price during the ten trading days preceding the start of the relevant exercise period ("reference price") exceeds the exercise price by at least 20% (absolute performance target). Furthermore, it must be noted that the options can only be exercised as long as the reference price exceeds the exercise price at least by the ratio by which the TecDAX on the last trading day prior to the relevant exercise period exceeds the TecDAX on the issuing date (relative performance target). The payout amount per employee for the exercised stock options continues to be limited to three times the annual gross remuneration (including all benefits subject to income tax, such as company cars, etc.) that the beneficiary received from the Company or its affiliates in the twelve months preceding the exercise date (cap agreement).

In view of the terms of exercise under the option plan, the rights issues completed in the fiscal year ended (see note 17) have no effect on the exercise price or the option ratio because the share capital increase granted direct subscription rights to shareholders.

During the fiscal year ended, 415,227 new stock options were issued under Tranche 2 from the 2011 SOP to members of the Company's Executive Management Board (252,000 options) and employees of the Company (163,227 options).

The stock options granted under the 2011 SOP developed as follows in FY 2016:

	Tranche 1	**Tranche 2**
Grant date	30 March 2012	02 June 2016
Options outstanding at the beginning of the reporting period	183,210	0
Options granted during the reporting period	0	415,227
Options forfeited (returned) during the reporting period	0	0
Options exercised during the reporting period	0	0
Options expired during the reporting period	0	0
Options outstanding at the end of the reporting period	183,210	415,227
Options exercisable as of 30 November 2016	0	0
Maximum term	10 years	10 years

The 2011 SOP was classified and measured as an equity-settled share-based payment. The fair value of the capital reserves to be recognized as a liability due to the stock option plan was calculated based on a Monte Carlo model. In the fiscal year just ended, there was no change to the plan, and it was not revoked.

WILEX incurred the following costs in 2016 under the 2011 Stock Option Plan:

	2016 €'000	2015 €'000
Expenses for the period from 2011 stock option plan	78	46

Measurement is based on the following parameters:

	Tranche 1	Tranche 2
Measurement date	30 March 2012	02 June 2016
Exercise price (uniform and therefore also average)	€3.53	€1.89
Price of the WILEX share as of the measurement date (for Tranche 1 before 1:4 capital reduction)	€3.82	€1.83
Expected vesting period until the measurement date	4.81 years	3.95 years
Expected volatility of the WILEX share	57.83%	89.42%
Expected dividend yield of the WILEX share	0.00%	0.00%
Risk-free interest rate	0.61%	-0.47%
Maximum term	10 years	10 years

The expected volatility was calculated based on the historical volatility of the WILEX share over the past nine-and-a-half years since its IPO in November 2006.

The fair value of the stock options granted in the 2012 fiscal year as part of the 2011 SOP amounted to €2.13 per option as of the measurement date. The fair value of the stock options granted in the 2016 fiscal year amounted to €1.41 per option as of the measurement date.

A total of 598,437 options – 337,500 for existing or former members of the Executive Management Board and 260,937 for existing or former employees of WILEX AG and Heidelberg Pharma – were outstanding under the 2011 plan as of the end of the fiscal year.

WILEX issued a total of 1,847,157 subscription rights to employees and members of the Executive Management Board under the 2005 and 2011 plans, of which 835,631 options (487,500 for current or former Executive Management Board members and 348,131 for current or former employees) were outstanding and of which 472,308 options had vested as of the end of the reporting period (267,000 for current or former Executive Management Board members and 205,308 for current or former employees).

25 Net currency gains/losses

WILEX posted a currency gain of €8 thousand and a currency loss of €6 thousand in the 2016 fiscal year, which resulted in a net currency gain of €2 thousand (previous year: €25 thousand).

26 Financial result

	2016 in €'000	2015 €'000
Interest income from bank accounts/Other	1	3
Finance income	**1**	**3**
Interest expense from leasing and current liabilities to banks	(2)	0
Interest expense from shareholder loans and others	(18)	(1)
Finance costs	**(20)**	**(1)**
Financial result	**(19)**	**3**

The negative financial result as compared with the previous year is attributable to the interest expense for the shareholder loan extended by dievini.

27 Income taxes

Due to operating losses in the reporting periods, no significant income tax was payable in the fiscal year ended, with the exception of €9 thousand in foreign withholding tax. Neither expenses nor income from deferred taxes were included in tax expenses in 2015 and 2016.

Deferred tax assets or liabilities were determined using the tax rates in effect in each case. 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%).

A tax rate of 28.43% (unchanged from the previous year) was applied to the subsidiary Heidelberg Pharma.

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 IFRSs. Reconciliation of the differences is shown in the following table:

	2016 €'000	2015 €'000
Earnings before tax	(6,380)	(6,514)
Tax rate	32.98%	32.98%
Expected tax income	**2,104**	**2,148**
Deferred taxes on losses for the period not qualifying for recognition	(1,927)	(2,092)
Change in non-recognized temporary differences	9	126
Non-deductible operating expenses/Other	(177)	(144)
Reported tax expense	**9**	**38**

The existing deferred tax assets and deferred tax liabilities as of 30 November are attributable as follows:

	2016 €'000	2015 €'000
Deferred tax assets		
Intangible assets	0	5
Other non-current assets	884	641
Different carrying amount of the equity investment	109	109
Recognized tax loss carryforwards	692	706
	1,685	**1,462**
Deferred tax liabilities		
Intangible assets	726	731
Property, plant and equipment	0	16
Other non-current assets	613	369
Other liabilities / provisions	333	312
Other	13	34
	1,685	**1,462**
Deferred income taxes, net	**0**	**0**

As in the previous year, €109 thousand of the deferred tax assets resulted from outside basis differences in respect of different measurements of the equity investment.

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. Deferred tax assets on loss carryforwards are recognized only in an amount that corresponds to the amount in which deferred tax liabilities offset such deferred tax assets.

As further losses can be expected in the foreseeable future, no deferred tax assets were recognized regarding the following:

	2016 €'000	2015 €'000
Loss carryforwards		
for corporation tax	231,286	225,431
for trade tax	228,308	222,454
Deductible temporary differences	**0**	**0**
Loss carryforwards used or offset	**2,475**	**2,526**

The tax loss carryforwards shown in the table above are mainly attributable to WILEX AG (corporation tax loss carryforward of €173,522 thousand; municipal trade tax loss carryforward of €170,544 thousand) and may be carried forward indefinitely. Other tax loss

carryforwards concern the subsidiary Heidelberg Pharma. Heidelberg Pharma has €57,764 thousand in losses carried forward for corporation tax and municipal trade tax purposes. Deferred tax assets (amounting to €692 thousand) were recognized in the fiscal year just ended for €2,475 thousand in tax loss carryforwards and offset against correspondingly high deferred tax liabilities.

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.

In fiscal year 2016, WILEX AG was subject to a tax audit for the period from 2011 to 2014. Since the audit did not result in any changes in the tax base, the final determination was made that the loss carryforwards accrued by 31 December 2014 amounted to €169.2 million (corporation tax) and €166.2 million (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 after 2010 and the changed identity of the Company as a result of the restructuring measures might possibly have led to the pro-rated elimination of the tax loss carryforwards.

Corporations that rely on new shareholders or a change of shareholders for purposes of financing are expected to be able to continue to utilize as yet unused tax loss carryforwards as long as they still operate the same business following the change of shareholders. In December 2016, the existing rules in Section 8c German Corporation Tax Act (Körperschaftsteuergesetz) were supplemented retroactively to 01 January 2016 with the new Section 8d German Corporation Tax Act. According to the new regulation, a loss will not be eliminated as per Section 8c German Corporation Tax Act, if the following conditions are met:

- The business operated for at least three years remains unchanged.
- The corporation is not permitted to take a stake in a partnership.
- The corporation is not permitted to be or become the parent company of a consolidated tax group.
- No assets under fair market value may be contributed to the corporation.

In 2011, WILEX AG acquired 100% of the shares in Heidelberg Pharma, as a result of which the tax loss carryforwards of €40,286 thousand accumulated by Heidelberg Pharma up to the acquisition date are at risk. 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 €12,808 thousand.

A purchase price allocation carried out in connection with this transaction resulted in the identification of intangible assets and goodwill. The deferred tax liabilities determined in connection with the valuation amounted to €800 thousand; they were offset in the same amount by deferred tax assets from tax loss carryforwards taken over. As of 30 November 2016, €726 thousand (previous year: €731 thousand) in deferred tax liabilities were determined; the Company continues to make use of the option to offset them against deferred tax assets in accordance with IAS 12.74.

28 Earnings per share

28.1 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 fiscal year.

(in €'000)	2016	2015
Net loss for the year attributable to equity providers	**(6,389)**	**(6,552)**
Level of capital and corporate actions in the fiscal year		
Number of issued shares at the beginning of the fiscal year (in thousand)	**9,306**	**7,819**
Number of shares newly issued during the fiscal year (in thousand)	3,622	1,487
Number of issued shares at the end of the fiscal year on the 30 November reporting date (in thousand)	**12,928**	**9,306**
Basic earnings per share based on shares issued at the end of the fiscal year (in € per share)	**(0.49)**	**(0.70)**
Average number of shares issued during the fiscal year (in thousand)	**11,981**	**8,776**
Basic earnings per share based on the average number shares issued in the fiscal year (in € per share)	**(0.53)**	**(0.75)**

Basic earnings per share in 2016

In fiscal year 2016, basic earnings per share amounted to €-0.53 based on the average number of issued shares (11,980,894 shares and earnings attributable to equity providers of €-6,389 thousand).

Where reference is made to the number of shares outstanding as of the reporting date (12,927,564 shares), the basic earnings per share therefore amount to €-0.49.

Basic earnings per share in 2015

In fiscal year 2015, basic earnings per share amounted to €-0.75 based on the average number of issued shares (8,776,087 shares and earnings attributable to equity providers of €-6,552 thousand).

As of last year's reporting date, 9,305,608 shares had been issued. After the reporting date but before publication of the financial statements was approved on 30 November 2015, 1,373,684 new no par value bearer shares were issued. The divisor used in the pro-forma calculation of the basic earnings per share taking into account these corporate actions therefore is the average number of shares, i.e., 10,679,292. The basic earnings per share in 2015 thus amount to €-0.61.

28.2 Diluted

The Company's Annual General Meetings in 2005 and 2011 resolved to contingently increase the share capital of the Company. The associated possibility of granting stock option rights to employees and members of the Executive Management Board could potentially dilute the basic earnings per share in future.

However, the basic and diluted earnings per share of WILEX are calculated based on the same number of shares in accordance with IAS 33.47 because the average market price of WILEX shares during the entire period fell below the exercise price of the stock options.

29 Leases, guarantees and obligations

As of the reporting date, a total of €10 thousand in security were made available for finance and operating leases (previous year: €19 thousand).

29.1 Finance leases

Laboratory equipment was purchased in prior periods by means of finance leases subject depreciation on a straight-line basis of the purchase cost in property, plant and equipment. All finance leases have now expired.

WILEX will therefore no longer incur any minimum obligations under finance leases in future reporting periods.

29.2 Operating leases, guarantees and obligations

WILEX has also leased laboratory and office equipment under operating leases, which will expire at different times until 2019. All of the parent company's office premises used at present are rented under indefinite leases that can be terminated by giving three months notice as of the end of a month.

The leases for the premises of the subsidiary Heidelberg Pharma may be terminated on short notice. 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	**in €'000**
2016	**112**
of which from tenancy agreements	95
of which from operating leases	17
2015	**555**
of which from tenancy agreements	536
of which from operating leases	19

The decrease in expenses is due to the change in WILEX AG's rental situation. The Company was able to terminate the original lease for the office and laboratory space in Munich as of 30 September 2015 with the subsequent lessee assuming all of the lease obligations. From 1 October 2015 onwards, WILEX has rented the – much smaller – offices needed in Munich under a sublease.

WILEX has pledged bank accounts with a balance of €10 thousand 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 Nov. 2016	**up to 1 year** **in €'000**	**1-5 years** **in €'000**	**more than 5 years** **in €'000**	**Total** **in €'000**
Rental obligations for laboratory and office premises	42	0	0	42
Obligations under operating leases (laboratory and other office equipment, vehicles)	23	25	0	48
	65	**25**	**0**	**90**

Below are previous year's figures:

Obligations as of 30 Nov. 2015	**up to 1 year** **in €'000**	**1-5 years** **in €'000**	**more than 5 years** **in €'000**	**Total** **in €'000**
Rental obligations for laboratory and office premises	77	7	0	84
Obligations under operating leases (laboratory and other office equipment, vehicles)	17	26	0	43
	94	**33**	**0**	**127**

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 obligation to purchase the leased equipment once the given lease expires.

As of the 2016 reporting date, the Company has a contingent liability in the context of the 2013 sale of former subsidiary WILEX Inc. to Nuclea. The leasing of premises by the former subsidiary WILEX Inc. was originally based on a sub-lease between Siemens Corporation, NJ, USA, as landlord and WILEX Inc. as sub-letter. As part of the acquisition of Oncogene Science (later: WILEX Inc.), WILEX AG assumed a rental payment guarantee and a guarantee for payment of damages in case of default in respect of the landlord in 2010. After the sale of the entity and as a result of the merger of WILEX Inc. into Nuclea Biotechnologies Inc. (Nuclea) on 6 November 2013, Nuclea entered into the agreement as tenant. The monthly rent amounts to USD 56 thousand, or USD 673 thousand per year. The sub-lease was signed in 2010 for an initial period ending on 31 January 2016. The guarantee furnished by WILEX AG for WILEX Inc. in respect of the landlord remained in effect even after the merger of WILEX Inc. with Nuclea. On the basis of a separate agreement between Nuclea and Siemens Corporation, the lease was extended to 27 February 2019 without the involvement of WILEX AG. Currently, the tenant's rent payments are in arrears for a prolonged period up to 31 January 2016. In accordance with the principle of prudence, WILEX AG has recognized a provision for the liability from the rent guarantee in the amount of €408 thousand. In addition, there is a possibility in the future that the agreement could result in WILEX AG being held liable in respect of the landlord for damages due to the default of the current tenant Nuclea and for rent in arrears from the period after 31 January 2016.

Although Nuclea filed for Chapter 7 bankruptcy on 30 August 2016 – which is comparable to filing for insolvency under German law – WILEX believes that Siemens does not have grounds to assert legal claims against WILEX AG for damages due to default beyond 31 January 2016.

WILEX entered into sub-leases that generated €12 thousand (previous year: €251 thousand). WILEX can expect minimum payments of €8 thousand from existing sub-leases as of the reporting date.

30 Corporate bodies and remuneration

30.1 Executive Management Board

The Executive Management Board members of WILEX AG in reporting period were:

Dr. Jan Schmidt-Brand, Chief Financial Officer and Chief Executive Officer

Professor Andreas Pahl, Chief Scientific Officer (from 2 June 2016)

Dr. Paul Bevan, Head of Research and Development (until 31 March 2016)

In parallel to his work as a member of the Executive Management Board, Dr. Jan Schmidt-Brand acts as the Managing Director of Heidelberg Pharma, a position he has held since 2004. In the interests of transparency, the remuneration of Dr. Schmidt-Brand is presented in full, which means that the amounts that he has earned as Managing Director of the subsidiary Heidelberg Pharma are also listed below.

For reasons of transparency, all remuneration received by Professor Pahl from WILEX AG and the remuneration he received from Heidelberg Pharma during the fiscal year are also presented here. This includes the remuneration he earned as scientific director of Heidelberg Pharma in the period from 1 December to 1 June 2016 prior to his appointment to the Executive Management Board.

30.2 Supervisory Board

The Supervisory Board members of WILEX AG as of 30 November 2016 were:

- Professor Christof Hettich, lawyer and partner at RITTERSHAUS Rechtsanwälte Partnerschaftsgesellschaft mbB, Mannheim/Frankfurt am Main/Munich, Germany; Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany; and Chairman of the Management Board of SRH Holding SdbR, Heidelberg, Germany (Chairman of the Supervisory Board of WILEX AG)
- Dr. Georg F. Baur, Entrepreneur (Deputy Chairman of the Supervisory Board of WILEX AG)
- Dr. Friedrich von Bohlen und Halbach, Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany
- Dr. Birgit Kudlek, self-employed pharmaceutical manager
- Dr. Mathias Hothum, Managing Director of dievini Verwaltungs GmbH, the general partner of dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany

Andreas R. Krebs, Managing Director & Partner of CologneInvest GmbH, Cologne, Germany, left the Supervisory Board of WILEX AG effective at the end of the Annual General Meeting on 13 May 2016.

30.2.1 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 remuneration 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 Hettich is the Chairman; Dr. Baur is a member of this committee.

A Research and Development Committee tasked with issues related to WILEX's oncological product candidates also exists. This committee is chaired by Dr. von Bohlen and Halbach; Dr. Kudlek is an additional member.

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. Baur. Its further members are Dr. von Bohlen und Halbach and Dr. Kudlek. Dr. von Bohlen and Halbach will step down from this committee as of the start of the new fiscal year; he will be succeeded by Dr. Hothum.

30.2.2 Other appointments of the Supervisory Board members

In addition to being a member of the Supervisory Board of WILEX AG, Professor Christof Hettich is also the Chairman or a member of the following bodies:

Company	Position
Agennix AG i.L., Heidelberg, Germany	Chairman of the Supervisory Board
InterComponentWare AG, Walldorf	Chairman of the Supervisory Board
LTS Lohmann Therapie-Systeme AG, Andernach	Member of the Supervisory Board
Cytonet GmbH & Co. KG, Weinheim, Germany, now Weinheim 216 GmbH & Co. KG i. L.	Chairman of the Advisory Board
immatics biotechnologies GmbH, Tübingen	Vice Chairman of the Advisory Board
SRH Holding SdbR, Heidelberg	(Chairman of the Supervisory Board – currently inactive) Chairman of the Executive Management Board
Companies of the Vetter Group: Vetter Pharma-Fertigung GmbH & Co. KG, Vetter Pharma-Fertigung Verwaltungs-GmbH, Arzneimittelgesellschaft mbH Apotheker Vetter & Co., Vetter Injekt System GmbH & Co. KG, Vetter Injekt System Verwaltungs-GmbH, Ravensburg	Member of the Advisory Boards
Molecular Health GmbH, Heidelberg, Germany	Member of the Advisory Board
PROMETHERA biosciences AG, Mont-Saint-Guibert, Belgium	Chairman of the Board of Directors

In addition to being a member of the Supervisory Board of WILEX AG, Dr. Georg F. Baur is also the Chairman or a member of the following bodies:

Company	Position
Franz Haniel & Cie. GmbH, Duisburg	Vice Chairman of the Supervisory Board
Hussel GmbH, Hagen	Chairman of the Advisory Board
J.F. Müller & Sohn AG, Hamburg	Chairman of the Supervisory Board
TAKKO Fashion GmbH, Telgte	Chairman of the Advisory Board

In addition to being a member of the Supervisory Board of WILEX AG, Dr. Friedrich von Bohlen und Halbach is also the Chairman or a member of the following bodies:

Company	Position
Agennix AG i.L., Heidelberg, Germany	Member of the Supervisory Board
Apogenix AG, Heidelberg, Germany	Chairman of the Supervisory Board
AC Immune SA, Lausanne (Switzerland)	Member of the Board of Directors
Cosmo Pharmaceuticals N.V., Amsterdam, the Netherlands	Non-executive member of the Board of Directors
CureVac AG, Tübingen	Chairman of the Supervisory Board
Cytonet GmbH & Co. KG, Weinheim, Germany, now Weinheim 216 GmbH & Co. KG i.L.	Member of the Advisory Board
febit Holding GmbH, Heidelberg	Member of the Advisory Board
Immatics GmbH, Tübingen	Member of the Advisory Board
Novaliq GmbH, Heidelberg	Chairman of the Advisory Board
Wyss Translational Center, Zurich, Switzerland	Member of the Evaluation Board

In addition to being a member of the Supervisory Board of WILEX AG, Dr. Birgit Kudlek is also a member of the following bodies:

Company	Position
STADA Arzneimittel AG, Bad Vilbel, Germany	Member of the Supervisory Board

In addition to being a member of the Supervisory Board of WILEX AG, Dr. Mathias Hothum is also the Chairman or a member of the following bodies:

Company	Position
Apogenix AG, Heidelberg, Germany	Member of the Advisory Board
CureVac AG, Tübingen	Member of the Supervisory Board
Cytonet GmbH & Co. KG, Weinheim, Germany, now Weinheim 216 GmbH & Co. KG i. L.	Member of the Advisory Board
Joimax GmbH, Karlsruhe, Germany	Chairman of the Advisory Board
Novaliq GmbH, Heidelberg	Member of the Advisory Board

LTS Lohmann Therapie-Systeme AG	Member of the Supervisory Board
Molecular Health GmbH, Heidelberg, Germany	Member of the Advisory Board

In addition to being a member of the Supervisory Board of WILEX AG, Andreas R. Krebs was also the Chairman or a member of the following bodies:

Company	**Position**
Merz GmbH & Co. KGaA, Frankfurt am Main	Member of the Supervisory Board and the Shareholders' Council
Merz KGaA, Frankfurt am Main	Chairman of the Advisory Board

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.

30.3 Remuneration of corporate bodies

A detailed description of the remuneration model and the information on remuneration of each Executive Management Board and Supervisory Board member are included in the remuneration report, which is part of the combined management report. These disclosures were subject to the audit of the annual financial statements and consolidated financial statements. The remuneration report is included in chapter 6, "Corporate governance," of the combined management report.

30.3.1 Executive Management Board

Remuneration consists of a salary (fixed remuneration), other benefits (non-cash remuneration), a variable remuneration component and a stock option plan with a long-term incentive and risk element.

The members of the Executive Management Board received total remuneration of €587 thousand (previous year: €504 thousand) in fiscal year 2016, €409 thousand (previous year: €355 thousand) of which was fixed remuneration, €139 thousand (previous year: €136 thousand) was variable remuneration and €39 thousand (previous year: €13 thousand) was paid in the form of other benefits or non-cash remuneration.

For information on the remuneration component of the stock options described below, please refer to the capital reduction in a 4:1 ratio that was implemented in the 2014 fiscal year. As a result, now only four options entitle the holder to acquire one share, instead of one option to acquire one share prior to the capital reduction (in accordance with the terms of exercise of the option plan). At the same time, following the 4:1 capital reduction, the exercise prices and reference prices quadrupled compared with the situation prior to the measure.

During the year, the serving Executive Management Board members (Dr. Schmidt-Brand and Professor Pahl) were granted a total of 252,000 stock options from this stock option plan with a long-term incentive and a risk element. The two current members of the Executive Management Board thus held a total of 312,000 stock options as of the reporting date.

The cumulative fair value of all stock options granted to the current Executive Management Board members was €450 thousand as of the end of the reporting period (previous year: €529 thousand). The expenses for the current members of the Executive Management Board incurred in connection with the share-based remuneration in the fiscal year just ended totaled €51 thousand (previous year: €21 thousand). The comparison figures for the previous fiscal year refer to the previous Executive Management Board.

30.3.2 Supervisory Board

In accordance with the Company's Articles of Association, the members of the Supervisory Board receive a fixed remuneration for each full fiscal year of service on the Supervisory Board. Members of a Supervisory Board committee are paid a flat fee per fiscal year and committee. The Supervisory Board members do not receive variable remuneration, nor are they granted options or similar rights. Supervisory Board members are not entitled to a settlement if their membership ends.

The remuneration paid to Supervisory Board members who were not in service for a full fiscal year is prorated in accordance with the duration of their membership on the Supervisory Board.

In the 2016 fiscal year, the members of the Supervisory Board were paid remuneration of €197 thousand (previous year: €196 thousand) without reimbursement of travel expenses.

31 Related party transactions

Balances and transactions between the Company and its subsidiaries which are related parties were eliminated in consolidation and are not outlined in this note. Details concerning transactions between the Group and other related parties are listed below.

31.1 Shares held by the Executive Management Board and the Supervisory Board

As of 30 November 2016, members of the Executive Management Board held 65,619 shares (representing 0.51% of the Company's share capital of 12,927,564 shares).

Members of the Supervisory Board held 27,005 shares directly and 6,531,262 shares indirectly (representing 0.21% and 50.52%, respectively, of the Company's share capital). Chapter 6.2.3, Shares held by the Supervisory Board and the Executive Management Board, contains a disclosure of the shareholdings of the individual Board members.

31.2 Directors' dealings

As a rule, reportable transactions are published on WILEX's website www.wilex.com under the tab "Press+Investors > Announcements > Directors' Dealings."

In the 2016 fiscal year, WILEX AG's executives reported the following transactions (directors' dealings) subject to disclosure in accordance with Section 15a German Securities Trading Act (Wertpapierhandelsgesetz).

Name	Date	Transaction[1)]	Marketplace	Price in €	Number	Volume in €
dievini Hopp BioTech holding GmbH & Co. KG (dievini)[1)]	4 Dec. 2015	Purchase[2)]	OTC	1.84	148,897	273,970.48
dievini[1)]	7 Dec. 2015	Purchase[2)]	OTC	1.84	930,560	1,712,230.40
Dr. Jan Schmidt-Brand (CEO/CFO)	8 Dec. 2015	Purchase[2)]	OTC	1.84	1,705	3,137.20
dievini[1)]	11 Dec 2015	Purchase[2)]	OTC	1.84	219,728	404,299.52
dievini[1)]	18 April 2016	Purchase[2)]	OTC	1.84	931,796	1,714,504.64
Dr. Jan Schmidt-Brand	18 April 2016	Purchase[2)]	OTC	1.84	7,901	14,537.84
dievini[1)]	25 April 2016	Purchase[2)]	OTC	1.84	1,173,427	2,159,105.68

Professor Andreas Pahl (CSO)	18 July 2016	Purchase	Munich Stock Exchange	1.755	2,000	3,510.00
Professor Andreas Pahl	18 July 2016	Purchase	XETRA	1.755	4,000	7,020.00
Professor Andreas Pahl	27 Oct. 2016	Purchase	XETRA	1.60	2,500	4,000.00
Professor Andreas Pahl	28 Oct. 2016	Purchase	XETRA	1.60	3,500	5,600.00
Professor Andreas Pahl	1 Nov. 2016	Purchase	XETRA	1.60	4,000	6,400.00

[1] Supervisory Board members, Professor Christof Hettich, Dr. Friedrich von Bohlen und Halbach and Dr. Mathias Hothum, have management responsibilities at dievini Hopp BioTech holding GmbH & Co. KG (dievini), which is a shareholder of WILEX AG.
[2] Within the context of capital increases

31.3 Other transactions

- In 1998, WILEX granted a defined benefit pension commitment to Professor Olaf G. Wilhelm that promises the beneficiary a one-time payment of €47 thousand upon reaching the age of 60 (see note 17). The defined benefit pension commitment is based on plan assets funded with a one-time payment of €15 thousand into a reinsurance policy in 2000. WILEX assumes that no substantial future payments to the plan will be necessary. The beneficiary is expected to retire on 1 May 2019.

  Furthermore, Heidelberg Pharma granted Dr. Jan Schmidt-Brand a defined contribution pension commitment in 2012 in his capacity as Managing Director of the company for which matching reinsurance was arranged.

- Since 2005, WILEX has issued a total of 1,258,515 subscription rights to current and former members of the Executive Management Board and to individuals who were appointed to the Executive Management Board at a later time under the 2005 and 2011 Stock Option Plans (2005 Plan: 894,515; 2011 Plan: 364,000), of which 487,500 options were outstanding after returns following employees leaving the Company (2005 Plan: 150,000; 2011 Plan: 337,500).

  As of the end of the reporting period, 267,000 of these options are vested (2005 Plan: 150,000; 2011 Plan: 117,000). No stock options have been exercised to date.

- The Rittershaus law firm invoiced legal consulting services for WILEX AG and Heidelberg Pharma in the amount of approximately €16 thousand 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.

No other relationships to related parties exist in addition to the relations and financing services listed. Furthermore, no transactions that were not at arm’s length within the meaning of IAS 24.23 were entered into.

31.4 Expenses for the auditors

Deloitte & Touche GmbH Wirtschaftsprüfungsgesellschaft – now Deloitte GmbH Wirtschaftsprüfungsgesellschaft – was appointed the auditor of the company's consolidated financial statements at its Annual General meeting on 13 May 2016. The following fees for services were recorded as expenses in the periods reviewed:

	2016 €'000	2015 €'000
Auditing services	80	80
Other verification services	14	16
Expenses for auditors	**94**	**96**

Audit fees (€80 thousand) solely concern the statutory audit of the consolidated financial statements pursuant to IFRS and the audit of the annual financial statements of WILEX AG pursuant to HGB.

31.5 Disclosures regarding the majority shareholder

Mr. Dietmar Hopp informed us on 13 April 2015 in accordance with section 21 (1) of the German Securities Trading Act that his share of the voting rights of WILEX AG exceeded the 50% voting right threshold on 13 April 2015 and on that day amounted to 51.67% (corresponding to 4,808,356 voting rights based on share capital of €9,305,608.00). A total of 49.83% of the voting rights, or 4,636,818 voting rights, are attributable to Mr Hopp pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act. The attributed voting rights at that time were held via the following companies he controls and whose share of the voting rights of WILEX AG amounts to 3% or higher in each case: Curacyte GmbH, dievini Hopp BioTech holding GmbH & Co. KG, DH-Capital GmbH & Co. KG, DH-Holding GmbH & Co. KG, DH-Holding Verwaltungs GmbH.

In the fiscal year ended, the share of voting rights of Mr. Dietmar Hopp again increased as a result of the three capital increases completed during the year, according to his notice submitted on 06 May 2016.

Since then, his share of the voting rights of WILEX AG has amounted to 63.53% (equal to 8,212,764 voting rights based on share capital of €12,927,564.00). A total of 62.20% of the voting rights, or 8,041,226 voting rights, are attributable to Mr Hopp pursuant to section 22 (1) sentence 1 no. 1 of the German Securities Trading Act.

The attributed voting rights are held via the following companies he controls and whose share of the voting rights of WILEX AG amounts to 3% or higher in each case: dievini Hopp BioTech holding GmbH & Co. KG, DH-Holding Verwaltungs GmbH.

32 Declaration of Conformity with the German Corporate Governance Code in accordance with Section 161 German Stock Corporation Act

The Declaration of Conformity 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 2017. It has been made permanently available to all shareholders and interested parties on the Company's website (www.wilex.com).

33 Events after the reporting period

33.1 WILEX signs antibody license agreement with Telix Pharmaceuticals

WILEX AG and Australian biopharmaceutical company Telix Pharmaceuticals Limited ("Telix"), announced on 16 January 2017 that they concluded a worldwide license agreement for the development and commercialization of the imaging agent REDECTANE®, a radiolabeled form of the monoclonal antibody Girentuximab which also covers radiotherapy applications. WILEX had previously completed a successful first Phase III trial with REDECTANE®, its radiolabeled form of the antibody Girentuximab, in clear cell renal cell carcinoma (ccRCC).

WILEX has granted Telix the worldwide licensing rights to further develop and commercialize the REDECTANE® molecular imaging program. Under the agreement, Telix will, as a first step, invest in an improved manufacturing process for the antibody. Under the terms of the agreement, WILEX is eligible to receive upfront and milestone payments totaling USD 3.7 million. In addition, WILEX is eligible to receive significant royalties on global net sales of REDECTANE®, commensurate with a Phase III asset. Telix is responsible for all development costs, as well as manufacturing and commercialization costs.

Under the terms of the agreement, if a therapeutic product developed by Telix is ultimately granted marketing approval, WILEX will receive single-digit royalties.

33.2 Heidelberg Pharma exercises option for BCMA antibodies of the Max Delbrück Center and enters into license agreement

In January 2017, Heidelberg Pharma signed a license agreement with the Max Delbrück Center for Molecular Medicine in the Helmholtz Association (MDC) in Berlin covering BCMA antibodies. The license agreement follows an option agreement signed in September 2016.

Financial details are confidential but will not have an impact on WILEX's cash reach.

As a result of a selection and optimization process of the BCMA antibodies, the ATAC candidate HDP-101 was selected and is currently being prepared for clinical development that could start by the end of 2018.

33.3 WILEX AG secures financing commitment from its main shareholder dievini

On 6 February 2017, WILEX announced that it had secured a further financing commitment from its main shareholder dievini Hopp BioTech holding GmbH & Co. KG, Walldorf, Germany (dievini). Dievini will provide the company up to €10 million. The details of the financing will be decided by the Executive Management Board and the Supervisory Board of WILEX AG with dievini at a later date.

With this additional commitment, the Company's cash reach is secured until the end of the second quarter of 2018.

Munich, Germany, 27 March 2017

WILEX AG, the Executive Management Board

Dr. Jan Schmidt-Brand
CEO/CFO

Professor Andreas Pahl
CSO

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 WILEX Group, and the combined management report includes a fair review of the development and performance of the business and the position of the WILEX Group and of WILEX AG, together with a description of the material opportunities and risks associated with their expected development."

Munich, 27 March 2017

The Executive Management Board of WILEX AG

Dr. Jan Schmidt-Brand
Chief Executive Officer and Chief Financial Officer

Professor Andreas Pahl
Chief Scientific Officer

Auditors‘ report

We have audited the consolidated financial statements prepared by Wilex AG, Munich, comprising the balance sheet, statement of comprehensive income, notes, cash flow statement and statement of changes in equity, together with the Group management report, which was combined with the management report, for the fiscal year from 1 December 2015 to 30 November 2016. The preparation of the consolidated financial statements and Group management report in accordance with International Financial Reporting Standards (IFRSs), as adopted by the EU, and the additional requirements of German commercial law pursuant to section 315 (1) HGB [Handelsgesetzbuch: German Commercial Code] are the responsibility of the Company‘s Executive Management Board. 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]. 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 management report of the parent company and the Group 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 the Executive Management Board, as well as evaluating the overall presentation of the consolidated financial statements and the 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 of Wilex AG, Munich, 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”, subsections “Going concern risks”, “Financing risk” and “Overall assessment of the risk situation” of the Group management report. Therein it is disclosed that the continued existence of the WILEX Group as a going concern depends substantially on the successful commercialization of the ADC technology of the subsidiary Heidelberg Pharma GmbH and the implementation of the financing strategy according to schedule. Should the planning assumptions made turn out to be incorrect as regards the amounts or dates of the financial inflows and/or WILEX be unable to obtain the liquidity required for the further development of the ADC technology on the capital market, the continued existence of the WILEX Group as a going concern would be jeopardized.

Mannheim, 27 March 2017

Deloitte GmbH
Wirtschaftsprüfungsgesellschaft

Dr. Buhleier
Wirtschaftsprüfer [German Public Auditor]

Schmidt
Wirtschaftsprüfer [German Public Auditor]

Glossary

Acute Myeloid Leukemia (AML): Acute myeloid leukemia (AML) is a blood cancer where large amounts of myeloid blasts (immature blood cells) exist in the blood. They derive from a myeloid cell proliferating in an uncontrolled way, which normally builds red blood cells, platelets and parts of white blood cells. AML is the most common acute leukemia in adults.

Amanitin: toxin that is a member of the amatoxin group of natural poisons occurring in the death cap (Amanita phalloides), among others

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 tumor tissue. This combination enhances the control of drug pharmacokinetics and significantly improves delivery to target tissue.

Antibody **T**argeted **A**manitin **C**onjugate (ATAC): antibody drug conjugate using the amanitin toxic. ATACs are second-generation ADCs characterized by improved efficacy, also as regards quiescent tumor cells. Quiescent tumor cells are scarcely reached with existing standard therapies and contribute to tumor recurrence and resistance formation. These ATACs will also be used to treat therapy-resistant tumors that no longer respond to standard chemotherapy or anti-tumor antibodies.

Antigen: Structure onto which an antibody specifically binds

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

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).

CAIX: Antigen that binds to the antibody Girentuximab

CDMO: Contract Development and Manufacturing Organization

Chemotherapy: Use of cell toxins to destroy tumor cells in the body

Chimeric: Genetically composed from different species

Combination therapy: Therapy with two or more substances

CTCL (Cutaneous T cell lymphoma): Lymphoma is the most common blood cancer. T cell lymphoma is a disease affecting the lymphatic system where clusters of malignant T lymphocytes (T cells) are found in the lymph nodes and other organs. One of the most common forms is CTCL, a T-cell lymphoma that causes malignant lesions on the skin.

Cytotoxic: Poisonous to cells

Diagnostic agent: A tool, gene or protein that aids in the diagnosis of an illness

EarlyADME: **E**arly **A**bsorption, **D**istribution, **M**etabolism and **E**xcretion of a pharmaceutical compound within an organism

FDA: Food and Drug Administration – regulatory authority in the USA

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

HPD-101: Development name for the proprietary ATAC candidate that is composed of a BCMA antibody, a linker and the Amanitin toxin

Immune checkpoint: Immune checkpoints are receptors on the surface of T-cells. They act as modulators of T-cell response, and act as intensifiers (proinflammatory) or inhibitors (anti-inflammatory; e. g. PD-1). Checkpoint inhibitors are drugs that occupy the immune checkpoints and thus inhibit them.

Inhibitor: Substance which reduces or inhibits specific biological activities

INN: International Nonproprietary Name

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

Linker: Bridging molecule, used e. g. to connect a toxin to an antibody

MESUPRON®: Name under which the oral uPA inhibitor is being developed (formerly WX-671)

Metastasis: Malignant spread of a tumor in an organism

Metastases: The spread of malignant tumor cells in the body and the formation of secondary tumors

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 immortalized 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 anti- body, which binds to a specific antigen.

Oncology: Research field which focuses on cancer studies

Oral: Administration via the mouth

Orthotopic tumors: Tumors that are located at the same anatomical location of recipient and donor. This plays a role in animal models, for example.

Overexpressed: Too many copies of a substance, e. g. a protein

PET/CT: PET/CT is a combination of two imaging procedures. Whereas PET (positron emission tomography) is a radionuclide imaging procedure that can visualize biochemical and physiological processes, CT (computer tomography) is a radiological method which shows the anatomic structures that are necessary to localize the PET signal.

Pharmacokinetics: Describes all processes of the action of drugs in the body, examining absorption, distribution, metabolism, and excretion.

Pharmacology: A scientific discipline investigating the characterization, effect and application of drugs and their interaction with the 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

Positron emission tomography (PET): A radio nuclide imaging procedure, which can visualize biochemical and physiological processes by means of radioactive materials

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 tumor: A tumor that triggers a malignant disease

Protease: An enzyme that splits proteins, subdividing them into smaller parts

PSMA: Prostate-specific membrane antigen. PSMA is overexpressed in prostate cancer specifically and is a promising target for an ADC approach, as it shows very low expression in normal tissues.

R&D: Research and development

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)

RNA polymerase II: Enzyme complex that mainly catalyzes the synthesis of mRNA (messenger ribonucleic acids) in the transcription of DNA in eukaryotes

SCLC: **S**mall **C**ell **L**ung **C**ancer

Serine protease: A type of peptidase (i. e. enzymes which catalyze the split of proteins and peptides)

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.

Therapeutic agent: Drug applied for the treatment of illnesses

Thrombin: Enzyme that enables blood to coagulate

uPA: Urokinase-type plasminogen activator

Financial calendar

Datum	Type of report/event
30 March 2017	Annual Report 2016, financial press conference and analysts' meeting
12 April 2017	Interim management statement
13 July 2017	Half-yearly Financial Report 2017
20 July 2017	Annual General Meeting 2017
12 October 2017	Interim management statement

Please see our website for the current list of conferences for 2017. *www.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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