NOXXON Pharma N.V.
Amsterdam, The Netherlands

Annual Report 2016

(non-statutory)

Forward-looking statements

This non-statutory Annual Report contains statements that constitute forward-looking statements. Forward-looking statements appear in a number of places in this Annual Report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on management estimates and on management's beliefs and assumptions and on information currently available to the management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified under the section "Risk Management" in this Annual Report.

Such estimates have been made in good faith and represent the current beliefs of applicable members of management. Those management members believe that such estimates are founded on reasonable grounds. However, by their nature, estimates may not be correct or complete. These statements reflect the Company's current knowledge and its expectations and projections about future events. Many of these forward-looking statements contained in this Annual Report can be identified by the context of such statements or words such as "anticipate," "believe", "estimate", "expect", "intend", "plan", "project", "target", "may", "will", "would", "could", "might" or "should" or "potential" or similar terminology. By their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Group's control that could cause the Group's actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements. Forward-looking statements speak only as of the date they are made and the Group does not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Group management discussion and analysis

Management of NOXXON Pharma N.V. (the "Company") and its controlled subsidiaries (the "Group") hereby presents its non-statutory consolidated financial statements for the financial year ended on 31 December 2016. The statutory accounts, to be filed with the Chamber of Commerce in the Netherlands, will be filed separately.

General information

Overview

The Group is a clinical stage biopharmaceutical group that has generated a proprietary product pipeline and plans to primarily focus on further development in cancer treatment. All its product candidates are based on a new class of drug called "Spiegelmers", which are identified and synthesized through a proprietary discovery platform which the Group believes offers specific advantages over other drug classes. In various Phase 1 and 2 clinical trials involving nearly 3,000 administrations to over 300 human subjects, Spiegelmer drugs have so far shown to be biologically active and generally well tolerated, meaning without relevant side effects and with safety profiles that support further development. In recent years, the Group has transitioned its activities from drug product

candidate discovery to product candidate development, more recently focusing on its cancer programs. Currently, the Group has retained all worldwide rights to its clinical-stage product candidates, although it has entered and may continue to enter into licensing agreements, collaborations and partnering discussions on its assets. In December 2016, the Group signed a collaboration agreement with Merck & Co. Inc./MSD ("Merck") to study the combination of the Group's lead product candidate, NOX-A12, with Merck's immune-oncology checkpoint inhibitor antibody Keytruda®/pembrolizumab in patients with metastatic solid tumors that do not usually respond to checkpoint inhibitor monotherapy. In January 2017 NOXXON announced that it had entered into an assignment and licensing agreement with Aptarion biotech AG under which it non-exclusively licensed its Spiegelmer technology and assigned certain preclinical assets to Aptarion biotech.

The Group believes the future of cancer treatment will rely on so-called "combination therapies", meaning combinations of different drugs that have a synergistic benefit for the patient by fighting the cancer in multiple ways at the same time (*Source: Mahoney et al., 2015*). The Group's lead product candidate and other clinical stage product candidate in its pipeline target the tumor microenvironment (TME) and are designed to be combined with other cancer targeting therapies. The TME is the space in which cancer cells exist in the body, which includes amongst others surrounding blood vessels, immune cells, fibroblasts and signaling molecules. The TME has been shown to have a critical role in almost all aspects of cancer biology (*Source: Guo et al., 2015; Joyce & Fearon, 2015*).

Specific signaling molecules called chemokines are important in the interaction between the cancer and the TME. These chemokines can act as communication bridges between cells and their environment and as signposts for migrating cells when attached to cell surfaces for example on blood vessel walls. The Group's cancer pipeline consists of products that are designed to break this line of communication and isolate tumor cells from their environment so that they can be killed more easily or effectively.

The Group's pipeline consists of one lead clinical-stage product candidate and an additional product candidate that the Group intends to progress alone or through potential partnerships:

NOX-A12 (olaptesed pegol)

The Group's lead product candidate NOX-A12 targets a key chemokine in the TME, CXCL12, also known as stromal cell-derived factor-1 (SDF-1), that is naturally involved in the migration of blood cells and in cancer acts as a communication bridge between tumor cells and their environment (*Source: Guo et al., 2015*). While CXCL12 and other chemokines generally attract cells, it is now understood that under certain conditions of very high local concentrations, CXCL12 can act as a repulsive factor for cytotoxic or killer T cells, which are key cells types of the immune system (*Source: Poznansky et al., 2000 & Lee et al., 2009*). NOX-A12 offers a complementary mode of action to other treatments including the current standard of care and the latest immuno-oncology therapeutics, such as immune checkpoint inhibitors and CAR-T approaches. Thus, the Group believes that NOX-A12 has specific characteristics that make it highly suitable as a partner drug in various cancer combination therapies. The Group believes that combination with NOX-A12 will increase the efficacy of cancer treatments without adding significant side effects. Therefore, the Group believes NOX-A12 is positioned to be a combination partner for a

wide range of cancer treatments. The Group has developed plans to develop NOX-A12 for three therapeutic settings in three distinct ways, based on the financing available:

- In advanced solid tumors, such as metastatic colorectal and pancreatic cancer, in combination with immune checkpoint inhibitors, to destroy tumor immune privilege to unleash the full potential of tumor immunotherapy;
- In brain cancer, in combination with radiotherapy, to block recruitment of bone marrow-derived "repair" cells into the tumor to prevent re-growth; and
- In blood cancers, such as MM, in combination with the latest available treatments, to target the protective niches for blood cancer cells to make them more vulnerable to therapy.

The Group's first priority in 2017 is to initiate a Phase 2b/3-enabling Phase 1/2 trial in collaboration with Merck in patients with solid tumors that do not respond to checkpoint inhibitor monotherapy: microsatellite stable (MSS) colorectal and pancreatic cancer in order to investigate the potential of NOX-A12 to facilitate the increase of the number of key immune system cells to infiltrate the tumor which is believed to be important and enabling for the function of immuno-oncology strategies (*Source: Feig et al., 2013; Fearon, 2014*). In a subsequent part of the trial, NOX-A12 is to be combined with Merck's antibody /Keytruda®/pembrolizumab and the safety, tolerability and efficacy of the combination treatment will be assessed. The Group believes that with supportive data from this study, the Group's next step would be a potentially pivotal trial with advanced solid tumors in combination with an existing immune checkpoint inhibitor therapy. The Group expects to enroll the first patient in this Phase 2b/3-enabling Phase 1/2 proof-of-mechanism trial in colorectal and pancreatic cancer in the second quarter of 2017 and estimates it will deliver top-line data evaluating NOX-A12 alone and initial data for the combination with a checkpoint inhibitor approximately 12 months after enrolment of the first patient, and initial top-line data on the percent of patients whose tumors are responding to the combination therapy approximately 18 months after enrolment of the first patient.

Another trial that the Group is considering to execute if sufficient financing is available is a Phase 2b/3-enabling Phase 1/2 trial in front-line, inoperable brain cancer (glioblastoma) patients in combination with radiotherapy. If the results from this study are positive, the Group plans to seek advice from competent authorities under its orphan drug designation in the United States and Europe to identify the most efficient manner to complete development in this indication.

Another trial that the Group is considering to execute if sufficient financing is available is a Phase 3-enabling Phase 2 trial in MM patients with relevant combination compounds (e.g. carfilzomib, pomalidomide, daratumumab) in last-line relapsed and refractory patients to prepare for a subsequent pivotal study. Last-line relapsed and refractory patients represent patients with cancer that has returned following previous treatments while at the same time becoming resistant to previous treatments rendering such treatments ineffective. According to discussions with regulatory agencies in Europe and the United States, the Group believes that the data from this trial, provided that they are positive, are sufficient to progress NOX-A12 into a potentially pivotal Phase 3 trial. The Group expects that the outcome of this trial would support the next development step in MM treatment which is currently planned to be a potentially pivotal Phase 3 study whose design has already been discussed with the FDA and European competent authorities. The Group successfully completed a Phase 2a trial of NOX-A12 in combination with standard of care in MM (Ludwig, H., et al., 2017).Another study in a second type of blood

cancer, chronic lymphocytic leukemia, has completed the on-treatment component and is currently in the follow-up phase also showing promising signs of improved efficacy and good tolerability.

Another potential product candidate: NOX-E36 (emapticap pegol) a TME opportunity in oncology

The Group initially developed NOX-E36 in diabetic nephropathy but now plans to investigate its potential in oncology. NOX-E36 (*emapticap pegol*) has completed a Phase 2a trial in diabetic nephropathy patients with what the Group believes are promising results, further indicating that development is warranted and would be sufficient to progress NOX-E36 into Phase 2b studies (Menne, J., et al., 2017). The Group is investigating the potential for use of this product candidate in the TME since its target (CCL2/MCP-1) is implicated in cancer spread and immune privilege of tumors and NOX-E36 also inhibits related chemokines CCL8, CCL11 and CCL13. Of interest for the use of NOX-E36 in oncology is the recent identification of a signature that appears to be linked to resistance to checkpoint inhibitors (*Source: Bu et al. 2016*) which contains a monocyte/macrophage component composed of four chemokines, three of which, CCL2, CCL8 and CCL13, are neutralized by NOX-E36. As such, the Group believes that NOX-E36 may be a more effective approach to blocking checkpoint resistance mediated by monocyte/macrophage components of the immune system than competing agents which do not fully block the signaling of all the chemokines neutralized by NOX-E36.

Financial information

Key Factors Affecting Results of Operations and Financial Condition

The Group believes that the following factors have had and will continue to have a material effect on its results of operations and financial condition.

Revenues

For the reporting period, the Group has not generated any revenues, except for immaterial amounts of revenues from the sale of oligonucleotides (chemical compounds) used for research purposes to its scientific collaborators. The Group's sales of oligonucleotides for research purposes have occurred from time to time as requests were made by certain of its scientific collaborators for access to such compounds. Such sales are not material and are not part of the Group's strategic focus. For the period from 1 January 2015 through 31 December 2016, the Group has generated €126 thousand of revenues from the sale of oligonucleotides used for research purposes.

The Group does not expect to generate any revenues from any product candidates that it develops until the Group either signs a licensing agreement or obtains regulatory approval and commercializes its products or enters into collaborative agreements with third parties.

Other operating income

The Group has received, and may continue to receive, other operating income, through grants from several public institutions and state-owned organizations to support specific research and development projects and to support investments in required capital equipment, primarily machinery and laboratory equipment. For the period from 1 January 2015 through 31 December 2016, the Group has realized €385 thousand of other operating income from such government grants related to assets.

The research and development grant agreements include a budget that specifies the amount and nature of expenses allowed during the entire grant term. Grants relating to a research and development expense item are recognized as other operating income over the period necessary to match each grant to its related costs. Where the grant relates to an asset, the nominal amount of the grant is recorded as deferred income and is released in the profit or loss on a straight-line basis over the expected remaining useful life of the related asset. If the Group fails to use the funding in accordance with the terms of the respective grant, it may be obligated to repay the grant. Accordingly, the Group only recognizes grant income when it is reasonably assured that the grant will be received and all conditions will be complied with. At the balance sheet date, there have been unfulfilled conditions and other contingencies related to such government grants for research and development. In July 2015, management decided to focus the business activities on oncology, particularly on the NOX-A12 clinical program. As a result of this restructuring and the related reduction in headcount that occurred at the end of July 2015, in March 2016 the Group was not able to meet certain requirements in accordance with an investment grant awarded by the Investitionsbank Berlin in 2008. The Group has provided for the resulting potential repayment obligation in relation to this grant. At the balance sheet date, there have been no further unfulfilled conditions and other contingencies related to government grants for as of 31 December 2016 and 2015, respectively. Subsequently, the Investitionsbank Berlin decided not to claim for the repayment of the grant after the balance sheet date. The financial liability was released to profit or loss in the first quarter 2017.

Research and development expenses

Research and development expenses consist of costs incurred that are directly attributable to the development of the Group's platform technology and product candidates. Those expenses include:

- salaries for research and development staff and related expenses, including management benefits and expenses for share-based compensation;
- costs for production of drug substances by contract manufacturers;
- service fees and other costs related to the performance of clinical trials and preclinical testing;
- costs of related facilities, materials and equipment;

- costs associated with obtaining and maintaining patents and other intellectual property;
- amortization and depreciation of intangible and tangible assets used to discover and develop the Group's clinical compounds and pipeline candidates; and
- other expenses directly attributable to the development of the Group's product candidates and preclinical pipeline.

Research and development costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

Management considers that due to regulatory and other uncertainties inherent in the development of pharmaceutical products, the development expenses incurred for its product candidates do not meet all of the criteria for capitalization as required in IAS 38 (Intangible Assets). Accordingly, the Group has not capitalized any development costs.

The Group's management considers that due to regulatory and other uncertainties inherent in the development of pharmaceutical products, the development expenses incurred for its product candidates do not meet all of the criteria for capitalization as required in IAS 38 (Intangible Assets). Accordingly, the Group has not capitalized any development costs in its non-statutory consolidated financial statements.

Research and development activities are the primary focus of the Group's business. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. In general, the Group expects that its research and development expenses will increase in absolute terms in future periods as the Group continues to invest in research and development activities related to developing its pipeline product candidates, and as programs advance into later stages of development and the Group enters into larger clinical trials. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time-consuming and the successful development of the Group's product candidates is highly uncertain.

General and administrative expenses

General and administrative expenses consist principally of salaries and related costs for personnel in executive and finance functions, such as salaries, social security contribution, benefits, and share-based compensation. Other general and administrative expenses include legal and consulting expenses related to the preparation of financing transactions, facility costs not otherwise included in research and development expenses, professional fees for legal services, patent portfolio maintenance, consulting, cost associated with maintaining compliance with listing rules and compliance requirements as a result of being a publicly traded company, auditing and accounting services, remuneration for the supervisory board, restructuring costs, benefits settled in cash and equity and travel expenses.

Foreign exchange losses

Foreign exchange losses comprise unrealized and realized foreign exchange losses incurred by purchases of research and development materials and clinical trial services denominated in a currency other than euro.

Finance income

Finance income is comprised of effects from the derecognition of financial liabilities and interest income from interest bearing bank and rental deposits.

Finance cost

Finance cost consists of effects from the recognition of financial liabilities and equity resulting from the debt-for-equity conversion agreements with lenders of the Group and interest expense on financial liabilities and accrued expenses.

Consolidated Statements of Comprehensive Loss

The following table provides an overview of the Group’s results of operations for the periods presented:

	For the fiscal year ended 31 December	
	2016	**2015**
	(in € thousands, unless otherwise indicated) (audited)	
Revenues	83	43
Other operating income	437	74
Research and development expenses	(5,327)	(7,587)
General and administrative expenses	(3,780)	(7,319)
Foreign exchange losses (12)	(12)	(41)
Loss from operations	**(8,599)**	**(14,830)**
Finance income	1	0
Finance cost	(2,127)	(1,294)
Loss before income tax	**(10,725)**	**(16,124)**
Income tax	(27)	22
Net loss	**(10,752)**	**(16,102)**
Net loss – attributable to:		
Equity holders of NOXXON Pharma NV	**(10,747)**	**(16,102)**
Non-controlling interest	**(5)**	**-**
Loss per share (in €) (basic and diluted)	**(6.71)**	**(14.77)**

Comparison of the Fiscal Years Ended 31 December 2016 and 2015

Revenues

Revenues increased 93% from €43 thousand in the Fiscal Year 2015 to €83 thousand in the Fiscal Year 2016. This increase resulted from higher sales of oligonucleotides to the Group's scientific collaborators.

Other operating income

Other operating income increased 491% from €74 thousand in the Fiscal Year 2015 to €437 thousand in the Fiscal Year 2016. This increase was mainly due to income from government grants related to research and development projects of €385 thousand compared to nil in Fiscal Year 2015 and income from the sale of financial assets and property, plant and equipment of €20 thousand compared to nil in Fiscal Year 2015.

Research and development expenses

Research and development expenses decreased 30% from €7,587 thousand in the Fiscal Year 2015 to €5,327 thousand in the Fiscal Year 2016. This decrease is primarily due to the Group's decision to focus all of its business activities on the NOX-A12 clinical program. As a result of this decision and the reduction in headcount executed in July 2015 personnel expenses decreased by €1,027 thousand.

The following table sets forth the Group's research and development expenses by projects for the periods indicated:

	For the fiscal year ended 31 December	
	2016	**2015**
	(in € thousands) (unaudited)	
NOX-A12	3,476	2,781
NOX-E36	202	921
NOX-H94, preclinical pipeline and platform	1,649	3,885
Total research and development expenses	**5,327**	**7,587**

General and administrative expenses

General and administrative expenses decreased from €7,319 thousand in the Fiscal Year 2015 to €3,780 thousand in the Fiscal Year 2016. This decrease in general and administrative expenses is mainly driven by lower legal and consulting expenses (€2,142 thousand) compared to the Fiscal Year 2015 (€4,158 thousand) related to the preparation of financing transactions in Fiscal Year 2015. Further, in July 2015 the Group's management decided to focus the Group's business activities on the NOX-A12 clinical program. As a result of this restructuring and the related reduction in headcount executed in July 2015, the Company incurred lower regular personnel expenses of €685 thousand compared to €1,151 thousand in Fiscal Year 2015. Further, restructuring costs and settlement benefits in Fiscal Year 2016 amounted to only €55 thousand compared to €1,031 thousand in Fiscal Year 2015.

Foreign exchange losses

Foreign exchange losses decreased from €41 thousand in the Fiscal Year 2015 to €12 thousand in the Fiscal Year 2016 due to a lower volume of purchases denominated in currencies other than euro in the Fiscal Year 2016.

Finance income

Finance income increased from €0 thousand in the Fiscal Year 2015 to €1 thousand in the Fiscal Year 2016. This increase was due to the Group placing available liquidity funds in short term deposits.

Finance cost

Finance cost increased by 64.37% from €1,294 thousand in the Fiscal Year 2015 to €2,127 thousand in the Fiscal Year 2016. This increase is due to the interest incurred, applying the effective interest rate method, the modifications of and a debt-for-equity conversion on two venture loans with lender entered into on 10 March 2014 and 20 March 2015 as the Group entered into a series of subsequent agreements related to its loan facilities and share purchase warrants some of which involved a substantial modification of the then outstanding financial liabilities, i.e. to the derecognition of the related liability and the recognition of the modified liability at its fair value with a related gain or loss being recognized in the income statement, and some did not in 2016.

Loss before income tax

As a result of the above factors, the Group's loss before income tax decreased by 33% from €16,124 thousand in the Fiscal Year 2015 to €10,725 thousand in the Fiscal Year 2016.

Income Tax

Income tax changed from an income of €22 thousand in the Fiscal Year 2015 to an expense of €27 thousand in the Fiscal Year 2016. This change resulted mainly from the reversal of temporary differences and the resulting decrease of deferred tax assets.

Consolidated Statements of Financial Position

The following table provides an overview of the Group's financial position as of the dates presented:

	As of 31 December	
	2016	2015
	(in € thousands) (audited)	
ASSETS		
Intangible assets	14	47
Equipment	67	603
Deferred tax assets	1	27
Total non-current assets	**82**	**677**
Inventories	0	13
Income tax receivable	0	1
Trade accounts receivable	0	3
Other assets	413	1,095
Financial assets	159	159
Cash and cash equivalents	2,214	4,093
Assets held for sale	1	0
Total current assets	**2,787**	**5,364**
Total assets	**2,869**	**6,041**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	2,051	493
Additional paid-in capital	124,666	111,138
Accumulated deficit	(129,135)	(118,388)
Treasury shares	(62)	(275)
Equity attributable to owners of the Company	**(2,480)**	**(7,032)**
Non-controlling interest	(2)	0
Total equity	**(2,482)**	**(7,032)**
Liabilities		
Government grants	0	1
Financial liabilities	0	6,289
Total non-current liabilities	**0**	**6,290**
Government grants	0	3
Financial liabilities	2,941	2,591
Income tax payable	0	0
Trade accounts payable	1,422	3,174
Other liabilities	988	1,015
Total current liabilities	**5,351**	**6,783**
Total equity and liabilities	**2,869**	**6,041**

Assets

The Group's total non-current assets include intangible assets, laboratory and office equipment and deferred tax assets. The decrease in total non-current assets from 31 December 2015 to 31 December 2016 was the result of disposals of intangible assets and equipment and scheduled amortization and depreciation exceeding additions to intangible assets and equipment contributed to the decrease. As a result, total non-current assets decreased from €677 thousand as of 31 December 2015 to €82 thousand as of 31 December 2016.

The Group's total current assets consist of its cash and cash equivalents, other assets and financial assets. Cash and cash equivalents include cash balances and call deposits with original maturities of three months or less, net of outstanding bank overdrafts. As of 31 December 2016, the Group's cash and cash equivalents amounted to €2,214 thousand. Financial assets consist of the invested interest bearing rental deposits related to the Group's operating lease agreements. Other assets correspond to (i) prepaid expenses consisting of prepaid annual fees for license, insurance and service contracts, which are deferred over the term of the respective agreements and (ii) the Group's claims against local tax authorities for value added tax on supplies and services received. The movements in total current assets from 31 December 2015 to 31 December 2016 primarily relate to a decrease in cash and cash equivalents by €1,879 thousand as a result of continued research and development activities exceeding financing activities and a decrease of other assets by €682 thousand mainly in relation to expensing costs deferred as of 31 December 2015 for an anticipated equity transaction.

Equity

The Group's total equity includes its subscribed capital, additional paid-in capital, accumulated deficit and treasury shares. The change in equity from 31 December 2015 to 31 December 2016 was due to the effects of the Corporate Reorganization and the Private Placement. Prior to the Corporate Reorganization subscribed capital had increased by €32 thousand to €525 thousand as a result of capital increases against cash payments. At the initial step of the Corporate Reorganization, substantially all of the shareholders of NOXXON Pharma AG subscribed for 1,504,452 ordinary shares in NOXXON Pharma N.V., the Company, and agreed to transfer their common and preferred shares in NOXXON Pharma AG to the Company in consideration therefore. This exchange of 523,733 common and preferred shares of NOXXON Pharma AG for 1,504,452 ordinary shares of the Company on a 2-for-one and 4-for-one basis, respectively, is retrospectively accounted for as a stock split. As a result NOXXON Pharma AG became a nearly wholly-owned subsidiary of NOXXON Pharma N.V., that now holds approximately 99.8% of the shares of NOXXON Pharma AG. Furthermore 45,000 shares have been repurchased by NOXXON Pharma N.V. to eliminate intra-group cross shareholdings. The total impact of the Corporate Reorganization on equity attributable to owners of the Company is nil.

In addition, in the Private Placement, the Company issued an aggregate of 132,079 ordinary shares at a price of €21.34 against contribution in cash and an aggregate of 369,566 ordinary shares at a price of €21.34 per share against the contribution of a partial amount of the outstanding venture loans and certain receivables by two creditors. In the

Private Placement, additional subscribed capital of €501 thousand and additional paid-in capital of €10,204 thousand were recognized less issuance costs of €52 thousand. The total equity as of 31 December 2016 amounted to a negative equity of €2,482 thousand and consisted of subscribed capital of €2,051 thousand, additional paid-in capital of €124,666 thousand, an accumulated deficit of €129,135 thousand, treasury shares amounting to €62 thousand and non controlling interest of €(2) thousand. The Group's own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. The increase in total equity is a result of the Corporate Reorganization and the Private Placement.

Liabilities

Non-current financial liabilities decreased from €6,289 thousand as of 31 December 2015 to nil as of 31 December 2016 and current financial liabilities increased from €2,591 thousand as of 31 December 2015 to €2,941 thousand as of 31 December 2016 as a result of modifications to the terms and a debt-for-equity conversion on two venture loans as described in the section Finance cost. The amount of €2,941 thousand comprises the carrying amount of the remaining venture loan of €2,522 thousand, accounted for applying the effective interest rate method and a derivative financial liability of €419 thousand being an obligation reflecting the interconnection to the fair value of the ordinary shares of the Company in an anticipated debt-for-equity conversion of the remaining venture loan.

Total non-current and current government grants decreased from €4 thousand as of 31 December 2015 to nil as of 31 December 2016 as a result of the release of received government grants related to assets to profit or loss corresponding to the depreciation of the subsidised assets. Trade accounts payable decreased from €3,174 thousand as of 31 December 2015 to €1,422 thousand as of 31 December 2016 due to decreased legal and consulting expenses of external advisors related to the preparation of financing transactions and a focus on fewer clinical programs. The decrease of other liabilities from €1,015 thousand as of 31 December 2015 by €27 thousand to €988 thousand as of 31 December 2016 results primarily from lower restructuring expenses related to termination benefits, grants and accrued settlement benefits.

Events After the Non-Statutory Consolidated Statement of Financial Position Date as of 31 December 2016

For Events After the non-statutory Consolidated Statement of Financial Position Date as of 31 December 2016 we refer to Note 23 of the consolidated financial statements of NOXXON Pharma N.V.

Liquidity and Capital Resources

Overview

The Group's liquidity requirements primarily relate to the funding of research and development expenses, general and administrative expenses, capital expenditures and working capital requirement. Since the Group's inception and through 31 December 2016, the Group has raised a total of €175.7 million from the issuance of common shares and preferred shares (including the conversion of all convertible bonds issued up to 31 December 2016), ordinary shares and €13.8 million from government grants. In addition, the lender provided €2.6 million in funding pursuant to the modification and partial debt-for-equity conversion of the venture loans in September 2016.

Following the subsequent equity funding and issuance of convertible debentures, the Group's principal sources of funds are expected to be cash and cash equivalents from financing activities. The Group's primary uses of cash have been to fund research and development and working capital requirements.

Cash flows

The following table provides an overview of the Group's cash flows for the periods presented:

	For the fiscal year ended 31 December	
	2016	**2015**
	(in € thousands) (audited)	
Net cash used in operating activities	(8,991)	(13,482)
Net cash used in investing activities	4	(8)
Net cash provided by financing activities	7,108	16,056
Net change in cash and cash equivalents	(1,879)	**2,566**
Cash at the beginning of the fiscal year	**4,093**	**1,527**
Cash at the end of the fiscal year	**2,214**	**4,093**

Net cash used in operating activities

Net cash used in operating activities reflects the Group's results for the period adjusted for, among other things, depreciation and amortization expense, finance cost, employee stock based compensation and changes in operating assets and liabilities.

Net cash used in operating activities was mainly derived from the net losses generated in the respective periods, which in turn is mainly driven by the research and development as well as the general and administrative expenses incurred. Research and development expenses vary over time dependent on the development stage of each clinical program and the activities related to those clinical programs.

The decrease in net cash used in operating activities from €13,482 thousand in the Fiscal Year 2015 to €8,991 thousand in the Fiscal Year 2016 was mainly a result of the

decreased net loss due to decreased research and development expenses focusing on the core compound NOX-A12 and decreased general and administrative expenses incurred. This decrease of cash used resulting from the lower net loss was partly offset by a decrease of trade accounts payable and other liabilities.

Net cash used in investing activities

Net cash used in investing activities reflects, among other things, cash paid for the purchase of and proceeds from the disposal of intangible assets and equipment, cash paid and received from investments in current financial assets and interest received.

The decrease in net cash used in investing activities from €8 thousand in the Fiscal Year 2015 to net cash provided by investing activities of €4 thousand in the Fiscal Year 2016 is due to proceeds from the sale of equipment of €25 thousand despite purchases of equipment by €21 thousand.

Net cash provided by financing activities

Net cash provided by financing activities reflects proceeds from the issuance of shares and convertible bonds, proceeds from borrowings and the repayment of borrowings as well as the respective related transaction costs and interest payments.

The decrease in net cash provided by financing activities from €16,056 thousand in the Fiscal Year 2015 to €7,108 thousand in the Fiscal Year 2016 was mainly due to lower proceeds from the issuance of series B preferred shares up to the Corporate Reorganization and the subsequent issuance of ordinary shares of the Company in the amount of €7,538 thousand compared to €9,328 thousand in the Fiscal Year 2015 and a decrease in proceeds from the issuance of convertible bonds from €5,701 thousand in the Fiscal Year 2015 to nil in the Fiscal Year 2016. Further, proceeds from borrowings decreased from €3,000 thousand in Fiscal Year 2015 to nil in Fiscal Year 2016.

Capital expenditures

The following table sets forth the Group's capital expenditures for the periods presented:

	For the fiscal year ended December 31,	
	2016	2015
	(in € thousands) (audited, unless otherwise indicated)	
Purchase of equipment.....	(21)	(8)
Cash received from investment grants	25	0
Net capital expenditures (unaudited).....	**4**	**(8)**

The principal capital expenditures in the relevant period were primarily related to, and future capital expenditures are expected to primarily relate to, investments for laboratory equipment, office equipment and information technology.

Commitments and Contingencies

For Commitments and Contingencies we refer to Note 20 of the non-statutory consolidated financial statements of NOXXON Pharma N.V.

Significant risks and uncertainties

Risk Management

The Group's business is exposed to specific industry risks, as well as general business risks. The financial condition or results of operations could be materially and adversely affected if any of these risks occurs, and as a result, the market price of our common shares could decline. This Annual Report also contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors.

Listed below are the risks perceived by management to be the most significant. The risks faced by the Group during 2016 are not limited to this list.

Risks Relating to the Group's Business and Industry

The Group heavily depends on the future success of its clinical stage lead product candidate, NOX-A12, on whose development the Group is currently focusing, as well as NOX-E36. Any failure to successfully develop, obtain regulatory approval for or commercialize the Group's product candidates, independently or in cooperation with a third-party collaborator, or any significant delays in doing so, would compromise the Group's ability to generate revenues and become profitable.

Fully exploiting the potential of some of the Group's product candidates will require partnerships or collaborations, including with other pharmaceutical or biotechnology companies, and if the Group is unable to enter into or realize such partnerships or collaborations, this would compromise its ability to advance its programs.

The potential of the Group's product candidates may be compromised because its product candidates incorporate a mirror-image oligonucleotide connected site-specifically to polyethylene glycol ("**PEG**"). There have been some therapeutic agents developed by other companies containing PEG that have experienced safety issues and the Group's product candidates may experience similar or other safety issues, as a result of which the potential of the Spiegelmer technology platform may be compromised.

It may be difficult to identify and enroll patients in clinical trials, and patients could discontinue their participation in clinical trials, which could delay or otherwise adversely affect clinical trials of the Group's product candidates.

Success in early clinical trials may not be indicative of results obtained in later trials.

In addition to the level of commercial success of current product candidates, if approved, future prospects are also dependent on the Group's ability to successfully develop a pipeline of additional product candidates. The Group may not have sufficient financing

to develop additional Spiegelmers, and even if it does, it may not be successful in its efforts to use its technology platform to identify or discover additional product candidates and may be forced to abandon its development efforts for a program or programs.

Risks Relating to Commercialization of Product Candidates

Even if the Group eventually gains approval for any of its product candidates, it may be unable to commercialize them. In addition, engaging in international business involves a number of difficulties and risks.

The Group faces intense competition and rapid technological change. The Group's competitors may develop therapies that are more advanced or effective, which could impair the Group's ability to successfully develop or commercialize its product candidates.

If the Group fails to maintain orphan drug status for its lead product candidate NOX-A12 for the treatment of glioblastoma, to obtain orphan drug status for NOX-A12 for the treatment of other cancers or to obtain and maintain orphan drug status for any of its other product candidates for which it may apply for an orphan drug status, the Group would likely have limited or shortened protection or market exclusivity for NOX-A12 or any of its product candidates.

The commercial success of any current or future product candidate, if approved, will depend upon the degree of market acceptance by physicians. The Group may suffer from physician prescription of its products for off-label uses to the extent such off-label uses become pervasive and produce results such as reduced efficacy or other adverse effects.

The insurance coverage, pricing and reimbursement status of newly approved products is uncertain. Failure to obtain or maintain adequate coverage, pricing and reimbursement for any of the Group's product candidates that receive approval could limit its ability to market those products and compromise the ability to generate revenues.

Risks Relating to the Regulatory Environment

Nearly all aspects of the Group's activities are subject to substantial regulation. No assurance can be given that any of the Group's product candidates will fulfil regulatory compliance. Failure to comply with such regulations could result in delays, suspension, refusals and withdrawal of approvals as well as fines.

The Group's product candidates are based on novel technology, which makes it difficult to predict the time and cost of product candidate development and potential regulatory approvals. Any delay or failure to obtain the regulatory approvals necessary to bring the Group's product candidates to market could impair the ability to generate product revenues and to become profitable.

The Group may encounter substantial delays in clinical trials or fail to demonstrate safety and efficacy to the satisfaction of the Food and Drug Administration ("**FDA**"), the

European Medicine Agency ("**EMA**") or another government body ("**Competent Authority**"), which may impair the ability to commercialize product candidates.

The results from clinical trials may not be sufficiently robust to support the submission for marketing approval for product candidates. Before the Group submits its product candidates for marketing approval, the FDA, the EMA or another Competent Authority may require additional clinical trials, or evaluate subjects for an additional follow-up period.

Adverse events in the Group's clinical trials for any product candidate, whether as a result of the treatment with the Group's product candidates or as a result of other therapies administered in combination with the Group's product candidates, may force it to stop or delay development of that product candidate, or may prevent or delay regulatory approval of that product candidate.

Even if the necessary preclinical studies and clinical trials are completed, the Group cannot predict when or if it will obtain regulatory approval to commercialize a product candidate or the approval may be for a more narrow indication than expected.

Even if the Group obtains regulatory approval for a product candidate, the product will remain subject to ongoing regulatory obligations. The Group may be subject to significant restrictions on the indicated uses or marketing of the product candidates, which could lead to the withdrawal, restriction on use or suspension of approval, and the Group may be subject to government investigations of alleged violations which could require the Group to expend significant time and resources and could generate negative publicity.

Risks Relating to the Group's Business Operations

The Group's future success depends on the ability to retain qualified personnel, including but not limited to employees, consultants and advisors and to attract, retain and motivate qualified personnel.

The Group has been subject to restructurings and might be subject to restructurings and/or expansion of its organization in the future. The Group may experience difficulties in managing the restructuring or expansion of its organization, which could disrupt operations and could require significant additional capital.

The Group's employees, principal investigators, consultants and commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which may result in the imposition of significant fines or other sanctions and significantly impact the business.

The Group faces potential product liability, and, if successful claims are brought against the Group, it may incur substantial liability and costs. If the use of the Group's product candidates harms patients, or is perceived to harm patients even when such harm is unrelated to its product candidates, regulatory approvals could be revoked or otherwise negatively impacted and the Group could be subject to costly and damaging product liability claims.

If the Group fails to comply with environmental, health and safety laws and regulations, it could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of its business.

Exchange rate fluctuations may adversely affect the Group's results of operations and financial condition.

Risks Relating to the Group's Financial Position and Capital Requirements

The Group has incurred significant losses and anticipates that it will continue to incur significant losses for the foreseeable future.

The Group has never generated material revenues from product sales and may never be profitable.

The Group's loan agreements with the lender contain operating covenants that may restrict its business and financing activities.

The Group will need to raise additional funding in the future, which may not be available on acceptable terms, or at all, or which may restrict the Group's operations or require it to relinquish substantial rights. Failure to obtain this necessary capital when needed may force the Group to delay, limit or terminate its product development efforts or other operations and may affect the Group's ability to continue as a going concern.

Risks Relating to Reliance on Third Parties

The Group has only limited experience in regulatory affairs and intends to rely on consultants and other third parties for regulatory matters, which may affect its ability or the time required to obtain necessary regulatory approvals.

The Group expects to rely on third parties to conduct some or all aspects of its product manufacturing, protocol development, research and preclinical and clinical testing, and these third parties may not perform satisfactorily.

One of the components used in the manufacture of the Group's product candidates is currently acquired from a single-source supplier. The loss of this supplier, or its failure to supply the Group this component, could materially and adversely affect the Group's business.

The Group expects to rely on third parties to conduct, supervise and monitor its clinical trials, and if these third parties perform in an unsatisfactory manner, it may harm the Group's business.

The Group intends to rely on third-party manufacturers to produce commercial quantities of any of its product candidates that receives regulatory approval, but has not entered into binding agreements with any such manufacturers to support commercialization. Additionally, these manufacturers do not have experience producing the Group's product candidates at commercial levels and may not pass pre-approval inspections or achieve

the necessary regulatory approvals or produce its product candidates at the quality, quantities, locations and timing needed to support commercialization.

The Group's collaborations with outside scientists and consultants may be subject to restriction and change.

Risks Relating to the Group's Intellectual Property

If the Group is unable to obtain and maintain sufficient patent protection for its product candidates, or if the scope of the patent protection is not sufficiently broad, the Group's competitors could develop and commercialize similar or identical products, and the Group's ability to commercialize its product candidates successfully may be adversely affected.

The Group may not be able to protect and/or enforce its intellectual property rights throughout the world.

The patent term may be inadequate to protect the Group's competitive position on its products for an adequate amount of time.

The Group may become involved in legal proceedings in relation to intellectual property rights, which may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group's ability to commercialize its product candidates.

If the Group fails to comply with its obligations in the agreements under which it licenses intellectual property rights from third parties, or if the license agreements are terminated for other reasons, the Group could lose license rights that are important to its business and have to delay or cease further development of the relevant program or product or be required to spend significant time and resources to modify the program or product or develop or license replacement technology so as not to use the rights under the terminated agreement.

If the Group is not able to prevent disclosure of its trade secrets, know-how or other proprietary information, the value of its technology and product candidates could be significantly diminished. Also, the Group's reliance on third parties requires it to share trade secrets, which increases the possibility that a competitor will discover them or that its trade secrets will be misappropriated or disclosed.

The Group may be subject to claims that its employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that its employees have wrongfully used or disclosed alleged trade secrets of their former employers or that its patents and other intellectual property are owned by its employees, consultants or other third parties.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and the Group's or its licensors' patent protection could be reduced or eliminated for non-compliance with these requirements.

Certain of the Group's employees and patents are subject to the German Act on Employees' Inventions, and the Group may be subject to claims under this Act.

Risks Relating to Offerings and the Ordinary Shares

The existing holders of shares in the Company hold a significant interest in and will continue to exert substantial influence over the Company following Offerings and their interests may differ from or conflict with those of other Shareholders.

An active trading and/or liquid market for the Ordinary Shares may not develop, be sustained or continue as envisioned.

Ordinary Shares in the Company may be subject to market price volatility and the market price of the Ordinary Shares in the Company may decline disproportionately in response to developments that are unrelated to the Company's operating performance.

The market price of the Ordinary Shares could be negatively affected by sales of substantial amounts of such shares in the public markets, including before or after the expiry of the lock-up period, or the perception that these sales could occur.

The issuance of additional Ordinary Shares may affect the market price of the Ordinary Shares and could dilute the interests of existing Shareholders and future Shareholders.

The Company may not pay dividends for the foreseeable future.

The Company has broad discretion in the use of the net proceeds from the Offering and may not use them effectively.

Investors resident in countries other than the Netherlands may suffer dilution if they are unable to exercise pre-emptive rights in future offerings.

Investors with a reference currency other than euros will become subject to foreign exchange rate risk when investing in the Ordinary Shares.

The Shareholders may be subject to double withholding taxation with respect to dividends or other distributions made by the Company.

Any sale, purchase or exchange of Ordinary Shares may become subject to the Financial Transaction Tax.

The Company may be or may become a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, which generally would result in adverse U.S. federal income tax consequences for U.S. investors.

Quantitative and Qualitative Disclosure About Market Risk

As a result of its operating and financing activities, the Group is exposed to market risks that may affect its financial position and results of operations. Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will potentially cause economic losses to the Group.

Regarding Quantitative and Qualitative Disclosures about Market Risks we refer to Note 21 of the non-statutory consolidated financial statements of NOXXON Pharma N.V.

NOXXON Risk management system

The risks and unpredictability of research and development are an intrinsic aspect of the pharmaceutical business which cannot be avoided without compromising the innovative strength and the development opportunities of the company. In such cases NOXXON acts with the full awareness that it can justify and manage these risks and – where possible and meaningful – protect itself against them. Only in this way is it possible to achieve the company's goals.

The monitoring and control of business risks constitutes a major part of the responsibilities of the company's senior management. NOXXON, as a company engaged in intensive research and committed to growth, takes into account existing or potential opportunities and risks in its business activities as a matter of course. The board of management regularly goes to great lengths to develop a well-organised project and product portfolio within the *Spiegelmer* substance class in order to ensure an attractive opportunity/risk profile.

The overriding aim of risk management is to support the company's management in securing the continued existence of the company. Risk management promotes here a conscious handling of risks so that situations which threaten the existence of the company can be identified at an early stage and controlled efficiently.

NOXXON has introduced a monitoring system in order to identify, to analyse, to categorise, to document and to monitor risks to the company. The monitoring system is also intended to ensure that possible measures which serve to minimise risks are initiated and that their implementation and effectiveness are checked.

For this purpose, the board of management of NOXXON has identified, analysed and assessed existing and potential risks and documented these results and the responsibilities that grow out of them in a risk list. NOXXON updates this list and adds to it on a regular basis. The employees of NOXXON are informed about the risk management system and are required to register new or changed potential risks in their area of activity and to make an active contribution to the further development of the risk management system.

The risk management system at NOXXON includes the following **elements**:

- **documentation** in the form of the risk list, the risk portfolio (risk map) and this risk manual;

- the **internal monitoring system** with a controlling function (planning, checking and control, as well as providing information) and an early warning system;

- the **external monitoring system** with the supervisory board and auditors, the "principles of proper company management" and insurances.

The risk list enables the board of management, the supervisory board and auditors to gain an overview of the risk situation of the company and to identify a possible need for action at an early stage.

Financial and non-financial performance indicators

The most important financial performance indicator is the cash forecast. We refer to section “liquidity risk” in Note 21 of the non-statutory consolidated financial statements of NOXXON Pharma N.V.

The Group uses a number of contract research organisations to perform the clinical studies and the preclinical work as well as production of Spiegelmers and related process development. Important performance indicators in this respect are, in addition to compliance with the budget and the timetables, the quality of the work carried out as well as compliance with all applicable regulations. As a safeguard in this area, the Group carries out audits prior to the awarding of contracts as well as during the ongoing work addressing the aforementioned points and potentially deriving recommendations for action. Great emphasis continues to be placed on adherence to timetables for the work contracted and to perform clinical studies within the original timeframe. With respect hereto, the Group has alternative scenarios prepared to potentially be able to limit or compensate delays.

Remuneration of managing and supervisory directors

We refer to Note 22 in the non-statutory consolidated financial statements 2016 of NOXXON Pharma N.V. and the section “Remuneration” in the Supervisory Board Report in this Annual Report.

Research and development information

The Group’s goal is to become a leading biopharmaceutical group focused on cancer therapy by developing and commercializing its proprietary class of drugs called Spiegelmers, which are a chemically synthesized, immunologically passive alternative to antibodies. Accordingly the Group’s key strategies and goals are to:

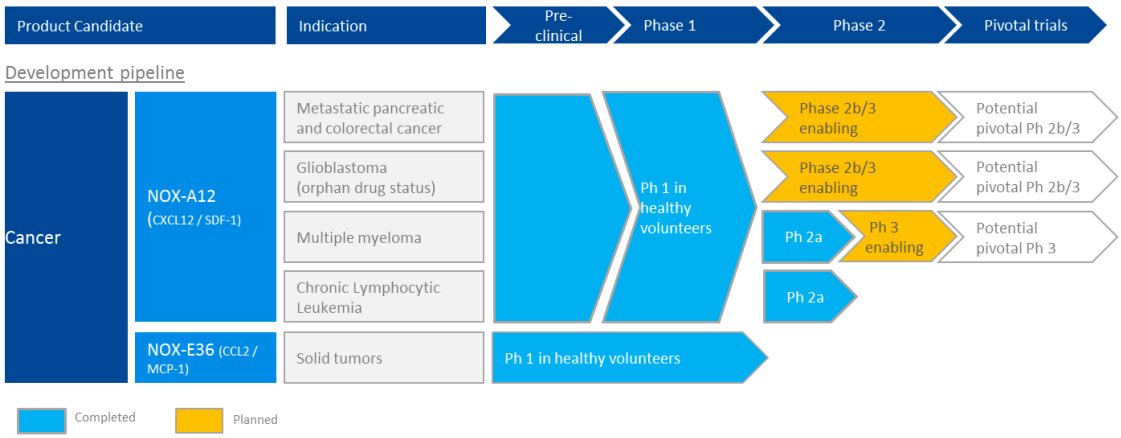
- Make its lead product candidate NOX-A12 a combination partner for a wide range of cancer treatments by leveraging the NOX-A12 mechanism of action on the TME in combination with existing therapy classes, including immune checkpoint inhibitors.

- Continue to leverage the Group’s other potential product candidate at the cutting edge of cancer treatment.

- Partner its product candidates.
- Develop its lead product candidate and find suitable routes to commercialization.

In 2015, the Group shifted its focus to oncology for scientific and commercial reasons. The Group's accumulated scientific and medical experience has identified chemokine targets as a strong fit for the Spiegelmer technology. In parallel, it has become more and more clear to the scientific community that chemokines are important, largely unaddressed targets for TME-directed cancer therapy and that neutralizing them could significantly improve efficacy of a broad range of therapies in many cancer types (*Source: Joyce & Fearon, 2015*). The Group believes that this creates a situation of tremendous opportunity to develop a series of successful new products for cancer treatment. In December 2016, the Group signed a collaboration agreement with Merck to study the combination of the Group's lead product candidate, NOX-A12, with Merck's immune-oncology checkpoint inhibitor antibody Keytruda®/ pembrolizumab in patients with metastatic solid tumors that do not usually respond to checkpoint inhibitor monotherapy.

All of the Group's proprietary product candidates were identified and synthesized through its drug discovery platform. The Group's oncology-focused product pipeline consists of two clinical-stage candidates. The primary product candidates that the Group intends to progress, alone or through potential partnerships, include NOX-A12 in various cancer indications and its preclinical cancer product candidates and NOX-E36 in solid tumors or diabetic nephropathy. The Group's pipeline of product candidates is summarized in the figure below:



Source: Group. Conduct of all planned trials is subject to sufficient funding and priority of trials subject strategic assessment. The Group may decide not to conduct certain of these trials and/or replace them with other trials for strategic and/or commercial reasons. *NOX-A12 has also been evaluated in a Phase 2a study in a second hematological cancer, chronic lymphocytic leukemia.

Information concerning application of code of conduct

The Group will adopt a code of conduct applicable to all of its employees, officers and directors.

NOXXON Pharma N.V., 28 April 2017

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

Dr. Matthias Baumann, CMO

REFERENCES

- Abrantes-Metz, R.M., Adams, C.P., Metz, A. (2004) "Pharmaceutical Development Phases: A Duration Analysis" Working Paper No. 274, Bureau of Economics Federal Trade Commission Washington, DC 20580
- Azab, A. K., I. Sahin, M. Moschetta, Y. Mishima, N. Burwick, J. Zimmermann, B. Romagnoli, K. Patel, E. Chevalier, A. M. Roccaro and I. M. Ghobria (2014). "CXCR7-dependent angiogenic mononuclear cell trafficking regulates tumor progression in multiple myeloma." Blood. 124(12): 1905-1914.
- Badve, S. V., E. M. Beller, A. Cass, D. P. Francis, C. Hawley, I. C. Macdougall, V. Perkovic and D. W. Johnson (2013). "Interventions for erythropoietin-resistant anaemia in dialysis patients." Cochrane Database Syst Rev 8: CD006861.
- Bakris, G. L., R. Agarwal, J. C. Chan, M. E. Cooper, R. T. Gansevoort, H. Haller, G. Remuzzi, P. Rossing, R. E. Schmieder, C. Nowack, P. Kolkhof, A. Joseph, A. Pieper, N. Kimmeskamp-Kirschbaum, L. M. Ruilope and G. Mineralocorticoid Receptor Antagonist Tolerability Study-Diabetic Nephropathy Study (2015). "Effect of Finerenone on Albuminuria in Patients With Diabetic Nephropathy: A Randomized Clinical Trial." JAMA, 314(9): 884-894.
- Booth, B. (2015). "ASCO 2015: Abstract Thoughts On Cancer And Competition." Forbes May 29.
- Bouyssou, J.M.C., Ghobrial, I.M., Roccaro, A.M. Cancer Lett. 2015 (30 November 2015; e-publication ahead of print).
- Brahmer, J. R., S. S. Tykodi, L. Q. Chow, W. J. Hwu, S. L. Topalian, P. Hwu, C. G. Drake, L. H. Camacho, J. Kauh, K. Odunsi, H. C. Pitot, O. Hamid, S. Bhatia, R. Martins, K. Eaton, S. Chen, T. M. Salay, S. Alaparthy, J. F. Grosso, A. J. Korman, S. M. Parker, S. Agrawal, S. M. Goldberg, D. M. Pardoll, A. Gupta and J. M. Wigginton (2012). "Safety and activity of anti-PD-L1 antibody in patients with advanced cancer." N Engl J Med 366(26): 2455-2465.
- Bu, X. Mahoney, K. M. Freeman, G. I. (2016) "Learning from PD-1 Resistance: New Combination Strategies." Trends Mol Med. 2016 Jun;22(6):448-51.
- Castro, B. A. and M. K. Aghi (2014). "Getting more out of radiation therapy in glioblastoma." Neuro Oncol 16(1): 4-6.
- Chauffert, B., L. Feuvret, F. Bonnetain, L. Taillandier, D. Frappaz, H. Taillia, R. Schott, J. Honnorat, M. Fabbro, I. Tennevet, F. Ghiringhelli, J. S. Guillamo, X. Durando, D. Castera, M. Frenay, C. Campello, C. Dalban, J. Skrzypski and O. Chinot (2014). "Randomized phase II trial of irinotecan and bevacizumab as neo-adjuvant and adjuvant to temozolomide-based chemoradiation compared with temozolomide-chemoradiation for unresectable glioblastoma: final results of the TEMAVIR study from ANOCEF." Ann Oncol 25(7): 1442-1447.
- Chen, Y., R. R. Ramjiawan, T. Reiberger, M. R. Ng, T. Hato, Y. Huang, H. Ochiai, S. Kitahara, E. C. Unan, T. P. Reddy, C. Fan, P. Huang, N. Bardeesy, A. X. Zhu, R. K. Jain and D. G. Duda (2015). "CXCR4 inhibition in tumor microenvironment facilitates anti-programmed death receptor-1 immunotherapy in sorafenib-treated hepatocellular carcinoma in mice." Hepatology 61(5): 1591-1602.
- DeVita, V. & Chu, E. (2008) A History of Cancer Chemotherapy. Cancer Res 2008; 68: (21)
- de Zeeuw, D., P. Bekker, E. Henkel, C. Hasslacher, I. Gouni-Berthold, H. Mehling, A. Potarca, V. Tesar, H. J. Heerspink, T. J. Schall and C. B. D. N. S. Group (2015). "The effect of CCR2 inhibitor CCX140-B on residual albuminuria in patients with type 2 diabetes and nephropathy: a randomised trial." Lancet Diabetes Endocrinol 3(9): 687-696.
- de Zeeuw, D., B. Coll, D. Andress, J. J. Brennan, H. Tang, M. Houser, R. Correa-Rotter, D. Kohan, H. J. Lambers Heerspink, H. Makino, V. Perkovic, Y. Pritchett, G. Remuzzi, S. W. Tobe, R. Toto, G. Viberti and H. H. Parving (2014). "The endothelin antagonist atrasentan lowers residual albuminuria in patients with type 2 diabetic nephropathy." J Am Soc Nephrol 25(5): 1083-1093.
- DiMasi, J. A. (2014). "Innovation in the Pharmaceutical Industry: New Estimates of R&D Costs". Tufts Center for the Study of Drug Development.
- Dimopoulos, M. A., E. Terpos, R. Niesvizky and A. Palumbo (2015). "Clinical characteristics of patients with relapsed multiple myeloma." Cancer Treat Rev.

- Donnem T, Hald SM, Paulsen EE, Richardsen E, Al-Saad S, Kilvaer TK, Brustugun OT, Helland A, Lund-Iversen M, Poehl M, Olsen KE, Ditzel HJ, Hansen O, Al-Shibli K, Kiselev Y, Sandanger TM, Andersen S, Pezzella F, Bremnes RM, Busund LT. (2015) Stromal CD8+ T-Cell Density—A Promising Supplement To Tnm Staging In Non–Small Cell Lung Cancer. Clin Cancer Res; 21(11) June 1, 2015.
- DOPPS Practice Monitor: Source accessed from http://www.dopps.org/DPM, Jan 2015
- Dürr, C., D. Pfeifer, R. Claus, A. Schmitt-Graeff, U. V. Gerlach, R. Graeser, S. Kruger, A. Gerbitz, R. S. Negrin, J. Finke and R. Zeiser (2010). "CXCL12 mediates immunosuppression in the lymphoma microenvironment after allogeneic transplantation of hematopoietic cells." American Association for Cancer Res 70(24): 10170-10181.
- Fearon, D. T. (2014). "The carcinoma-associated fibroblast expressing fibroblast activation protein and escape from immune surveillance." Cancer Immunol Res 2(3): 187-193.
- Feig, C., J. O. Jones, M. Kraman, R. J. Wells, A. Deonarine, D. S. Chan, C. M. Connell, E. W. Roberts, Q. Zhao, O. L. Caballero, S. A. Teichmann, T. Janowitz, D. I. Jodrell, D. A. Tuveson and D. T. Fearon (2013). "Targeting CXCL12 from FAP-expressing carcinoma-associated fibroblasts synergizes with anti-PD-L1 immunotherapy in pancreatic cancer." Proc Natl Acad Sci U S A 110(50): 20212-20217.
- Fischer et al. (2011) (BR): N = 78, Design: Open-label, single arm Ph II, Response evaluation: NCI WG 1996
- Fridman WH, Pagès F, Sautès-Fridman C, Galon J. (2012) Nat Rev Cancer. Mar 15;12(4):298-306.
- Galon J, Mlecnik B, Bindea G, Angell Hk, Berger A, Lagorce C, Lugli A, Zlobec I, Hartmann A, Bifulco C, Nagtegaal Id, Palmqvist R, Masucci Gv, Botti G, Tatangelo F, Delrio P, Maio M, Laghi L, Grizzi F, Asslaber M, D'arrigo C, Vidal-Vanaclocha F, Zavadova E, Chouchane L, Ohashi Ps, Hafezi-Bakhtiari S, Wouters Bg, Roehrl M, Nguyen L, Kawakami Y, Hazama S, Okuno K, Ogino S, Gibbs P, Waring P, Sato N, Torigoe T, Itoh K, Patel Ps, Shukla Sn, Wang Y, Kopetz S, Sinicrope Fa, Scripcariu V, Ascierto Pa, Marincola Fm, Fox Ba, Pagès F. (2014) Towards The Introduction Of The 'Immunoscore' In The Classification Of Malignant Tumours. J Pathol. Jan;232(2):199-209.
- Garde, D. "Merck Wins Breakthrough FDA Approval for Blockbuster Cancer Contender Pembrolisumab," Fierce Biotech, Sept. 4, 2014.
- Garrido-Laguna, I., Hidalgo, M., (2015). "Pancreatic cancer: from state-of-the-art treatments to promising novel therapies." Nat Rev Clin Oncol 12(6):319-334.
- Ghobrial, I. et al. (2015) Final Result of the Phase I/II Study of Chemosensitization Using the CXCR4 Inhibitor Plerixafor in Combination with Bortezomib in Patients with Relapsed or Relapsed/Refractory Multiple Myeloma. December 3, 2015; Blood: 126 (23)
- Ghobrial, I. et al. (2014) Phase Ib Study of the Novel Anti-CXCR4 Antibody Ulocuplumab (BMS-936564) in Combination with Lenalidomide Plus Low-Dose Dexamethasone, or with Bortezomib plus Dexamethasone in Subjects with Relapsed or Refractory Multiple Myeloma. December 6, 2014; Blood: 124 (21)
- Guo, F., Y. Wang, J. Liu, S. C. Mok, F. Xue and W. Zhang (2015). "CXCL12/CXCR4: a symbiotic bridge linking cancer cells and their stromal neighbors in oncogenic communication networks." Oncogene, advance online publication 11 May 2015
- Haller, H., Menne, J., Baumann, M., Eulberg, D. (2015). "CCL2 inhibition with emapticap pegol (NOX-E36) in type 2 diabetic patients with albuminuria." ISN World Congress of Nephrology 2015, Cape Town, Abstract WCN15-0231, Poster Board: SUN-487
- Haringman, J. J., D. M. Gerlag, T. J. Smeets, D. Baeten, F. van den Bosch, B. Bresnihan, F. C. Breedveld, H. J. Dinant, F. Legay, H. Gram, P. Loetscher, R. Schmouder, T. Woodworth and P. P. Tak (2006). "A randomized controlled trial with an anti-CCL2 (anti-monocyte chemotactic protein 1) monoclonal antibody in patients with rheumatoid arthritis." Arthritis Rheum 54(8): 2387-2392.
- Hegi, M.E., A.-C. Diserens, T. Gorlia, M.-F. Hamou, N. de Tribolet, M. Weller, J.M. Kros, J.A. Hainfellner, W. Mason, L. Mariani, J.E.C. Bromberg, P. Hau, R.O. Mirimanoff, J.G. Cairncross, R.C. Janzer, R. Stupp (2005). "MGMT Gene Silencing and Benefit from Temozolomide in Glioblastoma." N Engl J Med 352:997-1003. .

- Igarashi, N., T. Chou, T. Hirose, Y. Imai, T. Ishiguro (2010). "Bortezomib and dexamethasone for Japanese patients with relapsed and refractory multiple myeloma: a single center experience." Int J Hematol (2010) 92:518–523.
- Ino Y, Yamazaki-Itoh R, Shimada K, Iwasaki M, Kosuge T, Kanai Y, Hiraoka N. (2013) Immune cell infiltration as an indicator of the immune microenvironment of pancreatic cancer. Br J Cancer. Mar 5;108(4):914-23.
- Joyce, J. A. and D. T. Fearon (2015). "T cell exclusion, immune privilege, and the tumor microenvironment." Science 348(6230): 74-80.
- Kaitin, Ki. Clin Pharmacol Ther. 2010 March; 87(3): 356–361.
- KDIGO (2013). "Chapter 3: Management of progression and complications of CKD." Kidney International Supplement 3: 73-90.
- Kerr, D.J., R. Midgley (2010). "Defective Mismatch Repair in Colon Cancer: A Prognostic Or Predictive Biomarker?" J Clin Oncol 28(20):3210-3212.
- Kleinrock, M. (2015). "Oncology Innovation and Challenging Choices: Balancing Value and Funding Priorities in Light of an Abundance of New Treatment Options." Am Health Drug Benefits 8(4): 196-199.
- Kling J. et al. (2013) PEGylation of Biologics. Bioprocess Int.; Vol. 11(3), March 2013
- Lazennec, G. and A. Richmond (2010). "Chemokines and chemokine receptors: new insights into cancer-related inflammation." Trends Mol Med 16(3): 133-144.
- Ledford, H. (2014). "T-cell therapy extends cancer survival to years." Nature 516(7530): 156.
- Lee, J.Y., Buzney, C.D., Poznansky, M.C., Sackstein, R. (2009) "Dynamic alterations in chemokine gradientsinduce transendothelial shuttling of human T cells under physiologic shear conditions." Journal of Leukocyte Biology Vol. 86, 1285-1294.
- Liu, S. C., R. Alomran, S. B. Chernikova, F. Lartey, J. Stafford, T. Jang, M. Merchant, D. Zboralski, S. Zollner, A. Kruschinski, S. Klussmann, L. Recht and J. M. Brown (2014). "Blockade of SDF-1 after irradiation inhibits tumor recurrences of autochthonous brain tumors in rats." Neuro Oncol 16(1): 21-28.
- Loi S, Sirtaine N, Piette F, Salgado R, Viale G, Van Eenoo F, Rouas G, Francis P, Crown Jp, Hitre E, De Azambuja E, Quinaux E, Di Leo A, Michiels S, Piccart Mj, Sotiriou C.(2013) J Clin Oncol. 2013 Mar 1;31(7):860-867.
- Ludwig, H. et al. (2014) Final Results from the Phase IIa Study of the Anti-CXCL12 Spiegelmer® Olaptesed Pegol (NOX-A12) in Combination with Bortezomib and Dexamethasone in Patients with Multiple Myeloma. ASH 2014; 653: Myeloma Therapy Abstract 2111
- Ludwig, H. et al, "Olaptesed pegol, an anti-CXCL12/SDF1 Spiegelmer®, alone and with bortezomib-dexamethasone in relapsed/refractory multiple myeloma: A phase IIa study." Leukemia (2017) **31,** 997–1000
- Mahoney et al. (2015) The Next Immune-Checkpoint Inhibitors: PD-1/PD-L1 Blockade in Melanoma. Clin Ther. 2015 Apr 1;37(4):764-82
- Mahoney, K. M., P. D. Rennert and G. J. Freeman (2015). "Combination cancer immunotherapy and new immunomodulatory targets." Nat Rev Drug Discov 14(8): 561-584.
- Menne, J., et al, "C-C motif-ligand 2 inhibition with emapticap pegol (NOX-E36) in type 2 diabetic patients with albuminuria." Nephrol Dial Transplant (2017) 32 (2): 307-315
- Morrison C. (2015) 'Financial toxicity' looms as cancer combinations proliferate. Nature Biotechnology; 33, 783–784.
- Mrugala, M. M. (2013). "Advances and challenges in the treatment of glioblastoma: a clinician's perspective." Discov Med 15(83): 221-230.
- Nemeth, E. and T. Ganz (2014). "Anemia of inflammation." Hematol Oncol Clin North Am 28(4): 671-681, vi.
- Oberthür, D., J. Achenbach, A. Gabdulkhakov, K. Buchner, C. Maasch, S. Falke, D. Rehders, S. Klussmann and C. Betzel (2015). "Crystal structure of a mirror-image L-RNA aptamer (Spiegelmer) in complex with the natural L-protein target CCL2." Nat Commun 6: 6923.
- Nywening T.M. et al. (2016) "Targeting tumour-associated macrophages with CCR2 inhibition in combination with FOLFIRINOX in patients with borderline resectable and locally advanced pancreatic cancer: a single-centre, open-label, dose-finding, non-randomised, phase 1b trial." Lancet Oncol. 2016 May;17(5):651-62.

- Opal, S. M. and T. van der Poll (2015). "Endothelial barrier dysfunction in septic shock." J Intern Med 277(3): 277-293.
- Ostrom, Quinn T., et al. (2013). CBTRUS Statistical Report: "Primary Brain and Central Nervous System Tumors Diagnosed in the United States in 2006-2010". Neuro-Oncology, 15 (suppl 2): ii1-ii56.
- Poznansky, M.C., Olszak, I.T., Foxall, R., Evans, R.H., Luster, A.D., Scadden, D.T. (2000) "Active movement of T cells away from a chemokine." Nature Medicine Vol. 6, No. 5, 543-548.
- Richardson, P.G., B. Barlogie, J. Berenson, S. Singhal, S. Jagannath, D. Irwin, S.V. Rajkumar, G. Srkalovic, M. Alsina, R. Alexanian, D. Siegel, R.Z. Orlowski, D. Kuter, S.A. Limentani, S. Lee, T. Hideshima, D.-L. Esseltine, M. Kauffman, J. Adams, D.P. Schenkein, K.C. Anderson (2003). "A Phase 2 Study of Bortezomib in Relapsed, Refractory Myeloma." N Engl J Med 2003;348:2609-17.
- Rittirsch, D., H. Redl and M. Huber-Lang (2012). "Role of complement in multiorgan failure." Clin Dev Immunol 2012: 962927.
- Roccaro, A. M., A. Sacco, W. G. Purschke, M. Moschetta, K. Buchner, C. Maasch, D. Zboralski, S. Zollner, S. Vonhoff, Y. Mishima, P. Maiso, M. R. Reagan, S. Lonardi, M. Ungari, F. Facchetti, D. Eulberg, A. Kruschinski, A. Vater, G. Rossi, S. Klussmann and I. M. Ghobrial (2014). "SDF-1 inhibition targets the bone marrow niche for cancer therapy." Cell Rep 9(1): 118-128.
- Roy, C. N. (2010). "Anemia of inflammation." Hematology Am Soc Hematol Educ Program 2010: 276-280.
- Sachin Gopalkrishna Pai, Jyotsna Fuloria (2015). "Novel therapeutic agents in the treatment of metastatic colorectal cancer."WJGO 8(1): 99-104.
- San Miguel, J. (2014). "Multiple myeloma: a model for scientific and clinical progress." Haematology Am Soc Hematol Educ Program 2014: 1-7.
- Sanford D.E. et al. (2013) "Inflammatory Monocyte Mobilization Decreases Patient Survival in Pancreatic Cancer: A Role for Targeting the CCL2/CCR2 Axis." Clin Cancer Res; 19(13); 3404–15.
- Sandhu, S. K., K. Papadopoulos, P. C. Fong, A. Patnaik, C. Messiou, D. Olmos, G. Wang, B. J. Tromp, T. A. Puchalski, F. Balkwill, B. Berns, S. Seetharam, J. S. de Bono and A. W. Tolcher (2013). "A first-in-human, first-in-class, phase I study of carlumab (CNTO 888), a human monoclonal antibody against CC-chemokine ligand 2 in patients with solid tumors." Cancer Chemother Pharmacol 71(4): 1041-1050.
- Saran, R., Y. Li, B. Robinson, J. Ayanian, R. Balkrishnan, J. Bragg-Gresham, J. T. Chen, E. Cope, D. Gipson, K. He, W. Herman, M. Heung, R. A. Hirth, S. S. Jacobsen, K. Kalantar-Zadeh, C. P. Kovesdy, A. B. Leichtman, Y. Lu, M. Z. Molnar, H. Morgenstern, B. Nallamothu, A. M. O'Hare, R. Pisoni, B. Plattner, F. K. Port, P. Rao, C. M. Rhee, D. E. Schaubel, D. T. Selewski, V. Shahinian, J. J. Sim, P. Song, E. Streja, M. Kurella Tamura, F. Tentori, P. W. Eggers, L. Y. Agodoa and K. C. Abbott (2015). "US Renal Data System 2014 Annual Data Report: Epidemiology of Kidney Disease in the United States." Am J Kidney Dis 65(6 Suppl 1): A7.
- SEER Cancer Statistics Review, 2015 accessed from http://seer.cancer.gov/ (September 2015).
- Sharma, P. and J. P. Allison (2015). "Immune checkpoint targeting in cancer therapy: toward combination strategies with curative potential." Cell 161(2): 205-214.
- Sivan A., Corrales L., Hubert N., Williams JB., Aquino-Michaels K., Earley Z. M., Benyamin F.W., Lei Y.M., Jabri B., Alegre M.L., Chang E.B., Gajewski T.F. (2015) Commensal Bifidobacterium promotes antitumor immunity and facilitates anti-PD-L1 efficacy. Science. 2015 Nov 27;350(6264):1084-9.
- Steurer, M. et al. (2014) Therapy, excluding Transplantation. Difference with Steuer data relates to re-evaluation of two patients by investigators at moment of cycle 6 but after publication data. ASH 2014; 642 CLL
- Sunshine, J. and J. M. Taube (2015). "PD-1/PD-L1 inhibitors." Curr Opin Pharmacol 23: 32-38.
- Tuerk, C. and L. Gold (1990). "Systematic evolution of ligands by exponential enrichment: RNA ligands to bacteriophage T4 DNA polymerase." Science 249(4968): 505-510.
- van Eijk, L. T., A. S. John, F. Schwoebel, L. Summo, S. Vauleon, S. Zollner, C. M. Laarakkers, M. Kox, J. G. van der Hoeven, D. W. Swinkels, K. Riecke and P. Pickkers (2014). "Effect of the antihepcidin Spiegelmer lexaptepid on inflammation-induced decrease in serum iron in humans." Blood 124(17): 2643-2646.

- Vétizou M. et al. (2015) "Anticancer immunotherapy by CTLA-4 blockade relies on the gut microbiota." Science. 2015 Nov 27;350(6264):1079-84.
- Walters, M. J., K. Ebsworth, R. D. Berahovich, M. E. Penfold, S. C. Liu, R. Al Omran, M. Kioi, S. B. Chernikova, D. Tseng, E. E. Mulkearns-Hubert, M. Sinyuk, R. M. Ransohoff, J. D. Lathia, J. Karamchandani, H. E. Kohrt, P. Zhang, J. P. Powers, J. C. Jaen, T. J. Schall, M. Merchant, L. Recht and J. M. Brown (2014). "Inhibition of CXCR7 extends survival following irradiation of brain tumours in mice and rats." Br J Cancer 110(5): 1179-1188.
- Würth, R., A. Bajetto, J. K. Harrison, F. Barbieri and T. Florio (2014). "CXCL12 modulation of CXCR4 and CXCR7 activity in human glioblastoma stem-like cells and regulation of the tumor microenvironment." Front Cell Neurosci 8: 144.
- Yatime, L., C. Maasch, K. Hoehlig, S. Klussmann, G. R. Andersen and A. Vater (2015). "Structural basis for the targeting of complement anaphylatoxin C5a using a mixed L-RNA/L-DNA aptamer." Nat Commun 6: 6481.
- Yilmaz, M. I., Y. Solak, A. Covic, D. Goldsmith and M. Kanbay (2011). "Renal anemia of inflammation: the name is self-explanatory." Blood Purif 32(3): 220-225.
- Zaritsky, J., B. Young, B. Gales, H. J. Wang, A. Rastogi, M. Westerman, E. Nemeth, T. Ganz and I. B. Salusky (2010). "Reduction of serum hepcidin by hemodialysis in pediatric and adult patients." Clin J Am Soc Nephrol 5(6): 1010-1014.
- Zboralski, D., Hoellenriegel, J., Maasch, C., Kruschinski, A., Burger, J. A. (2012). "Mode of action of the SDF-1/CXCL12 inhibiting Spiegelmer® NOX-A12 and its impact on chronic lymphocytic leukemia (CLL) cell motility and chemosensitization." Blood 120(21): 318.
- Zboralski, D., et al., AACR, New Orleans (2016) "CXCL12 Inhibition with NOX-A12 (Olaptesed Pegol) Increases T Cell Infiltration into Tumor-Stroma Spheroids and Synergizes with PD-1 Immune Checkpoint Blockade"
- Zboralski, D., et al., ESMO, Copenhagen (2016) "CXCL12 Inhibition with NOX-A12 (Olaptesed Pegol) Increases T and NK Cell Infiltration and Synergizes with Immune Checkpoint Blockade and ADCC in Tumour-Stroma Spheroids"

Non-statutory consolidated statements of financial position as of 31 December 2016

NOXXON Pharma N.V., Amsterdam, Netherlands
Non-Statutory Consolidated Statements of Financial Position as of 31 December 2016

(in thousands of €)

Assets	Note	31 Dec. 2016	31 Dec. 2015
Non-current assets			
Intangible assets	(4)	14	47
Equipment	(5)	67	603
Deferred tax assets	(15)	1	27
		82	**677**
Current assets			
Inventories		0	13
Income tax receivable	(15)	0	1
Trade accounts receivables		0	3
Other assets	(7)	413	1.095
Financial assets	(6)	159	159
Cash and cash equivalents	(8)	2.214	4.093
Assets held for sale	(9)	1	0
		2.787	**5.364**
		2.869	**6.041**

Equity and liabilities	Note	31 Dec. 2016	31 Dec. 2015
Equity			
Share capital	(10)	2.051	493
Additional paid-in capital	(10)	124.666	111.138
Accumulated deficit	(10)	-129.135	-118.388
Treasury shares	(10)	-62	-275
Equity attributable to owners of the Company		**- 2.480**	**- 7.032**
Non controlling interest	(10)	-2	0
Total equity		**- 2.482**	**- 7.032**
Non-current liabilities			
Government grants	(12)	0	1
Financial liabilities	(13)	0	6.289
		0	**6.290**
Current liabilities			
Government grants	(12)	0	3
Financial liabilities	(13)	2.941	2.591
Income tax payable	(15)	0	0
Trade accounts payable		1.422	3.174
Other liabilities	(14)	988	1.015
		5.351	**6.783**
		2.869	**6.041**

NOXXON Pharma N.V., Amsterdam, Netherlands

Non-Statutory Consolidated Statements of Comprehensive Loss for the Year Ended 31 December 2016

(in thousands of €)	Note	For the years 2016	2015
Revenues		83	43
Other operating income		437	74
Research and development expenses	(16)	-5.327	-7.587
General and administrative expenses	(16)	-3.780	-7.319
Foreign exchange losses		-12	-41
Loss from operations		-8.599	-14.830
Finance income		1	0
Finance cost	(13)	-2.127	-1.294
Loss before income tax		-10.725	-16.124
Income tax	(15)	-27	22
Net loss		-10.752	-16.102
Other comprehensive income		0	0
Total comprehensive loss		-10.752	-16.102
Net loss attributable to:			
Owners of the Company		-10.747	-16.102
Non-controlling interests		-5	0
		-10.752	-16.102
Total comprehensive loss attributable to:			
Owners of the Company		-10.747	-16.102
Non-controlling interests		-5	0
		-10.752	-16.102
Loss per share in EUR per share (basic and diluted)	(18)	-6,71	-14,77

NOXXON Pharma N.V., Amsterdam, Netherlands
Non-Statutory Consolidated Cash-Flow Statements for the Year Ended 31 December 2016

(in thousands of €)

	Note	For the years ended 2016	2015
Operating activities			
Net loss before income tax		-10.725	-16.124
Income taxes paid		0	-1
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amorization expense	(4, 5)	340	218
Finance income		-1	0
Finance cost	(13)	2.127	1.294
Loss on disposal of equipment		149	1
Release of government grants		-4	-33
Employee stock based compensation		0	275
Other non-cash transactions		0	0
Changes in operating assets and liabilities:			
Inventories		13	25
Trade receivables, other current assets, other financial assets and prepaid expense		762	35
Income tax payable		1	-7
Trade accounts payable and other liabilities		-1.653	835
Net cash used in operating activities		-8.991	-13.482
Investing activities			
Purchase of equipment		-21	-8
Proceeds from sale of equipment		25	0
Net cash used in investing activities		4	-8
Financing activities			
Proceeds from issuance of shares	(10)	7.538	9.328
Repurchase of treasury shares		-17	0
Proceeds from issuance of convertible bonds		0	5.701
Transaction costs for issuance of shares		-78	-266
Transaction costs for issuance of convertible bonds		0	-43
Proceeds from borrowings	(13)	0	3.000
Repayment of borrowings	(13)	0	-671
Transaction costs for issuance of borrowings		0	-78
Interest paid		-335	-915
Net cash provided by financing activities		7.108	16.056
Net change in cash and cash equivalents		-1.879	2.566
Cash at the beginning of period		4.093	1.527
Cash at the end of the period		2.214	4.093

NOXXON Pharma N.V., Amsterdam, Netherlands

Non-Statutory Consolidated Statements of Changes in Shareholders' Equity for the Year Ended 31 December 2016

(in thousands of €)		Common and Preferred shares			Additional Paid-In Capital			Accumulated Deficit	Total	Non-controlling interests	Total equity
	Note	Number of shares	Subscribed capital	Treasury Shares	Convertible Bonds	Other Additional Paid-In-Capital	Total				
1 January 2015		340.973	341	-275	0	95.977	95.977	-102.286	**-6.243**	**0**	**-6.243**
Net loss								-16.102	-16.102	0	-16.102
Total comprehensive loss								-16.102	-16.102	0	-16.102
Share-based compensation	(10, 11)					3	3		3	0	3
Equity settled termination benefits	(10)					272	272		272		272
Capital increases	(10)	133.419	133			9.195	9.195		9.195		9.195
Issuance of convertible bonds	(10)				5.701		5.701		5.701	0	5.701
Conversion of convertible bonds	(10)	18.279	18		-5.682	5.664	-18		0		0
Equity component compound instrument	(13)					92	92		92	0	92
Issuance costs of capital increases						-65	-65		-65		-65
Issuance costs convertible bonds					-19		-19		-19	0	-19
31 December 2015		492.671	493	-275	0	111.138	111.138	-118.388	**-7.032**	**0**	**-7.032**
1 January 2016		492.671	493	-275	0	111.138	111.138	-118.388	**-7.032**	**0**	**-7.032**
Net loss								-10.747	-10.747	-5	-10.752
Total comprehensive loss								-10.747	-10.747	-5	-10.752
Share-based compensation	(10, 11)					-2	-2		-2	0	-2
Capital increases prior to Reorganisation	(10)	31.956	32			4.688	4.688		4.720	0	4.720
Reorganisation	(2)	1.024.825	1.025	230		-1.255	-1.255		0	3	3
Capital increase Private Placement	(4)	501.645	501			10.204	10.204		10.705	0	10.705
Issuance costs of capital increases						-55	-55		-55		-55
Issuance costs related to private placement	(13)					-52	-52		-52		-52
Purchase of treasury shares				-17			0		-17		-17
31 December 2016		2.051.097	2.051	-62	0	124.666	124.666	-129.135	**-2.480**	**-2**	**-2.482**

NOXXON Pharma N.V.,

Notes to the Non-Statutory Consolidated Financial Statements 2016

1. Corporate Information

NOXXON Pharma N.V. (in the following also the Company) is a Dutch public company with limited liability (naamloze vennootschap) and has its corporate seat in Amsterdam, the Netherlands. The Company was formed on 16 January 2015 for the purpose of a corporate reorganization of NOXXON Pharma AG in preparation for an anticipated capital market transaction. Effective 30 September 2016, NOXXON Pharma N.V. listed all of its ordinary shares under the symbol “ALNOX” with ISIN NL0012044762 on the Alternext stock exchange Paris, France.

The Company’s business address is in Berlin, Germany, with the address of Max-Dohrn-Str. 8-10, 10589 Berlin.

The non-statutory consolidated financial statements of NOXXON Pharma N.V. as of and for the year ended 31 December 2016 comprise the Company and its wholly owned and / or controlled subsidiaries, NOXXON Pharma AG, Berlin, Germany and NOXXON Pharma Inc., Boston, United States. Financial information presented in the non-statutory consolidated financial statements for periods prior to the consummation of the Corporate Reorganization on 23 September 2016 is that of NOXXON Pharma AG and its subsidiaries. Prior to the Corporate Reorganization, NOXXON Pharma N.V. had not conducted any operations other than the preparation of the anticipated capital market transaction and had not held significant operational assets or liabilities and had not held any contingent liabilities. Reference is made to Note 2 Corporate Reorganization.

NOXXON Pharma N.V. is a clinical-stage biopharmaceutical company focused on cancer treatment. NOXXON's goal is to significantly enhance the effectiveness of cancer treatments including immuno-oncology approaches (such as immune checkpoint inhibitors) and current standards of care (such as chemotherapy and radiotherapy). NOXXON's Spiegelmer® platform has generated a proprietary pipeline of clinical-stage product candidates including its lead cancer drug candidate NOX-A12.

The non-statutory consolidated financial statements for the years ended 31 December 2016 of NOXXON were authorized by the Management Board for issuance on 28 April 2017.

2. Corporate Reorganization and Private Placement

At the initial step of the Corporate Reorganization, substantially all of the shareholders of NOXXON Pharma AG subscribed for 1,504,452 ordinary shares in NOXXON Pharma N.V. and agreed to transfer their common and preferred shares in NOXXON Pharma AG to NOXXON Pharma N.V. in consideration therefore. As a result NOXXON Pharma AG became a nearly wholly-owned subsidiary of NOXXON Pharma N.V., that now holds approximately 99.8% of the shares of NOXXON Pharma AG. Furthermore 45,000 shares have been repurchased by NOXXON Pharma N.V. to eliminate intra-group cross shareholdings.

Subsequent to the Corporate Reorganization, the Group executed the Private Placement consisting of equity contributions, a debt-to-equity conversion and further contributions as follows:

Pursuant to an agreement dated 22 September 2016, the lender has agreed, subject to certain conditions, to convert its total nominal debt of approximately € 9.6 million, including accrued interest and fees, with a book value of € 9.7 million (see Note 13) into equity of the Group, and to not enforce its rights to repayment of the loans, per the following. On 23 September 2016, upon the relevant conditions having been satisfied, an initial conversion of approximately € 7.0 million of the loans into 356,502 ordinary shares of the Company Group became effective with an impact on net loss of the Group of K€ 1,348. That amount comprises a derecognition gain of K€ 11,701 less the fair value of the remaining loan facility of K€ 2,439 and less the fair value of the issued ordinary shares of the Company of K€ 7,608. Regarding the net present value of the loan amount remaining of K€ 2,439, the lender allowed for payment to be deferred through the end of March 2017. Further, the lender has agreed that the balance of the loan remaining at the end of March 2017 at amortized cost of approximately € 2.6 million shall be converted into ordinary shares of the Company on a pro-rated basis upon the raising of new capital until end of March 2017, which may be by investments or non-dilutive funding via partnership on the same conditions as the initial conversion. As a result, at such point in time, the total loan amount will be fully converted into equity when such new capital in the amount of approximately € 2.6 million would be raised. If by end of March 2017 no such new capital in the amount of approximately € 2.6 million has been raised, the lender may request for the balance of the loan to be converted into equity or for repayment under the existing loan agreements. The Group obtained a commitment from the lender of its remaining venture loan to not request the redemption of and interest payments on its outstanding debt in the amount of € 2.6 million in cash until September 2018.

Further, two creditors, each in relation to their receivables due from the Group and totalling K€ 257 contributed these receivables to the Group against the issuance of 13,064 ordinary shares of the Company with a fair value of K€ 279 with an impact on accumulated deficit of K€ -22.

3. Summary of Significant Accounting Policies

3.1. Basis of preparation

Going Concern

The accompanying non-statutory consolidated financial statements have been prepared on the basis that the Group will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Group’s ability to continue as a going concern is dependent on

its ability to raise additional funds to continue its research and development programs and meet its obligations.

As a clinical stage biopharmaceutical company, the Group has incurred operating losses since inception. For the year ended 31 December 2016 the Group incurred a net loss of € 10.8 million. As of 31 December 2016 the Group had generated an accumulated deficit of € 129.1 million as well as a net capital deficiency of € 2.5 million. The Group expects it will incur operating losses for the foreseeable future due to, among other things, costs related to research funding, development of its product candidates and its preclinical programs, strategic alliances and the development of its administrative organization. The Group will be required to raise additional funds, alternative means of financial support or conduct a partnering deal for a compound by May 2017 in order to continue its operations.

Through 31 December 2016, the Company raised funds of € 175.3 million from several sources including its shareholders through the issuance of equity amounting to € 158.9 million (including the conversion of borrowings and receivables due from the Group), borrowings of € 2.6 million and government grants amounting to € 13.8 million.

Based on its present requirements resulting from the Group's updated business plan focusing on clinical development of its lead product candidate NOX-A12 for the treatment of advanced solid tumors, the Group will require additional cash resources of approximately € 3.8 million, to provide the Group with sufficient working capital for the twelve months following the date of these non-statutory consolidated financial statements.

Management is pursuing various financing alternatives to meet the Group's future cash requirements, including seeking additional investors, pursuing industrial partnerships, or obtaining further funding from existing investors through additional funding rounds, pursuing a merger or an acquisition. The management of NOXXON is pursuing all of these avenues in parallel with the assistance of experienced outside support. Based on the options available management is confident to be able to raise additional capital. The future financing, on which the going concern assumption is based, considers mainly the following financing agreement. In April 2017, the Company and a potential investor signed a non-binding convertible debenture term-sheet pursuant to which that investor and existing shareholders of the Company intend to commit to, subject to certain conditions, make certain investments of a nominal amount of € 4.5 million into the Company until April 2018 and a further nominal amount of € 6.5 million subsequently against the Company satisfying certain prerequisites, as described in the following.

As initial step the new investor will invest an amount of € 250 thousand in early May 2017 by way of subscribing for ordinary shares for a price of € 15.50 per share, subject to the condition precedent that existing shareholders of the Company likewise subscribe for ordinary shares for a price of € 15.50 per share against a total issue price of at € 750 thousand, totalling an initial investment of € 1,000 thousand.

The second step of this financing is subject to the Company preparing and obtaining the requisite approval for publishing its Prospectus to cause its ordinary shares to be listed on the Public Offering Compartment of Alternext. Obtaining Prospectus approval from the relevant authority within the timeframe necessary to be in the position to implement and to consummate the second step of the financing transaction is not fully in control of the Company. However, based on the track record of approvals in the past by relevant authorities and involving the necessary experts to prepare the current prospectus in line with the regulatory requirements, management expects to obtain such approval in time.

Pursuant to the second step, the new investor is to subscribe for notes of the Company convertible into ordinary shares at a nominal amount of up to € 10.0 million in multiple tranches, whereby the convertible notes of each tranche are issued with a certain number of warrants to subscribe for further ordinary shares of the Company. Following a first tranche of convertible notes of a nominal amount of € 1.0 million expected to be drawn in June 2017, each of the Company and the new investor can require the issuance of further five tranches in the nominal amount of € 500 thousand each in the period until April 2018. After April 2018, the new investor can require further tranches in the nominal amount of € 250 thousand each up to said total nominal value of € 10.0 million. Upon the issuance of each tranche, the Company will have to pay a commitment fee of 6 % of the nominal amount of the relevant tranche.

By implementing the first and second step of the financing transaction as contemplated, the Company expects to receive financial funds in a nominal amount of € 4.5 million until April 2018 and subsequent to April 2018 a nominal amount of € 6.5 million.

In addition, the Group obtained a commitment from the lender of its remaining venture loan to not request the redemption of and interest payments on its outstanding debt in the amount of € 2.6 million in cash until September 2018. Further, the lender has agreed, subject to certain conditions, that it will convert between € 1.8 million and the total amount of € 2.6 million debt into equity until September 2018.

Management has given consideration to the ability of the Group to continue as a going concern and is satisfied that the Group has adequate resources and prospects to fund current and future commitments in light of support from existing credit available to the Company as well as potential other sources of funds. Based on management's going concern assessment, the non-statutory consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties. If the Group is not successful in obtaining the additional funds required to maintain its operational activities, there is a substantial doubt that the Group will be able to continue as a going concern.

Statement of compliance

The non-statutory consolidated financial statements of NOXXON Pharma N.V. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

The Group has adopted all of the International Financial Reporting Standards that became effective for accounting periods beginning on or after 1 January 2016, and that are relevant to its operations. Additionally, the Group takes into consideration all Interpretations of the IFRS Interpretations Committee.

The non-statutory consolidated financial statements are for filing purposes with the Alternext exchange and are non- statutory financial statements.

New standards and interpretations applied for the first time

The following new and amended standards were effective for annual periods beginning on or after 1 January 2016, and have been applied in preparing these non-statutory consolidated financial statements.

STANDARD/INTERPRETATION
IFRS 10, 12, IAS 28 Amendments Investment Entities: Applying the Consolidation Exception
IFRS 11 Amendment Accounting for Acquisitions of Interests in Joint Operations
IAS 1 Amendments Disclosure Initiative
IAS 16, 38 Amendments Clarification of Acceptable Methods of Depreciation and Amortisation
Improvements to IFRSs 2012-2014 Cycle

None of these amendments to standards and new or amended interpretations had a significant effect on the non-statutory consolidated financial statements of the Group, except for changes in or additional disclosures to the notes.

New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are effective and will be applied in annual periods beginning on or after 1 January 2017, respectively.

STANDARD/INTERPRETATION	EFFECTIVE DATE
Amendments to IAS 7 Disclosure Initiative*	1 January 2017
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
Improvements to IFRSs 2014-2016 Cycle*	1 January 2017
IFRS 9, Financial Instruments 2014	1 January 2018
IFRS 15, Revenue from Contracts with Customers	1 January 2018
Amendment to IFRS 15 Effective Date of IFRS 15	1 January 2018
Amendment to IFRS 15 Clarifications to IFRS 15*	1 January 2018
Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions*	1 January 2018
Amendments to IFRS 4 applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts*	1 January 2018
Amendments to IAS 40 Transfers of Investment Property*	1 January 2018
Amendments to IFRIC 22 Foreign Currency Transactions and Advance Consideration*	1 January 2018
IFRS 16 Leases*	1 January 2019
Amendments to IFRS 10, IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	undetermined

*not yet endorsed by European Union

The Amendments to IAS 1 that were developed as part of the IASB's disclosure initiative propose a number of changes to the standard that are intended to clarify the flexibility available to preparers when presenting their financial statements and related notes and to strengthen the application of the materiality principle in that context. The Company considered these amendments in preparing the current set of financial statements.

IFRS 15, Revenue from Contracts with Customers, replaces all current standards and interpretations dealing with revenue recognition and introduces a five-step model to account for revenue. As the Group is currently not generating material revenues, the Group will only be affected by IFRS 15 in the future when entering into collaborative arrangements or similar deals.

IFRS 16, Leases, introduces new accounting standards for lease arrangements which require lessees to recognize assets and liabilities for most leases. The main effect of this standard is that many operating leases currently not recognized in the statement of financial position will be required to be recognized. The Group's lease commitments are currently limited (refer to Note 20).

As a result, none of these new or amended standards and interpretations is expected to have a significant effect on the non-statutory consolidated financial statements of the Group.

Financial statement presentation

The non-statutory consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are carried at fair value. The non-statutory consolidated financial statements are presented in Euros.

The Group presents current and non-current assets, and current and non-current liabilities as separate classifications in the statement of financial position. The Group classifies all amounts expected to be recovered or settled within twelve months after the reporting period as current and all other amounts as non-current.

Basis of consolidation

The non-statutory consolidated financial statements are comprised of the financial statements of NOXXON Pharma N.V. and its wholly owned and/ or controlled subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. The financial statements of the subsidiary are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income, expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated on consolidation.

The Group's subsidiary, NOXXON Pharma Inc., and the parent company NOXXON Pharma N.V. have been non-statutory consolidated from the date of incorporation, and have no significant operations as at 31 December 2016.

The non-statutory consolidated Group is comprised of the following entities:

Name	Registered seat	Shareholding (%)
NOXXON Pharma N.V.	Amsterdam, Netherlands	parent company
NOXXON Pharma AG	Berlin, Germany	99.8 %
--- NOXXON Pharma Inc.	Boston, MA, USA	100.0 %

3.2. Summary of significant accounting policies

Foreign currency transactions

The non-statutory consolidated financial statements are presented in Euros, which is the Group presentation currency and is the currency of the primary economic environment in which NOXXON operates. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the balance sheet date. All differences are recorded in profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Intangible assets

Intangible assets acquired

Intangible assets acquired are measured on initial recognition at cost and primarily include intellectual property rights consisting of patents and license agreements purchased from other companies. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed, at a minimum, at each year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive loss in the expense category consistent with the function of the intangible asset.

The Group-wide useful lives are as follows:

- Patents and Licenses: 5 to 16 years
- Others (primarily software): 3 to 5 years.

All of NOXXON's intangible assets have finite lives.

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment. Such cost includes the cost of replacing part of such equipment when that cost is incurred if the recognition criteria are met. Maintenance and repair costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Machinery and Equipment: 3 to 13 years
- Furniture and Fixtures: 3 to 23 years

- Others: 3 to 5 years.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The asset's residual values, useful lives, and methods are reviewed and adjusted, if appropriate, at each year-end.

Impairment of non-financial assets

Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. Non-financial assets that were previously impaired are reviewed for possible reversal of the impairment at each reporting date. Any reversal of impairment is limited to the carrying value of the asset based on the depreciated historical cost had the initial impairment loss not been recognized. In 2016, impairment losses of K€ 163 were recognized, we refer to Note 5.

Inventories

Inventories are valued at the lower of cost and net realizable value. Costs incurred in bringing each product to its present location and conditions are accounted for as follows:

- Raw materials and supplies: purchase cost on a first-in, first-out basis;

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Inventories consist of raw materials and supplies used in the discovery process for potential collaboration and own projects.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Non-derivative financial assets

The Group's only classes of non-derivative financial assets are short-term invested interest bearing rental deposits, fixed-term bank deposits with original terms of three to twelve months that are held-to-maturity, other receivables and cash and cash equivalents.

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently carried at carrying value less allowances for uncollectable amounts.

Cash and cash equivalents include cash balances and call deposits with original maturities of three months or less. For the purpose of the non-statutory consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Non-derivative financial liabilities

The Group's classes of financial liabilities are trade payables and other liabilities. The Group initially recognizes non-derivative financial liabilities on the date that they are

originated and measures them at the amount expected to settle the obligation. The carrying amount of trade payables is a reasonable approximation of fair value.

Compound instruments

In prior years, NOXXON Pharma AG has issued two compound financial instruments which arose from the loan agreements with detachable share purchase warrants (for further information refer to Note 13).

The liability component of a compound financial instrument is initially recognized at the fair value of a similar liability that does not have an equity conversion option. The equity component is initially recognized as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The liability component is derecognized, if payment is made to the lender, the Group is legally released from its responsibilities for the liability or the terms and conditions have been substantially modified. The equity component of a compound financial instrument is not re-measured. Interest related to the financial liability is recognized in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the non-statutory consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Impairment of financial assets

At each reporting date, the Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. No impairments or reversals of impairments were recognized in 2016 and 2015.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any gains or losses on the purchase, sale, issue or cancellation of the Company’s treasury shares are recognized in equity.

Loss per share

The Group presents loss per share data for its only class of ordinary shares. Loss per share is calculated by dividing the loss of the period by the weighted average number of ordinary shares outstanding during the period, retrospectively adjusted for the Corporate Reorganization.

Share-based payments

Employees (including management) of the Group receive remuneration from share-based payment transactions in the form of share awards and options ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. With respect to option awards granted by NOXXON Pharma AG under the Stock Option Plan 2002, the fair value is determined by using a Monte-Carlo-Simulation while the fair value of share awards granted under share participation models is determined by the Group using a Black-Scholes model (see Note 11 for further details).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Leases - Group as lessee

The determination whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date (i.e., whether the fulfillment of the arrangement depends on the use of a specific asset or assets or the arrangement conveys a right to use the asset).

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. The Company entered into operating leases for certain laboratory and office space, equipment and company cars in 2016 and 2015.

Operating lease payments are recognized as an expense in the statement of comprehensive loss on a straight-line basis over the lease term.

Income taxes

Income taxes include current and deferred taxes. Current tax and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable related to previous years.

Deferred tax is recognized for temporary differences in the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes. Deferred tax is not recognized for temporary differences associated with assets and liabilities if the transaction which led to their initial recognition is a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and liabilities are presented net if there is a legally enforceable right to offset.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding VAT. The following specific recognition criteria must also be met before revenue is recognized:

Sale of chemical compounds

Revenue is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. The Group recognizes revenue from the sale of compounds when they have been shipped and the other recognition criteria have been met.

Government grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all conditions will be complied with. Grants from governmental agencies for the support of specific research and development projects are recorded as other operating income over the period necessary, to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the nominal amount of the grant is recorded as deferred income and is released in the profit and loss on a straight-line basis over the expected remaining useful life of the related asset.

A government grant that becomes repayable upon non-fulfilment of grant conditions is accounted for as a change in accounting estimate. Repayment of a grant related to income is applied first against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the repayment is recognised immediately in profit or loss. Repayment of a grant related to an asset is recognised by increasing the carrying amount of the asset or reducing the deferred income balance by the amount repayable. The cumulative additional depreciation that would have been recognised in profit or loss to date in the absence of the grant is recognised immediately in profit or loss.

Since its incorporation, the subsidiary NOXXON Pharma AG obtained significant grants from governmental agencies for the support of specific research and development projects whereas in the years ended 2016 and 2015 no grants were received.

Research and development costs

Research and development expenses consist of costs incurred that are directly attributable to the development of the Group’s platform technology and product candidates. Those expenses include:

- salaries for research and development staff and related expenses, including management benefits and expenses for share-based compensation;
- costs for production of drug substances by contract manufacturers;
- service fees and other costs related to the performance of clinical trials and preclinical testing;
- costs of related facilities, materials and equipment;
- costs associated with obtaining and maintaining patents and other intellectual property;
- amortization and depreciation of intangible and tangible fixed assets used to discover and develop the Group's clinical compounds and pipeline candidates;
- other expenses directly attributable to the development of the Group's product candidates and pre-clinical pipeline.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to measure reliably the expenditure during development.

In the opinion of management, due to the regulatory and other uncertainties inherent in the development of NOXXON's new products, the criteria for development costs to be recognized as an asset, as prescribed by IAS 38, Intangible Assets, are not met until the product has received regulatory approval and when it is probable that future economic benefits will flow to the Group. Accordingly, the Group has not capitalized any development costs.

Finance income

Finance income includes effects from the derecognition of financial liabilities, interest income from interest bearing bank and rental deposits. Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance cost

Finance cost includes effects from the recognition of financial liabilities and equity resulting from the Private Placement and interest expense on financial liabilities. Interest expense is recognized using the effective interest method.

3.3. Significant accounting judgments and estimates

The preparation of the Group's non-statutory consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of

which form the basis of making management judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an on-going basis. Actual results may differ from those estimates. The key assumptions with estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Corporate Reorganization

The Corporate Reorganization is accounted for as a transaction between parties under common control in a so called “Newco formation”. A “Newco formation” is a transaction that involves the formation of a new entity for the purpose of effecting a business combination or a transaction that purports to be a business combination. Management assessed that NOXXON Pharma N.V. as the Newco was solely used to consummate the Corporate Reorganization. Under this approach, the fact that the acquisition (Corporate Reorganization) is conditional on the IPO is not a critical feature and the key point is that the transaction has been initiated by the originating parent, NOXXON Pharma AG, to facilitate a technical listing of the ordinary shares of NOXXON Pharma N.V. Therefore, it is a common control transaction.

Accordingly, the assets and liabilities of NOXXON Pharma AG and its subsidiary were carried over by NOXXON Pharma N.V. at net book value as stated in the financial statements of NOXXON Pharma AG (carry-over basis). Any adjustment required in equity to reflect any difference between the consideration paid and the capital of the acquiree was recognized in additional paid-in capital.

The Corporate Reorganization involved transactions with non-controlling interest as not all of the shareholders’ of NOXXON Pharma AG transferred their common and preferred shares to the Company. These changes in non-controlling interest were accounted for as acquisitions of non-controlling interest on the date on which the changes occurred.

Determining substantial modification of terms and conditions of loan facilities

Management assessed that the terms and conditions of existing loan facilities were substantially modified, if one of the following modifications occurred:

- a modification of the repayment schedule, the timing of cash flows, the nominal or interest rate to the extent, that the cash flows prior and after such modifications differ by more than 10% (quantitative modification); or
- an equity conversion feature was introduced to the terms and conditions (qualitative modification).

An equity conversion or debt-for equity-swap is accounted for in accordance with IFRIC 19 “Extinguishing Financial Liabilities with Equity Instruments”. Upon such substantial modification, the loan facility is derecognized to finance income. The equity instruments issued to a creditor or lender to extinguish part or all of the financial liability are recognized as finance cost and are measured at the fair value of the equity instruments issued.

If the terms and conditions were not substantially modified, the loan facility is continued to be accounted for at amortised cost with an adjusted effective interest rate.

Determining market interest rates for compound instruments

Loan agreements with detachable share purchase warrants entered into in March 2014 and in March 2015 were classified as compound financial instruments. The fair value of the financial liability component of these instruments, comprising the principal amount of the loan and the related interest, was determined by calculating the present value of

these cash flows at the prevailing market interest rate for similar instruments without an equity conversion option. The prevailing market interest rate for the loan agreement entered into in March 2014 is 14.7 %, the prevailing market interest rate for the loan agreement entered into in March 2015 is 14.2 %. Due to the risk structure of the Company, the market interest rates were determined from the perspective of a holder of equity instruments in the Company. Given the risk of default of the Company, a lender must economically request to receive the same return that a shareholder would request. Accordingly, the weighted average cost of equity was calculated based on observable market and peer group parameters as of March 2014 and as of March 2015, respectively, the effective dates of the loan agreements. Refer to Note 13 for further details.

Treatment of internally developed intangible assets

Research and development costs from internal drug development projects are expensed as incurred. Management considers that due to regulatory and other uncertainties inherent in the development of pharmaceutical products, the development expenses incurred for its product candidates do not meet all of the criteria for capitalization as required in IAS 38, Intangible Assets.

NOXXON's product candidates must undergo extensive preclinical and clinical testing to demonstrate the product's safety and efficacy. The results of such trials are unpredictable and uncertain and may be substantially delayed or may prevent the Group from bringing these products to market.

New drugs are subject to significant regulatory approval requirements, which could prevent or limit the Group's ability to market its product candidates. A delay or denial or regulatory approval could significantly delay the Group's ability to generate product revenues and to achieve profitability. Additionally, changes in regulatory approval policies during the development period of any of its product candidates, or changes in regulatory review practices for a submitted product application, may cause a delay in obtaining approval or may result in the rejection of an application for regulatory approval.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

Given the amount of operating losses accumulated and the significant uncertainty of future taxable income, deferred tax assets were recognized only to the extent that deferred tax liabilities were recognized.

Disclosures regarding capitalized deferred tax assets resulting from loss carry-forwards can be found in Note 15.

4. Intangible Assets

During the fiscal years 2016 and 2015, intangible assets developed as follows:

in thousands of € **31 December 2016**	**Patents and Licenses**	**Other**	**Total**
Cost			
Balance at 1 January 2016	1,818	132	1,950
Additions	0	0	0
Disposals	1,654	78	1,732
Balance at 31 December 2016	164	54	218
Amortization			
Balance at 1 January 2016	1,774	129	1,903
Amortization expense	30	1	31
Impairment loss	2	0	2
Disposals	1,654	78	1,732
Balance at 31 December 2016	152	52	204
Carrying amounts			
At 1 January 2016	44	3	47
At 31 December 2016	12	2	14

in thousands of €

31 December 2015	Patents and Licenses	Other	Total
Cost			
Balance at 1 January 2015	1,862	132	1,994
Additions	0	0	0
Disposals	44	0	44
Balance at 31 December 2015	1,818	132	1,950
Amortization			
Balance at 1 January 2015	1,778	128	1,906
Amortization expense	40	1	41
Disposals	44	0	44
Balance at 31 December 2015	1,774	129	1,903
Carrying amounts			
At 1 January 2015	84	4	88
At 31 December 2015	44	3	47

5. Equipment

During the fiscal years 2016 and 2015 the equipment developed as follows:

in thousands of €

31 December 2016	Machinery and Equipment	Furniture and Fixtures	Other	Total
Cost				
Balance at 1 January 2016	4,575	586	66	5,227
Additions	0	18	3	21
Disposals	3,758	82	49	3,889
Reclassification to assets held for sale	700	291	15	1,006
Balance at 31 December 2016	117	231	5	353
Depreciation				
Balance at 1 January 2016	4,019	542	63	4,624
Depreciation expense	108	20	4	132
Impairment loss	163	0	0	163
Disposals	3,517	76	47	3,640
Reclassification to assets held for sale	689	289	15	993
Balance at 31 December 2016	84	197	5	286
Carrying amounts				
At 1 January 2016	556	44	3	603
At 31 December 2016	33	34	0	67

in thousands of € **31 December 2015**	**Machinery and Equipment**	**Furniture and Fixtures**	**Other**	**Total**
Cost				
Balance at 1 January 2015	4,568	586	66	5,220
Additions	7	1	1	9
Disposals	0	1	1	2
Balance at 31 December 2015	4,575	586	66	5,227
Depreciation				
Balance at 1 January 2015	3,866	519	63	4,448
Depreciation expense	153	23	1	177
Disposals	0	0	1	1
Balance at 31 December 2015	4,019	542	63	4,624
Carrying amounts				
At 1 January 2015	702	67	3	772
At 31 December 2015	556	43	3	603

Due to the decision to focus all of the Group's business activities on the clinical development in cancer treatment, the Group tested the affected laboratory equipment for impairment and recognised an impairment loss of K€ 163.

6. Financial assets

Current financial assets consist of rental deposit. The related operating lease agreements as of 31 December 2016 and 2015 expired by the end of 2016. The Company entered into an indefinite lease agreement consuming a rental deposit of K€ 28. The rental deposit of K€ 131 was paid back without any retentions by the landlord by end of February 2017.

The carrying amount of all financial assets is a reasonable approximation of the fair value.

7. Other assets

Other current assets consist of the following:

	31 December	
in thousands of €	**2016**	**2015**
VAT	192	274
Receivables from sale of equipment	95	-
Prepaid expenses and other	126	821
Total	**413**	**1,095**

VAT ("Value added tax") reflects claims of the Group against local tax authorities for VAT on supplies and services received. The net amount of VAT receivable and VAT payable is non-interest bearing and is remitted to the appropriate taxation authorities on a monthly basis.

Prepaid expenses consist of prepaid annual fees for license, insurance and service contracts, which are deferred over the term of respective agreements.

Prepaid expenses and other receivables include as of 31 December 2016 the cash balance of the liquidity account with the liquidity provider amounting to K€ 83 (and as of 31 December 2015: K€ 608, deferred costs related to an anticipated equity transaction).

The carrying amount of other receivables is a reasonable approximation of the fair value.

8. Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank and on hand. As of 31 December 2016, 98.9 % of cash and cash equivalents are denominated in euro and 1.1 % in dollars. As of 31 December 2015, 96.9 % of cash and cash equivalents are denominated in euro and 3.1 % in dollars.

Bank balances earn interest at variable rates for overnight deposits.

During 2016 the Group placed its available funds only in current accounts and in 2015, the Group placed its available funds in short-term deposits and overnight deposits. These are interest bearing based on respective interest rates applicable for short-term deposits.

The net book value represents the maximum amount that is at risk.

The carrying amount of cash and cash equivalents is a reasonable approximation of the fair value.

9. Assets held for sale

As of 31 December 2016, assets held for sale comprise equipment not longer be used by the Group outside of its core business activities on the clinical development in cancer treatment following the decision in September 2016 to focus NOXXON on its core activities. Therefore it is highly likely that the sale will occur. Impairment losses of K€ 12 for write-downs of the disposal group to the lower of its carrying amount and its fair value less costs to sell have been included in general and administrative expenses.

10. Equity

Share Capital

As of 31 December 2016 the share capital of the Company of K€ 2,051 is divided into 2,051,097 ordinary shares with a nominal value of € 1.00.

Prior to the consummation of the Corporate Reorganization, the share capital of NOXXON Pharma AG increased from K€ 493 by K€ 32 to K€ 525 through contributions by shareholders in cash.

As of 23 September 2016, upon consummation of the Corporate Reorganization, all common and preferred shares in NOXXON Pharma AG were exchanged for 1,504,452 ordinary shares of NOXXON Pharma N.V. (see note 2). This exchange of 523,733 common and preferred shares of NOXXON Pharma AG for 1,504,452 ordinary shares of the Company on a 2-for-one and 4-for-one basis, respectively, is retrospectively accounted for as a stock split.

In addition, in the Private Placement, the Company issued an aggregate of 132,079 ordinary shares at a price of € 21.34 against contribution in cash and an aggregate of 369,566 ordinary shares at a price of € 21.34 per share against the contribution of a partial amount of the outstanding loan and certain receivables by two creditors. In the Private Placement, additional paid-in capital of K€ 10,204 were recognized less issuance costs of K€ 52.

According to the articles of association of the Company, up to 10,250,000 ordinary shares with a nominal value of € 1.00 are authorised to be issued. All shares are registered shares. No share certificates shall be issued.

Additional paid-in capital

As of 31 December 2016 the additional paid-in capital of the Company amounts to K€ 124,663.

Prior to the consummation of the Corporate Reorganization, additional paid-in capital includes payments received by NOXXON Pharma AG in excess of the nominal amount of equity issued and of equity contributions by shareholders less related transaction costs in the amount of K€ 4,688 less issuance costs of K€ 55.

Upon consummation of the Corporate Reorganization, the contributed common and preferred shares of NOXXON Pharma AG were added to additional paid-in capital. The ordinary shares of NOXXON Pharma N.V. issued in lieu for those contributed shares were deducted from additional paid-in capital, which lead in total to a decrease of K€ 1,258 corresponding to the increase of share capital resulting from the issuance of such ordinary shares.

In the course of the Private Placement, an amount of K€ 10,204 was recorded in additional paid-in capital, less related issuance costs of K€ 52.

Further, share-based compensation of K€ -2 in 2016 and K€ 276 in 2015 (thereof K€ 272 related to equity-settled termination benefits) were recorded in additional paid-in capital, respectively.

In accordance with Dutch law and in absence of any reserves NOXXON Pharma N.V. is required to maintain pursuant to Dutch law, the Company may make distributions insofar the shareholders' equity exceeds the sum of paid-in and called-up share capital. Additional paid-in capital of the subsidiary NOXXON Pharma AG may only be released and distributed to shareholders to the extent that the additional paid-in capital as reported in that subsidiary's statutory financial statements is available for release and exceeds the accumulated deficit, including current year losses, as reported in those financial statements.

Treasury Shares

As of 31 December 2016 the Company held 45,770 ordinary shares as treasury shares.

11. Share-based Compensation

As of 31 December 2016 and 2015, the number of outstanding options under the Stock Option Plan 2002 for members of the management board was 1,750 with an expiration date at the beginning of 2017 and a weighted average exercise price of € 326. For the Stock Option Plan 2002 no share based payment expense was recognised in 2016.

As of 31 December 2016 and 2015, the number of outstanding shares under the share participation model for employees (held by a trustee), members of the management and supervisory board was 37,081 and 37,227, respectively. Share-based compensation expense of K€ 3 was recorded in 2015.

Furthermore, in 2015, the Company had agreed to grant to a former managing director of NOXXON Pharma Inc. a warrant to purchase such number of ordinary shares as corresponds to 3,106 common shares in NOXXON Pharma AG as outstanding on 15 March 2015, i.e., 6,212 ordinary shares, in the event of an initial public offering or a change of control of the Company. The strike price under the warrant, if the warrant will have to be granted, will be the offer price under the initial public offering or the strike price under the options granted to employees most recently before the change of control, respectively. However, as of 31 December 2016, the warrants have not yet been issued.

12. Government Grants

In prior years NOXXON Pharma AG applied for investment grants in accordance with the German tax provisions for federal investment grants (*Investitionszulagengesetz*) and for investment grants awarded by the Investitionsbank Berlin (*Verbesserung der regionalen Wirtschaftsstruktur GRW-Mittel*). Deferred government grants amount to K€ 0 and K€ 4 as of 31 December 2016 and 2015, respectively.

Federal Investment grants

The *Investitionszulagengesetz* limits grants to a percentage of eligible capital expenditures.

Under the terms of the *Investitionszulagengesetz*, NOXXON Pharma AG is obligated to fulfill certain requirements, including utilizing the assets acquired with the grant proceeds in its business for a period of three years after completion of the investment project. If the economic lives of the assets purchased are shorter than this period, then the assets must remain in use over the course of their economic lives.

Investment grants of Investitionsbank Berlin

In 2008, the Investitionsbank Berlin awarded NOXXON Pharma AG an investment grant totaling K€ 347 to partially fund the purchase of certain property and equipment. The total amount of the grant and the percentage cap of qualifying expenditure was adjusted in July 2011 and March 2012, so that the total grant amount was revised to K€ 163 and limited to 13.01 % of qualifying expenditure.

For a period of five years after completion of this project (in March 2011) NOXXON Pharma AG was originally obliged to employ 42 full-time employees. As a result of the restructuring executed in July 2015 and the related reduction in headcount NOXXON Pharma AG was not be able to meet this requirement. Therefore, in financial year 2015 the Group has provided for the potential repayment obligation recorded in general and administrative expenses and accrued interest thereon until 31 December 2016 (see Note 14 and 16). For the decision made subsequently by the Investitionsbank Berlin in March 2017, see also Note 23.

13. Financial liabilities

Note 13 Financial liabilities should be read in conjunction with note 2 regarding the debt-to-equity conversion agreed with the lender and executed on 22 September 2016.

In 2014 and 2015, NOXXON Pharma AG entered into two loan agreements of up to € 10.0 million with an original maturity of 36 months. Concurrently, NOXXON Pharma AG issued bonds to the lender with a total notional amount of K€ 2 or € 1 for each bond. The bonds have a term of eight years but terminate upon earlier occurrence of specified events (bond term). Under both loan agreements, NOXXON Pharma AG has pledged its intellectual property rights, including patents owned and certain patent applications made for its product candidates in clinical and pre-clinical development, and NOXXON Pharma AG's trademarks and domain names, to the lender as security against its future payment obligations.

As of 31 December 2015 the fair value of the loan facilities (financial liabilities) amounted to € 9.2 million.

In 2016, the Group entered into a series of subsequent agreements related to its loan facilities and share purchase warrants some of which involved a substantial modification of the then outstanding financial liabilities, i.e. to the derecognition of the related liability and the recognition of the modified liability at its fair value with a related gain or loss being recognized in the income statement, and some did not.

On 22 September 2016, the book value of the loan amounted to approximately € 9.7 million including all interests and fees.

On 23 September 2016, upon the relevant conditions of the final agreement in that series having been satisfied, an initial amount of approximately € 7.0 million of the loans was swapped for 356,502 ordinary shares of the Company.

Further, the lender has agreed that the balance of the loan remaining at the end of March 2017 at amortized cost of approximately € 2.6 million shall be converted into ordinary shares of the Company on a pro-rated basis upon the raising of new capital of approximately same amount until end of March 2017, which may be on the similar conditions as the initial conversion. If by then no such new capital in the amount of approximately € 2.6 million has been raised, the lender may request for the balance of the loan to be converted into equity or to be repaid under the existing loan agreements.

For a subsequent agreement with the lender regarding the remaining nominal amount of € 2.6 million we refer to Note 23.

As of 31 December 2016 the fair value of the loan facility (financial liabilities) amounted to € 2.5 million. The fair value of the derivative financial liability relating to the contingent debt-to-equity swap amounted to K€ 419.

For the year 2016 the Group recognised finance income of K€ 1 (prior year K€ 0) and incurred finance cost of K€ 2,127 (prior year K€ 1,294), mainly the effects from the aforementioned transactions and interest for financial liabilities.

14. Other Liabilities

Current other liabilities are comprised of the following:

	31 December	
in thousands of €	**2016**	**2015**
Employee benefits	558	543
Restructuring expenses and settlement benefits	430	468
Other	0	4
Total	**988**	**1,015**

Restructuring expenses and settlement benefits are related to termination benefits (Note 16, General and administrative expenses), grants (see Note 12) and accrued settlement benefits (Note 16, General and administrative expenses), mainly recognised in 2015. Due to the conditions that trigger the payment of such restructuring expenses and settlement benefits, all amounts are current.

15. Income Taxes

Netherlands

In 2016 and 2015, in general the applicable tax rates employed for Dutch companies is 20.0 % corporate income tax up to a taxable profit of € 200,000 and 25.0 % corporate tax for taxable profits exceeding € 200,000. However, the Dutch parent NOXXON Pharma N.V. is fully taxable in Germany and hence the German tax regulations and tax rates for corporations apply as described in the following paragraph.

Deferred taxes of the Company were calculated with a combined income tax rate charge of 30.18 % for the years ended 31 December 2016 and 2015. The Company has no significant net operating loss carry forwards.

Germany

Deferred taxes of the German NOXXON Pharma AG were calculated with a combined income tax rate charge of 30.18 % for the years ended 31 December 2016 and 2015. The corporation income tax applicable to domestic companies is 15.00 % plus solidarity surcharge thereon of 5.5 %. The average trade tax rate is 14.35 %.

In general, the net operating loss (NOL) of NOXXON Pharma AG carry forwards do not expire. They are subject to review and possible adjustment by the German tax authorities. Furthermore, under current German tax laws, certain substantial changes in

the Company's ownership and business may further limit the amount of net operating loss carry forwards, which could be utilized annually to offset future taxable income.

The restrictions on the utilization of tax losses were mitigated through Economic Growth Acceleration Act (*Wachstumsbeschleunigungsgesetz*). According to the provisions of this act unused tax losses of a corporation are preserved to the extent they are compensated by an excess of the fair value of equity for tax purposes above its carrying amount of the Company.

According to German tax provisions, in years of tax profits, any tax loss carry forward can fully be used up to an amount of € 1 million. Any excess tax profit will be reduced with remaining tax loss carry forwards by 60 %. Thus, 40 % of all tax profits exceeding € 1 million will be subject to taxation.

USA

In 2016 and 2015, the applicable tax rates employed for the US subsidiary is 21.8 %, is comprised of the state corporate income tax of 8.0 % and the federal corporate income tax of 15.0 %.

The below table shows a breakdown of income tax expense and deferred income tax income:

in thousands of €	**2016**	**2015**
Current income tax expense	1	1
Deferred income tax expense / (income)	26	(23)
Income tax expense	**27**	**(22)**

With respect to the Group, neither the parent nor the Germany subsidiary paid income taxes in the years ended 31 December 2016 and 2015. A deferred tax asset arising from unused tax losses of NOXXON Pharma AG was only recognized to the extent that NOXXON Pharma AG has sufficient taxable temporary differences in the year ended 31 December 2016 and 2015 since it was not probable that future taxable profit would be available against which they can be utilized.

The deferred income tax income results from reversal of NOXXON Inc.'s temporary differences (deferred payments for accrued expenses, capitalization of business start-up cost and organizational cost for US tax purposes).

Deferred tax assets and liabilities are comprised of the following:

	31 December	
in thousands of €	**2016**	**2015**
Deferred tax assets		
1. Deferred payments for accrued expenses (US)	1	27
2. Deferred costs on compound financial instruments (Germany)	0	38
3. Embedded derivative financial liability on compound financial instrument (Germany)	127	0
4. Net operating loss carry forwards (Germany)	17	146
5. Allowance on deferred tax assets relating to temporary differences (Germany)	(127)	0
6. Deferred tax asset relating to other temporary differences	9	0
Deferred tax liabilities		
7. Subsequent measurements of compound financial instrument (Germany)	(26)	0
8. Deferred costs in anticipation of an equity transaction (Germany)	0	184
Deferred tax assets	**1**	**27**

Deferred tax assets have not been recognized i) in respect of temporary differences on an embedded derivative financial liability on a compound financial instrument and ii) in respect of temporary differences which will never reverse and which relate to deferred costs on financial instruments. The resulting deferred tax assets amount to i) K€ 127 in 2016 and ii) K€ 38 in 2015.

Unused net operating loss carry-forwards

The amount of net operation loss (NOL) carry-forwards for German corporate and trade tax for the years ended 31 December amount to:

in thousands of €	**2016**			**2015**		
	Gross amount	Tax rate	Tax amount	Gross amount	Tax rate	Tax amount
Trade tax	160,182	14.35 %	22,986	151,365	14.35%	21,721
Corporate income tax / solidarity surcharge	161,631	15.83 %	25,586	152,439	15.83%	24,131
less offsetting with deferred tax liabilities			17			146
Unused tax losses for which no deferred tax asset is recognized			**48,555**			**45,706**

On 16 January 2015, NOXXON Pharma N.V. was incorporated as a subsidiary of the Company with the purpose to consummate a corporate reorganization, whereby substantially all of the equity interests in NOXXON Pharma AG was exchanged for newly issued equity interests in NOXXON Pharma N.V. with NOXXON Pharma AG becoming an almost wholly-owned subsidiary of NOXXON Pharma N.V. There is a risk that the tax loss carry forwards of NOXXON Pharma AG, as disclosed above, would be forfeited due to the reorganization. However, provisions in German tax law permit the carry-forward of these tax losses after such reorganization, if and to the extent that an excess of NOXXON Pharma AG's equity fair value over its book value exists. As of 31 December 2016 NOXXON Pharma N.V. has unused tax losses of K€ 307 (prior year: K€127) for which no deferred tax assets were recognized.

The reconciliation of income tax computed at the statutory rate applicable to the Company's income tax expense (income) for the years ended 31 December is as follows:

in thousands of €	2016	2015
Loss before income tax	(10,725)	(16,102)
Group tax rate in % (p/y: %)	30.18	30.18
Theoretical tax benefit	(3,237)	(4,860)
Non-deductible expenses	9	15
Tax-free income	(1)	(7)
Costs associated with equity offering	(32)	(25)
Share-based payment	(1)	82
Additions to / reductions in trade tax	54	42
Debt-for-equity swap related effects	110	-
Change in deferred tax assets not recognized (2016: thereof K€ 2,928 relating to NOXXON Pharma AG and K€ 54 relating to NOXXON Pharma N.V. and K€ 127 relating to an embedded derivative financial liability)	3,109	4,726
Different tax rate in other countries, changes in tax loss carry forwards in prior years and other	16	5
Income tax expense (income)	**27**	**(22)**
Effective tax rate	**-0.25%**	**0.14%**

16. Income and Expenses

Other operating income

in thousands of €	2016	2015
Government grants related to research and development projects	385	-
Government grants related to assets	4	33
Income from sale of financial assets and property, plant and equipment	20	-
Other income	28	41
Total	**437**	**74**

Other income includes foreign exchange differences amounting to K€ 11 in 2016 and K€ 14 in 2015.

See Note 12 for a description of unfulfilled conditions and other contingencies related to government grants related to assets.

Research and development expenses

in thousands of €	2016	2015
Cost of raw materials, consumables and supplies	1,104	945
Cost of purchased services	355	1,697
Personnel expenses	2,025	3,052
Amortization / depreciation	146	199
Product candidate development expenses	10	53
Patent costs and consulting services	562	491
Infrastructure expenses (rent, rental related)	514	580
Maintenance expenses	155	208
Scientific event related expenses	67	181
Other	389	181
Total	**5,327**	**7,587**

In third quarter 2016 NOXXON decided to focus all of its business activities on the NOX-A12 clinical program. As a result of this decision and the head count reduction executed in 2015 personnel expenses decreased by K€ 1,027.

General and administrative expenses

in thousands of €	2016	2015
Regular personnel expenses	685	1,151
Amortization / depreciation	14	18
Impairment loss on tangible assets and assets held for sale	177	0
Legal and consulting fees	2,246	4,158
Infrastructure expenses (rent, rental related)	200	170
Travel and advertising expenses	307	409
Restructuring expenses	22	510
Settlement benefits	33	521
Supervisory board remuneration	79	94
Other	17	288
Total	**3,780**	**7,319**

The decrease in general and administrative expenses in 2016 is mainly driven by lower legal and consulting expenses compared to 2015 related to the preparation of financing transactions amounting to K€ 966 and K€ 3,859, respectively. Further, in July 2015 management decided to focus NOXXON's business activities on the NOX-A12 clinical program. As a result of this restructuring and the related reduction in headcount executed in July 2015, the Company incurred restructuring costs, personnel and other expenses, amounting to K€ 510.

In addition, settlement agreements have been entered into leading to expenses of K€ 33 in 2016 for benefits settled in cash and K€ 521 in 2015 for benefits settled in cash and equity instruments.

Personnel expenses

in thousands of €	2016	2015
Regular salary	2,196	3,417
Restructuring expenses	0	293
Settlement benefits	33	521
Benefits	199	291
Share-based compensation	-	3
Share-based compensation adjustment for turnover	(2)	-
Social security contribution	287	467
Release of accrued holidays	(29)	(13)
Other	26	38
Total	**2,710**	**5,017**

Social security contributions include contributions for statutory pension insurance in the amount of K€ 140 in 2016 and K€ 226 in 2015.

17. Segment reporting

Information about reportable segment

The Group has one Segment. The Group is active in pioneering the development of a new class of proprietary therapeutics called Spiegelmers. These activities are conducted as own project development. The Management Board is the chief operating decision maker. Management of resources and reporting to the decision maker is based on the Group as a whole.

Geographic information

Discovery activities, pre-clinical and clinical activities are conducted in Berlin.

The geographic information below analyzes the Group's revenue and non-current assets by the country of domicile and other countries. In presenting the following information, revenue has been based on the geographic location of the customers and assets were based on the geographic location of the assets.

Revenues in 2016 are generated in Germany with three customers. Revenues in 2015 are generated in Germany with four customers. The non-current assets, excluding deferred tax assets, are mainly located in Germany.

18. Loss per share

The loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of outstanding ordinary shares, retrospectively adjusted for the Corporate Reorganization.

in thousands of €	2016	2015
Net loss	(10,747)	(16,102)
Weighted number of ordinary shares outstanding	1,602,250	1,090,112
Loss per share, basic and diluted in € per share	**(6.71)**	**(14.77)**

There are no dilutive instruments outstanding. Share options under the share-based payment plans were excluded because these options were not exercisable during the period and shares to be issued under the conversion rights of the detachable warrants were excluded because the effect would be anti-dilutive.

19. Notes to the Cash Flow Statement

Non-cash Transactions

In 2016, the Reorganisation, for details we refer to note 2, is accounted for as a non-cash debt-for-equity swap resulting in a decrease of financial liabilities and an increase in equity of K€ 7,608, as a non-cash transaction. Further two creditors of NOXXON contributed their receivables against NOXXON into equity resulting in a decrease of trade payables and an increase of equity of K€ 279 as a non-cash transaction.

In 2015, transaction costs amounting to K€ 407 relating to an anticipated equity transaction were not paid in 2015 but rather were accrued in the statement of financial position and recognized in other assets. This amount was not included in operating cash flow since it relates to financing activities. In 2016 these transaction costs were paid and derecognized to general and administrative expenses with a corresponding decrease of other assets.

20. Commitments and Contingencies

License Agreements

In 1997 and 1998, NOXOXN Pharma AG entered into licensing and royalty agreements that allow the use of intellectual property related to Spiegelmer® technology in its products and processes. The 1997 agreement was subsequently terminated when the relevant intellectual property was assigned to NOXXON. The Group is required to pay licensing fees during the lifetime of the patent family. Furthermore, NOXXON bears the ongoing patent maintenance costs. The Company expects to settle all future obligations, including maintenance costs, connected to these agreements with estimated future payments not exceeding K€ 100.

In December 2001, the Group purchased an exclusive sublicense of the SELEX patent portfolio from an US-Corporation for research & development and commercialization of all products containing and processes that utilize Spiegelmer® technology, including, but not limited to, therapeutics and fine chemicals for use in affinity media, excluding rights for in vivo and in vitro diagnostics and radiopharmaceuticals. The Group paid annual patent maintenance fees of US$ 50,000 for the period ended 31 December 2016.

The Group has patents and has filed for various patent applications which also result from inventions made by its employees. In case of use or other circumstances specified in German Law pertaining to inventions *(Arbeitnehmererfindungsgesetz),* the Group is obliged to allow the respective inventor a fee in accordance with German Law pertaining to inventions by employees (*Arbeitnehmererfindungsgesetz*).

No royalties were paid during the years ended 31 December 2016 and 2015.

Commitments

During the years ended 31 December 2016 and 2015 the Group entered into several research, development and service agreements for its business operations as well as maintenance agreements for the laboratory equipment to run the ordinary course of business. The Group has entered into such agreements with third parties for services and inventories which amounted to K€ 934 in 2016 and K€ 1,344 in 2015.

Operating Leases

The Group leases certain laboratory and office space, equipment and company cars under various non-cancellable operating leases with third parties. The lease agreements expire at various dates through 2018. Rent expense under these operating leases totaled K€ 714 and K€ 734 for the years ended 31 December 2016 and 2015, respectively.

Future minimum payments under non-cancellable operating leases with initial terms exceeding one year at 31 December 2016 and 31 December 2015, are as follows:

2016

In thousands of €	**Total**	2016	2017	2018	2019	2020	Thereafter
Operating Leases	**121**	77	23	13	8	0	0

2015

In thousands of €	**Total**	2015	2016	2017	2018	2019	Thereafter
Operating Leases	**501**	495	5	1	0	0	0

Contingencies

There are no current claims or litigation against the Group. However, due to the inherent nature of intellectual property rights, there remains the possibility of unasserted claims related to intellectual property that the Group is not yet aware of.

21. Financial Risk Management Objectives and Policies

Financial instruments

The Group's principal financial instruments comprise bank balances, deposits, cash money market funds and financial liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial instruments, such as trade debtors and trade creditors, as well as other current non-interest bearing assets, which arise directly from its operations.

The Group places its available funds during the year in fixed-term deposits with banks and money market funds seeking to ensure both liquidity and security of principal in accordance with Group policy. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks, as summarized below.

Credit risk

Financial instruments that potentially expose NOXXON to credit risk consist primarily of cash and cash equivalents, fixed-term deposits with banks and money market funds. The maximum exposure to credit risk is equal to the carrying amount of these instruments. The credit risk is minimized by the investment policy, which limits investments to those that have relatively short maturities and that are placed with highly rated issuers.

The Group's accounts receivable are unsecured and the Group is at risk to the extent such amounts become uncollectible. The Group has historically not experienced substantial losses related to individual customers or groups of customers.

Foreign currency risk

NOXXON conducts business in countries outside the Euro-zone and is therefore subjected to foreign exchange risks. Future business may be conducted to a higher extent in other currencies, namely the dollar and pound sterling. NOXXON is aware of the foreign exchange risks and investigates with every foreign exchange related transaction if a corresponding hedge is favorable and necessary.

As a result of purchases denominated in dollars and pound sterling, the Group's balance sheet can be affected by movements in the dollar/euro and pound sterling/euro exchange rates. These transactions are generally short term in nature, thus the Group's exposure to currency risk is immaterial.

The following table demonstrates the sensitivity to a reasonably possible change in the dollar exchange rate, with all other variables held constant, of the Group's loss before tax.

	Increase/decrease in USD/EUR rate (in %)	Effect on loss before tax (in thousands €)
2016	(10)	(125)
	+ 10	102
2015	(10)	(231)
	+ 10	189

The following table demonstrates the sensitivity to a reasonably possible change in the pound sterling exchange rate, with all other variables held constant, of the Group's loss before tax.

	Increase/decrease in GBP/EUR rate (in %)	Effect on loss before tax (in thousands €)
2016	(10)	(18)
	+ 10	15
2015	(10)	(31)
	+ 10	25

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash forecast. This tool considers the maturity of both, the Group's financial investments, i.e. financial assets (e.g. accounts receivable, other financial assets) and financial liabilities (e.g. loans, accounts payable as well as other payable) and projected cash flows from operations. Due to the inherent nature of the Group being a biopharmaceutical company, the operations of the business are cash intensive. The Group maintains detailed budgets to accurately predict the timing of cash flows, to ensure that sufficient funding can be made available or appropriate measures to minimize expenditures are implemented to avoid any anticipated cash shortfalls. To achieve this objective, the Group would pursue various alternatives, including entering into collaboration or licensing agreements, seeking additional investors, obtaining further funding from existing investors through an additional funding round and/or delaying, reducing the scope of, eliminating or divesting clinical programs and considering other cost reduction initiatives, such as reducing the amount of space being rented by the Group, postponing hiring new personnel and/or reducing the size of the current workforce.

Maturity profile of financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2016 and 2015 based on contractual undiscounted payments.

in thousands of €

Year ended 31 December 2016	**Total**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Financial liabilities	2,607	0	0	2,607	0	0
Trade accounts payable	1,422	0	1,422	0	0	0

The maturity profile as of 31 December 2016 and 2015 reflect the effect of the agreements reached with certain lenders on the repayment schedule and additional interest payments of financial liabilities as described in Note 13.

in thousands of €

Year ended 31 December 2015	**Total**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Financial liabilities	10,966	0	538	3,335	7,093	0
Trade accounts payable	3,174	0	3,174	0	0	0

Capital management

The Group regards its total equity as capital. The primary objective of the Group's capital management is to obtain sufficient funds to support its research and development activities, cover the cash burn and maximize the shareholder's value while minimizing the financial risks. Historically, the Group financed its operations primarily through the issuance of equity securities to third parties. To assist management in undertaking strategic activities, capital increases and to service the share option plans and convertible bonds, the shareholders of the Company have authorized the future issuance of shares in specific circumstances with approval of the Supervisory Board. The Group has never declared or paid dividends on any of its common and preferred shares and does not expect to do so in the foreseeable future.

No changes were made in the objective, policies or processes for managing capital during the year ending 31 December 2016 and 2015.

Fair value hierarchy

The Group held financial liabilities for which fair values are disclosed in Note 13. These fair value measurements would be classified as level 2 in the fair value hierarchy. No changes to the measurement method for calculating the fair value have occurred since initial recognition.

22. Related Party Relationships

Shareholder with significant influence

As of 31 December 2016 and 2015, the Company had no shareholders with significant influence. The largest three shareholders, as of the date of the technical listing, hold 17.4%, 15.6% and 15.4%, respectively and each of them has a seat on the Supervisory Board. The shareholders have not entered into an agreement which significantly influences the operating and financing activities of the Group.

Supervisory Board

The chairman and members of the Supervisory Board (all since 23 September 2016):

Dr. Hubert Birner
Chairman of the Supervisory Board
Managing Partner of TVM Capital GmbH, Munich

Mr. Bertram Köhler
Member of the Management Board of the DEWB AG, Jena

Dr. J. Donald de Bethizy
Consultant, Fredericksberg, Denmark

Dr. Olivier Litzka
Partner of Edmond de Rothschild Investment Partners, Paris

Maurizio PetitBon
General Partner of Kreos Capital, London, Great Britain

Dr. Walter Wenninger
Consultant, Leverkusen

Management Board

The members of the Management Board (all since 23 September 2016):

Dr. Aram Mangasarian
Chief Executive Officer (until 23 September 2016 sole Managing Director)

Dr. Matthias Baumann
Chief Medical Officer

Other transactions

In 2016, NOXXON Pharma AG assigned and licensed intellectual property and tangible assets to Aptarion Biotech AG, a company related to Mr Klussmann, a former member of the management board of NOXXON Pharma AG against cash, royalties and an equity component at arms length.

Remuneration

Remuneration paid to NOXXON's management board members is set by the supervisory board. The current remuneration system provides for fixed basic annual remuneration, due in equal, monthly installments, as well as a variable annual bonus set by the supervisory board at the end of each fiscal year. The bonus constitutes a variable annual remuneration component which is related to Group wide and individual goals.

There are long-term incentives, such as share option plans and share participation models for the members of the management board. Some of the members of the supervisory board received shares of the Company under the share participation model.

The members of the supervisory board received remuneration as approved by the shareholders' meeting (including long-term incentives / share participation model) as well as reimbursements for travel expenses.

In the fiscal years 2016 and 2015, no loans or advances were granted to the members of the management and supervisory boards, nor were any such repaid. There are no postemployment benefits and no contingent liabilities in respect of members of the management board or the supervisory board.

The Group did not enter into any significant transactions with members of the supervisory and management boards except for the transactions described above.

In 2016, the short-term employee benefits for the management board comprise fixed and variable compensation (K€ 816, thereof accrued expenses K€ 114) and settlement payments (K€ 33, thereof accrued expenses of K€ 33). As of 31 December 2016, the number of outstanding options under Stock Option Plan 2002 for members of the management board was 1,750 options with an expiration date at the beginning of 2017 and an exercise price of € 326. No expenses were recognized during the reporting period. Under the share participation models, the share-based payment transactions

recognized as an expense during the reporting period amounted to K€ 0. Thus, the total compensation for the management board members was K€ 849 in 2016.

In 2015, the short-term employee benefits for the management board comprise fixed and variable compensation (K€ 1,044, thereof accrued expenses K€ 298) and settlement payments (K€ 100, thereof accrued expenses of K€ 58). As of 31 December 2015, the number of outstanding options under Stock Option Plan 2002 for members of the management board was 1,750 options with an expiration date at the end of 2016 and an exercise price of € 326. No expenses were recognized during the reporting period. Under the share participation models, the share-based payment transactions recognized as an expense during the reporting period amounted to K€ 0. Thus, the total compensation for the management board members was K€ 1,144 in 2015.

Under the share participation models the Company did not issue any preferred shares to the members of the management board in 2016 and 2015, respectively.

In 2016, the remuneration for the supervisory board (including D&O insurance fees) amounted to K€ 86 (thereof accrued expenses of K€ 79). Under the share participation models, the share-based payment transactions recognized as an expense during the reporting period amounted to K€ 0. Thus, the total compensation for the supervisory board members was K€ 86 in 2016.

In 2015, the remuneration for the supervisory board (including D&O insurance fees) amounted to K€ 103 (thereof accrued expenses of K€ 79). Under the share participation models, the share-based payment transactions recognized as an expense during the reporting period amounted to K€ 0. Thus, the total compensation for the supervisory board members was K€ 103 in 2015.

Under the share participation models the Company did not issue any preferred shares to the members of the supervisory board in 2016 and 2015, respectively.

23. Events after the balance sheet date

In April 2017, the Company and a potential investor signed a non-binding convertible debenture term-sheet pursuant to which that investor and existing shareholders of the Company intend to commit to, subject to certain conditions, make certain investments of a nominal amount of € 4.5 million into the Company until April 2018 and a further nominal amount of € 6.5 million subsequently against the Company satisfying certain prerequisites, as described in the following.

As initial step the new investor will invest an amount of € 250 thousand in early May 2017 by way of subscribing for ordinary shares for a price of € 15.50 per share, subject to the condition precedent that existing shareholders of the Company likewise subscribe for ordinary shares for a price of € 15.50 per share against a total issue price of at € 750 thousand, totalling an initial investment of € 1,000 thousand.

The second step of this financing is subject to the Company preparing and obtaining the requisite approval for publishing its Prospectus to cause its ordinary shares to be listed on the Public Offering Compartment of Alternext. Obtaining Prospectus approval from the relevant authority within the timeframe necessary to be in the position to implement and to consummate the second step of the financing transaction is not fully in control of the Company. However, based on the track record of approvals in the past by relevant

authorities and involving the necessary experts to prepare the current prospectus in line with the regulatory requirements, management expects to obtain such approval in time.

Pursuant to the second step, the new investor is to subscribe for notes of the Company convertible into ordinary shares at a nominal amount of up to € 10.0 million in multiple tranches, whereby the convertible notes of each tranche are issued with a certain number of warrants to subscribe for further ordinary shares of the Company. Following a first tranche of convertible notes of a nominal amount of € 1.0 million expected to be drawn in June 2017, each of the Company and the new investor can require the issuance of further five tranches in the nominal amount of € 500 thousand each in the period until April 2018. After April 2018, the new investor can require further tranches in the nominal amount of € 250 thousand each up to said total nominal value of € 10.0 million. Upon the issuance of each tranche, the Company will have to pay a commitment fee of 6 % of the nominal amount of the relevant tranche.

By implementing the first and second step of the financing transaction as contemplated, the Company expects to receive financial funds in a nominal amount of € 4.5 million until April 2018 and subsequent to April 2018 a nominal amount of € 6.5 million.

In addition, the Group obtained a commitment from the lender of its remaining venture loan to not request the redemption of and interest payments on its outstanding debt in the amount of € 2.6 million in cash until September 2018. Further, the lender has agreed, subject to certain conditions, that it will convert between € 1.8 million and the total amount of € 2.6 million debt into equity until September 2018. The modification of the loan agreement is considered to be substantial resulting in a derecognition of the carrying amount of the loan and recognition of the fair value of the debt or equity instrument issued with an expected impact on profit and loss with a loss in a low single digit million amount.

With respect to the investment grant awarded in 2008 by the Investitionsbank Berlin, the Investitionsbank Berlin decided not to claim for the repayment of the grant after the balance sheet date. The financial liability will be released in the first quarter 2017, the cash projection underlying the going concern assessment already reflects this reduced cash outflow.

Amsterdam, 28 April 2017

NOXXON Pharma N.V.

Independent auditor's report

To: the shareholders, supervisory board and management of NOXXON Pharma N.V.

Report on the audit of the non-statutory financial statements 2016 included in the non-statutory annual report

Our opinion
We have audited the non-statutory financial statements 2016 of NOXXON Pharma N.V., based in Amsterdam, The Netherlands.

In our opinion the accompanying non-statutory financial statements give a true and fair view of the financial position of NOXXON Pharma N.V as at 31 December 2016, and of its result and its cash flows for 2016 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS).

The non-statutory financial statements comprise:
- The non-statutory consolidated statement of financial position as at 31 December 2016
- The following statements for 2016: the non-statutory consolidated income statement, the non-statutory consolidated statements of comprehensive income, changes in equity and cash flows
- The notes comprising a summary of the significant accounting policies and other explanatory information

Material uncertainty related to going concern
We draw attention to the going concern paragraph in note 3.1 of the non-statutory financial statements which indicates that the company is dependent upon raising additional finance in order to continue operations for the next 12 months. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Basis for our opinion
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the non-statutory financial statements" section of our report.

We are independent of NOXXON Pharma N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€ 151.700
Benchmark applied	2% of expenses excluding initial public offering and staff severance costs
Explanation	NOXXON is a biotechnology company in a research and development phase, not generating any revenues and only incurring costs. We therefore believe that total expenses without non-recurring items as initial public offering costs and severance costs for staff are an appropriate benchmark.

We have also taken misstatements into account and/or possible misstatements that in our opinion are material for the users of the non-statutory financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 7.600 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
NOXXON Pharma N.V. is at the head of a group of entities. The financial information of this group is included in the non-statutory financial statements of NOXXON Pharma N.V.

Our group audit mainly focused on the significant group entity NOXXON Pharma AG with its statutory seat in Berlin, Germany, as all operations of the group take place within that entity. We have used the work of EY component auditors when auditing NOXXON Pharma AG.

By performing the procedures mentioned above at NOXXON Pharma AG together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the non-statutory financial statements.

Our key audit matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Except for the matter described in the 'Material uncertainty related to going concern' section of our report we have determined that there are no other key audit matters to communicate in our report.

Report on other information included in the non-statutory annual report

In addition to the non-statutory financial statements and our auditor's report thereon, the non-statutory annual report contains other information that consists of:

- The group management discussion and analysis

Based on the following procedures performed, we conclude that the other information is consistent with the non-statutory financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the non-statutory financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information.

Report on other legal and regulatory requirements

Engagement
We were engaged by the supervisory board as auditor of NOXXON Pharma N.V. on April 6, 2017, as of the audit for the year 2016 and have operated as statutory auditor ever since that date.

Description of responsibilities for the non-statutory financial statements

Responsibilities of management for the non-statutory financial statements
Management is responsible for the preparation and fair presentation of the non-statutory financial statements in accordance with EU-IFRS. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the non-statutory financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the non-statutory financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the non-statutory financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the non-statutory financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the non-statutory financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these non-statutory financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the non-statutory financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the non-statutory financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern
- Evaluating the overall presentation, structure and content of the non-statutory financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the non-statutory financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Eindhoven, April 30, 2017

Ernst & Young Accountants LLP

signed by P.A.E. Dirks