NOXXON Pharma N.V.
Amsterdam, The Netherlands

Annual Report 2017

Contents

Forward-looking statements

This 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.

Management Report

Management of NOXXON Pharma N.V. (the "Company") and its controlled subsidiaries (the "Group") hereby presents its consolidated and company financial statements for the financial year ended on 31 December 2017.

General information

Overview

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 and a branch office in Berlin, Germany. The statutory consolidated financial statements of NOXXON Pharma N.V. as of and for the year ended 31 December 2017 comprise the Company and its wholly owned and / or controlled subsidiaries, NOXXON Pharma AG, Berlin, Germany and NOXXON Pharma Inc., Boston, United States. Effective 1 October 2017, NOXXON Pharma N.V. is a management holding providing corporate, legal and administrative services, financial and business advice and asset management.

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. As of the date of this report, the Group had 10 employees.

Financial information

Key Factors Affecting Consolidated Results of Operations and Financial Condition of the Group

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

Revenues

For the reporting period, the Group has not generated any revenues, except in 2016 in the amount of € 83 thousand for immaterial amounts of revenues from the sale of oligonucleotides (chemical compounds) used for research purposes to its scientific collaborators.

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 2016 through 31 December 2017, the Group has realized €388 thousand of other operating income from such government grants related to research and development projects and €4 thousand 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 no unfulfilled conditions and other contingencies related to such government grants for research and development.
As a result of the restructuring in July 2015 and the related reduction in headcount, 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 had provided for the resulting potential repayment obligation in relation to this grant. In March 2017, the Investitionsbank Berlin decided not to claim for the repayment of the grant. The financial liability was released as other operating income to profit or loss in the first

quarter 2017. At the balance sheet date, there have been no unfulfilled conditions and contingencies related to government grants as of 31 December 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 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 fair value adjustments for warrants issued to Yorkville (equity line financing), Kreos and other investors 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 Kreos in accordance with IFRIC 19, the lender of the Group, the issuance and conversion of notes relating to the equity-line financing agreement with Yorkville, the issuance of warrants 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	
	2017	**2016**
	(in € thousands, unless otherwise indicated) (audited)	
Revenues	0	83
Other operating income	261	437
Research and development expenses	(2,410)	(5,327)
General and administrative expenses	(2,580)	(3,780)
Foreign exchange losses	(1)	(12)
Loss from operations	**(4,730)**	**(8,599)**
Finance income	1,019	1
Finance cost	(1,678)	(2,127)
Loss before income tax	**(5,389)**	**(10,725)**
Income tax	**(1)**	(27)
Net loss	**(5,390)**	**(10,752)**
Net loss – attributable to:		
Owners of the Company	**(5,385)**	**(10,747)**
Non-controlling interest	**(5)**	**(5)**
Loss per share (in €) (basic and diluted)	**(2.54)**	**(6.71)**

Comparison of the Fiscal Years Ended 31 December 2017 and 2016

Revenues

Revenues decreased from €83 thousand in the Fiscal Year 2016 to nil in the Fiscal Year 2017. This decrease resulted from reduction in sales of oligonucleotides to the Group's scientific collaborators.

Other operating income

Other operating income decreased 40% from €437 thousand in the Fiscal Year 2016 to €261 thousand in the Fiscal Year 2017. This decrease was mainly due to income from government grants related to research and development projects of €3 thousand compared to €385 thousand in the Fiscal Year 2016 and income from the sale of financial assets and property, plant and equipment of €12 thousand compared to €20 thousand in Fiscal Year 2016. This decrease was partly offset by the release in the Fiscal Year 2017 of the financial liability resulting from the IBB grants.

Research and development expenses

Research and development expenses decreased 55% from €5,327 thousand in the Fiscal Year 2016 to €2,410 thousand in the Fiscal Year 2017. The decrease in research and development expenses in 2017 compared to 2016 is mainly due to lower costs for raw materials, consumables, supplies and a production campaign substantially completed in 2016, and lower personnel expenses, patent costs and consulting services as a result of an internal restructuring and focus of the Group on its core research and development activities. As a result, personnel expenses decreased by €1,029 thousand, costs for raw materials, consumables, supplies decreased by € 988 thousand and patent costs and consulting services decreased by €271 thousand.

General and administrative expenses

General and administrative expenses decreased 32% from €3,780 thousand in the Fiscal Year 2016 to €2,580 thousand in the Fiscal Year 2017. This decrease in general and administrative expenses is mainly driven by lower legal, consulting and audit expenses (€972 thousand) compared to the Fiscal Year 2016 (€2,246 thousand) related to the preparation of financing transactions in Fiscal Year 2016. Further, in Fiscal Year 2016 restructuring costs and settlement benefits amounted to €55 thousand and impairment loss on tangible assets and assets held for sale amounted to €177 thousand, compared to € nil in Fiscal Year 2017.

Foreign exchange losses

Foreign exchange losses decreased from €12 thousand in the Fiscal Year 2016 to €1 thousand in the Fiscal Year 2017 due to a lower volume of purchases denominated in currencies other than euro in the Fiscal Year 2017.

Finance income

Finance income increased from €1 thousand in the Fiscal Year 2016 to €1,019 thousand in the Fiscal Year 2017 due to derecognition of a derivative financial liability in connection with Kreos (€419 thousand), a recognition of a derivative financial asset (€40 thousand) and fair value adjustments for warrants issued to Yorkville, Kreos and other investors (€560 thousand).

Finance cost

Finance cost decreased by 21% from €2,127 thousand in the Fiscal Year 2016 to €1,678 thousand in the Fiscal Year 2017. This decrease 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 Kreos entered into in 2014 and 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 in the Fiscal Year 2016.

The substantial modification in the Fiscal Year 2017 had a lower impact on finance costs as compared to the Fiscal Year 2016, mainly due to the lower carrying amounts of loan facilities impacted.

For the Fiscal Year 2017, the Group incurred finance cost of €666 thousand (prior year €2,127 thousand), mainly the effects from the aforementioned transactions and interest for financial liabilities relating to Kreos.

Relating to the equity line financing the Group incurred finance costs for the Fiscal Year 2017 of €973 thousand for the notes issued, transaction costs and the conversions and finance income of €359 thousand for fair value adjustments of warrants issued to Yorkville (Fiscal Year 2016 nil).

The remaining finance costs of K€ 39 are mainly related to fair value adjustments of warrants issued to other investors.

Loss before income tax

As a result of the above factors, the Group's loss before income tax decreased by 49.8% from €10,725 thousand in the Fiscal Year 2016 to €5,389 thousand in the Fiscal Year 2017.

Income Tax

Income tax expenses changed from €27 thousand in the Fiscal Year 2016 to €1thousand in the Fiscal Year 2017. The 2016 expense 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	
	2017	**2016**
	(in € thousands) (audited)	
ASSETS		
Intangible assets	5	14
Equipment	47	67
Deferred tax assets	1	1
Financial assets	5	0
Total non-current assets	**58**	**82**
Other assets	181	413
Financial assets	68	159
Cash and cash equivalents	622	2,214
Assets held for sale	0	1
Total current assets	**871**	**2,787**
Total assets	**929**	**2,869**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	**2,293**	2,051
Additional paid-in capital	128,523	124,666
Accumulated deficit	(134,520)	(129,135)
Treasury shares	(208)	(62)
Equity attributable to owners of the Company	**(3,912)**	**(2,480)**
Non-controlling interest	(7)	(2)
Total equity	**(3,919)**	**(2,482)**
Liabilities		
Financial liabilities	932	0
Total non-current liabilities	**932**	**0**
Financial liabilities	1,673	2,941
Trade accounts payable	1,273	1,422
Other liabilities	970	988
Total current liabilities	**3,916**	**5,351**
Total equity and liabilities	**929**	**2,869**

Assets

The Group's total non-current assets include intangible assets, equipment, deferred tax assets and financial assets. Total non-current assets decreased from €82 thousand as of 31 December 2016 to €58 thousand as of 31 December 2017.

The Group's total current assets consist of its cash and cash equivalents, other assets, financial assets and assets held for sale. Cash and cash equivalents include cash balances. As of 31 December 2017, the Group's cash and cash equivalents amounted to €622 thousand. Financial assets consist of a derivative financial asset in connection with the Groups venture loans and rental deposits related to the Group's operating lease agreements. Other assets correspond to prepaid expenses consisting for insurance and service contracts, the Groups liquidity account, claims against local tax authorities for value added tax (VAT) on supplies and services received. The movements in total current assets from 31 December 2016 to 31 December 2017 primarily relate to a decrease in cash and cash equivalents by €1,592 thousand as a result of continued research and development activities exceeding net cash provided by financing activities and a decrease of other assets by €232 thousand mainly in relation to lower VAT and other receivables, decreased prepaid expenses as well as reduced financial assets as a result of the repayment of the rental deposit of €131 thousand by the landlord without any retentions, partly offset by a derivative financial asset in connection with the Group's venture loan.

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 2016 to 31 December 2017 was due to the effects of the capital increase of € 1.0 million, executed in May 2017, the partial conversion of the outstanding remaining loan facility in May and July, the partial conversion of convertible notes issued in the second half of 2017 and the net loss incurred for the Fiscal Year 2017.

In the equity financing event executed in May 2017, the Company issued an aggregate of 64,512 ordinary shares at a price of €15.50 against contribution in cash and an aggregate of 113,940 ordinary shares at a price of €15.50 per share against the contribution of a partial amount of the outstanding venture loan facility. In addition, the investor converted a total of 50 convertible notes equaling a conversion amount of € 500,000 in an aggregate of 63,681 ordinary shares.

As a result, additional subscribed capital of €242 thousand and additional paid-in capital of €3,553 thousand were recognized less issuance costs of €92 thousand.

The total equity as of 31 December 2017 amounted to a negative equity of €3,919 thousand and consisted of subscribed capital of €2,293 thousand, additional paid-in capital of €128,523 thousand, an accumulated deficit of €134,520 thousand, treasury shares amounting to €208 thousand and non-controlling interest of €(7) thousand. The Group's own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity.

The total equity as of 31 December 2017 amounted to a negative equity of €3,919 thousand compared to €2,482 thousand as of 31 December 2016.

Liabilities

Non-current financial liabilities increased from nil as of 31 December 2016 to €932 thousand as of 31 December 2017 relating to the remaining venture loan due to Kreos

and warrants issued to Kreos, Yorkville and other investors. Current financial liabilities decreased from €2,941 thousand as of 31 December 2016 to €1,673 thousand as of 31 December 2017 as a result of substantial modifications to the terms and a debt-for-equity conversion on two venture loans due to Kreos, partly offset by the issuance of convertible notes in a nominal amount of €1 million and conversions of notes into equity in a nominal amount of €0.5 million in the Fiscal Year 2017, as described in the section Finance cost. The current liabilities relate to the outstanding convertible notes due to Yorkville, payable on demand, and a derivative conversion right.

Trade accounts payable decreased from €1,422 thousand as of 31 December 2016 to €1,273 thousand as of 31 December 2017 are in the course of the normal research and development activities. The decrease of other liabilities from €988 thousand as of 31 December 2016 to €970 thousand as of 31 December 2017 results primarily from lower accrued restructuring expenses.

Events After the Consolidated Statement of Financial Position Date as of 31 December 2017

For Events After the Consolidated Statement of Financial Position Date as of 31 December 2017 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. To finance its research and development activities the Group raised funds from several sources including its shareholders through the issuance of equity, borrowings, convertible notes and government grants.

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	
	2017	**2016**
	(in € thousands) (audited)	
Net cash used in operating activities	(4,237)	(8,991)
Net cash provided by investing activities	124	4
Net cash provided by financing activities	2,521	7,108
Net change in cash and cash equivalents	**(1,592)**	(1,879)
Cash at the beginning of the fiscal year	**2,214**	**4,093**
Cash at the end of the fiscal year	**622**	**2,214**

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 €8,991 thousand in the Fiscal Year 2016 to €4,237 thousand in the Fiscal Year 2017 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 provided by investing activities

Net cash provided by 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 increase in net cash provided by investing activities from €4 thousand in the Fiscal Year 2016 to €124 thousand in the Fiscal Year 2017 is due to the release and repayment of the rental deposit of €131 thousand without any retentions by the landlord. This increase in net cash provided by investing activities was partly offset by purchases of equipment and investments in non-current financial assets of €7 thousand.

Net cash provided by financing activities

Net cash provided by financing activities reflects proceeds from the issuance of shares and convertible notes, 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 €7,108 thousand in the Fiscal Year 2016 to €2,521 thousand in the Fiscal Year 2017 was mainly due to lower proceeds from the issuance of ordinary shares of the Company in the amount of €1,000 thousand compared to €7,538 thousand in the Fiscal Year 2016. This decrease was partly offset by an increase in proceeds from the issuance of convertible notes from nil in the Fiscal Year 2016 to €1,860 thousand in the Fiscal Year 2017.

Capital expenditures

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

	For the fiscal year ended December 31,	
	2017	2016
	(in € thousands) (audited, unless otherwise indicated)	
Purchase of equipment	(2)	(21)
Cash received from sale of equipment	0	25
Cash paid for investments in non-current financial assets	(5)	0
Cash received from investments in current financial assets	131	0
Net capital expenditures (unaudited)	**124**	**4**

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

Commitments and Contingencies

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

Key Factors Affecting Results of Operations and Financial Condition of the Company

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

Comparison of the Fiscal Years Ended 31 December 2017 and 2016

Revenues

For the reporting period, the Company has generated revenues from its management holding services since 1 October 2017. For the period through 31 December 2017, the Group has generated €298 thousand of intra-group revenues related to service agreement in respect of certain management consultancy services.

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, professional fees for legal services, 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.

General and administrative expenses increased from €234 thousand in the Fiscal Year 2016 to €1,131 thousand in the Fiscal Year 2017. This increase in general and administrative expenses is mainly resulting from the Company's function as a management holding effective 1 October 2017.

Finance income and finance cost

In the Fiscal Year 2017 finance income amounted to €979 thousand (prior year nil) due to derecognition of a derivative financial liability in connection with Kreos and fair value adjustments for warrants issued to Yorkville, Kreos and other investors.

Finance cost decreased by 25% from €2,127 thousand in the Fiscal Year 2016 to €1,594 thousand in the Fiscal Year 2017. This decrease 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 Kreos entered into in 2014 and 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 in fiscal year 2016.

Relating to the equity line financing the Company incurred finance costs for the Fiscal Year 2017 of €973 thousand for the notes issued, transaction costs and the conversions

and finance income of €359 thousand for fair value adjustments of warrants issued to Yorkville (Fiscal Year 2016 nil).

The remaining finance costs of K€ 39 are mainly related to fair value adjustments of warrants issued to other investors.

Loss before income tax

As a result of the above factors, the Company's loss before income tax decreased by 50% from €10,641 thousand in the Fiscal Year 2016 to €5,496 thousand in the Fiscal Year 2017. This reduction is mainly due to the reduced impairment resulting from participating interests.

Assets

The Company's total fixed assets include financial fixed assets and office equipment. Total fixed assets increased from nil as of 31 December 2016 to €10 thousand as of 31 December 2017.

The Group's total current assets consist of its cash at bank and in hand, receivables due from group companies and other receivables. Cash at bank and in hand include cash balances. As of 31 December 2017, the Company's cash at bank and in hand amounted to €422 thousand (prior year: €395 thousand). Other assets correspond to prepaid expenses consisting for insurance and service contracts, the Company's liquidity account, claims against local tax authorities for value added tax (VAT) on supplies and services received.

The movements in total current assets from 31 December 2016 to 31 December 2017 amounting to €360 thousand primarily relate to an increase in receivables from group companies by €298 thousand, in cash and cash equivalents by €27 thousand and other assets by €35 thousand mainly in relation to higher VAT and other receivables, partly offset by a decrease of the Company's liquidity account by €71 thousand.

Equity

The Company's total equity includes its subscribed capital, additional paid-in capital, accumulated deficit and treasury shares. The change in equity from 31 December 2016 to 31 December 2017 was mainly due to the effects of the capital increase of € 1.0 million, the partial conversion of the outstanding remaining loan facility of €1,766 thousand executed in May and July 2017 and the net loss incurred in the Fiscal Year 2017.

The Company issued an aggregate of 64,512 ordinary shares at a price of €15.50 against contribution in cash and an aggregate of 113,940 ordinary shares at a price of €15.50 per share against the contribution of a partial amount of the outstanding venture loan facility. In addition, the equity line provider converted a total of 50 convertible notes equaling a conversion amount of €500 thousand.

As a result, additional subscribed capital of €2,293 thousand and additional paid-in capital of €12,233 thousand were recognized. The total equity as of 31 December 2017 amounted to a negative equity of €1,656 thousand compared to €99 thousand as of 31 December 2016.

Liabilities

The Company's total liabilities comprise non-current liabilities in the amount of €143 thousand representing the fair value of warrants issued to Yorkville, Kreos and other investors. Current liabilities include financial liabilities of € 1,673 thousand reflecting the fair value of notes outstanding from the equity line financing, trade payables of € 372 thousand, liabilities due to group companies of €197 thousand and other liabilities of € 122 thousand.

Events After the Company Statements of Financial Position Date as of 31 December 2017

For Events After the Company Statements of Financial Position Date as of 31 December 2017 we refer to Note 16 of the Company financial statements of NOXXON Pharma N.V.

Commitments and Contingencies

For Commitments and Contingencies we refer to Note 20 of the 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. This risk management section provides an overview of some of the main risks and uncertainties the Group currently faces. The risk appetite of the Group is aligned with its strategy and priorities. Some of the risks and uncertainties the Group faces are outside its control, others may be influenced or mitigated. The Group has, with regards to certain of these risks, implemented or started implementing risk management procedures and protocols.

The Group's management analyses in a continuous process the potential risks, evaluating impact and likelihood, and determining appropriate measures to mitigate and minimize these risks. The risk appetite is different for various risk categories.

The risks and unpredictability of research and development are an intrinsic aspect of the biopharmaceutical business. These risks cannot be avoided without compromising the innovative strength and the development opportunities of the Group and its programs. Therefore, the Group – as a clinical-stage biopharmaceutical company - has to accept these strategic and operational risks related to the pharmaceutical business and its novel substance class Spiegelmers® in order to secure the entrepreneurial chances of the Group. As these risks and uncertainties are outside of the control of the Group, the options to mitigate or to implement risk avoiding mechanisms are limited. 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 Group's objectives. In 2017, the Group risks with significant impact on the Group relate to raising additional capital to fund the Group's clinical development. The equity line financing caused dilution to the Group's shareholders.

Risk Area	Description of Risk	Mitigation and Control
Strategic risks	Biopharmaceutical product development is a lengthy, high-risk undertaking and involves a substantial degree of uncertainty relating to the success of a therapeutic approach and also the rapidly changing competitive environment. The regulatory approval processes of the FDA, EMA and comparable foreign authorities are time consuming, expensive and unpredictable, and the Group ultimately may be unable to obtain regulatory approval for its product candidates. The limited pipeline of two early-stage product candidates may lead to increased risks for the Group in the event of project failures.	The Group plans to develop and commercialize those product candidates that the Group believes have a clear clinical and regulatory approval pathway and that the Group believes it can commercialize successfully, if approved. The Group also remains in contact with a wide range of relevant experts to optimize its chance of success and remain up to date with potentially competitive approaches. The Group seeks to develop a broad pipeline of indications and combination partners for its product candidates to allow the Group to potentially avoid being too dependent on the success of one indication. The Group was granted with orphan drug designations can benefit from an improved interaction with regulators in the US and EU potentially reducing regulatory approval risk.
Operational risks	The Group's product candidates may suffer from insufficient safety and/or efficacy profiles to enable their further development, registration and commercialization. The Group relies and expects to continue to rely on third parties, in relation to the manufacturing, storage and shipment of drug product and Clinical Research Organisations to conduct its clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, the Group's research and development efforts and business, financial condition and results of operations could be materially adversely affected. The Group's future growth and ability to compete depends on retaining its key personnel and recruiting additional qualified personnel. The loss of key managers and senior scientists could delay the Group's research and development activities. The Group relies on patents and other intellectual property rights to protect its product candidates the enforcement, defense and maintenance of which may be challenging and costly. Certain of the Group's patents are limited to certain jurisdictions.	The Group has adopted a business model to spread risks of its product candidates by developing a broad pipeline of indications and combinations. The Group endeavors to build and maintain relationships with service providers, medical experts in fields related to the Group's product candidates in order to increase awareness around the existence of the Group's product candidates and its clinical trials. Third party contractor selection and management is subject to the Group's quality management system. The Group offers competitive remuneration packages and share based incentives in the form of its employee stock option plan. The Group files and prosecutes patent applications to protect its product candidates and technologies. In order to protect trade secrets, the Group maintains strict confidentiality

	Failure to enforce or protect these rights adequately could harm the Group's ability to compete and impair its business.	standards and agreements for collaborating parties. The Group regularly monitors third party intellectual property rights within its relevant fields and jurisdictions to avoid violating any third-party rights and secures licenses to such third party rights on a need-to basis.
Financial risks	The Group expects to incur losses for the foreseeable future and will need substantial additional funding in order to complete the development and commercialization of its product candidates, which may not be available on acceptable terms when needed, if at all. Raising additional capital may restrict the Group's operations or require it to relinquish rights to its technologies or product candidates. Raising additional capital may cause dilution to the Group's shareholders. Financial risks also relate to tax, accounting and reporting.	Due to the unpredictability of the Group's business, the Group's aim is to secure a solid mid-term cash position. Its aim is to actively develop a shareholder base of mainly long-term expert investors and to diversify its non-dilutive income base via industrial collaborations and government grants. To mitigate the financial risks the Group also maintains disciplined cash management. The Group aims for full compliance with financial reporting rules and regulations.
Compliance risks	Compliance risks relate to unintentional or unanticipated failures to comply with applicable laws and regulations.	The Group's aim is to be fully compliant with these laws and regulations with the assistance of experienced external support.

The risk appetite of the Group is different for the various risk categories we are exposed to. The risk appetite for each of the risk categories is summarized as follows:

Strategic risk: Strategic risks and opportunities may affect the Group's strategic ambitions. Strategic risks include economic and political developments and the effects of actions taken to anticipate and respond to market circumstances. The Group is prepared to take some strategic risks, balancing the need to capture return from opportunities and manage risks. This may include investing in certain markets, in R&D in certain areas and managing the portfolio of products, in acquisitions and divestments in a highly uncertain global political and economic environment.

Operational risk: Operational risks include adverse unexpected developments resulting from internal processes, people and systems, or from external events that are linked to the actual running of each business. The company aims to minimize downside risks to maintain the high quality of its products, systems and services, reliable IT systems and sustainability commitments.

Compliance risk: The company has a zero-tolerance policy towards non-compliance in relation to breaches of regulations and its code of conduct.

Financial risk: We recognize financial risks outside our control related to treasury, accounting and reporting, pensions and tax. To minimize their impact, we follow a conservative risk management approach in these areas. Furthermore, the company

strives to ensure transparent and truthful accounting and reporting to enable financial statement users to make informed decisions which take the effect of these risks into consideration.

Listed below are the detailed description of the risks perceived by management to be the most significant. The risks faced by the Group during 2017 are not limited to this list. Risks have not been ranked in order of importance. There may be other risks which we currently do not consider to be significant but which at a later stage may manifest themselves as such. Where possible, we have indicated the specific measures in place to help mitigate these risks.

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 choose or 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 Kreos as well the financing agreement with Yorkville 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 relies, and expects to continue 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 relies, and expects to continue 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.

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, reducing the exposure to risk. 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 Management Board regularly goes to great lengths to develop a well-organised 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 Management Board 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 the "principles of proper company management" and insurances.

The risk list enables the Management Board and the Supervisory Board to gain an overview of the risk situation of the company and to identify a possible need for action at an early stage. Due to the Group's business, the assessment of the risks is presented qualitatively and provides judgement on the probability of the occurrence and the possible level of potential loss. Quantitative sensitivity analyses are not performed.

Since the identification and assessment of risks is an ongoing process and needs continuous improvement to support the growth of the Company's activities, risk management will continue to have the full attention of the Management Board and will be subject to further and regular discussions with the Supervisory Board. The structure and functioning of our risk management and internal control systems are assessed annually by the Supervisory Board. In its meeting in December 2017 it was confirmed that the risk management system is appropriate for the risk profile, the type and the size of the company. It should however be noted that such systems can never provide absolute assurance regarding achievement of company objectives, nor can they provide an absolute assurance that material errors, losses, fraud, and the violation of laws or regulations will not occur.

Internal risk management and control system

Risk management system

NOXXON has introduced a monitoring system in order to identify, to analyze, to categorize, to document and to monitor risks to the company. The monitoring system is also intended to ensure that possible measures which serve to minimize risks are initiated and that their implementation and effectiveness are checked. For this purpose, the Management Board of NOXXON has identified, analyzed 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 list enables the Management Board, the Supervisory Board to gain an overview of the risk situation of the company and to identify a possible need for action at an early stage.

In addition, the Group has set up an internal control system consisting of various rules and regulations such as signatory rules, standard operating procedures (SOP), the dual-control principle, spot checks, self-checks, employee training and emergency planning. These regulations are mandatory for the entire organization. The quality management system of the Group is also an important element of the risk management. The quality management provides specification documents which include position descriptions and functional descriptions as well as verification documents.

The Group's projects are analyzed in detail in regular project meetings to provide for close coordination of the project team as well as with the management.

Risk management and internal control system in the financial reporting process

The internal control and risk management system is set up to ensure that the financial reporting and its processes are consistent and in compliance with legal regulations and generally accepted accounting principles for International Financial Reporting Standards (IFRS). This includes adhering to the dual control principle, authorization procedures,

spot checks, various measures of plausibility checks for the numbers as well comparison analyzes of actual with budgeted numbers.

The Group's controlling system serves as the basis for the risk management. The controlling is based on strategic planning, budgeting, reporting and deviation analyzes. The available instruments provide the management with the information which are necessary to adequately assess the actual situation, to identify and evaluate opportunities and risks, and following this to make business decisions.

The description of the risk factors and the risk management approach of the Group is described in more detail in section "Risk Management".

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 consolidated financial statements of NOXXON Pharma N.V.

Further, the following financial and non-financial performance indicators are relevant. 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.

Research and development information

The Group's goal is to become a leading biopharmaceutical group focused on cancer therapy and create long-term value for its shareholders 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.

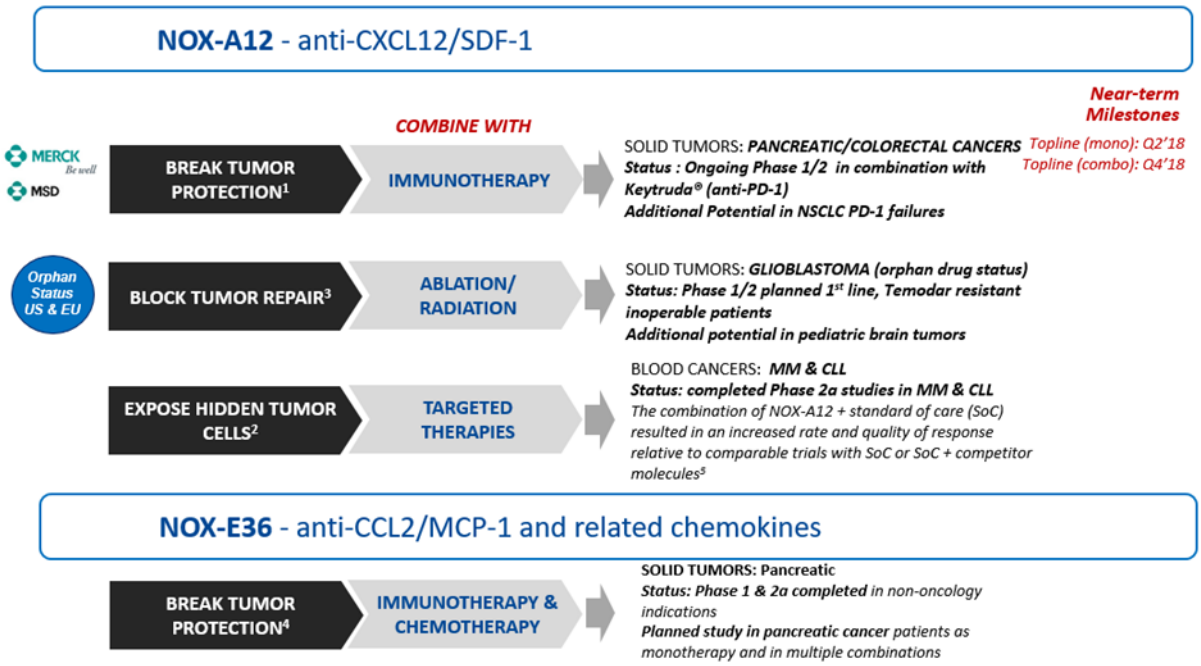
- Continue to leverage the Group's other potential product candidate at the cutting edge of cancer treatment.

- Partner its product candidates.

Develop its lead product candidate and find suitable routes to commercialization. The Group's strategy to create long-term value for its shareholders is based on our commitment to our dynamic business model of investing in clinical programs, which we believe are driven by a solid biological rationale, as well as collaborating with academic and pharmaceutical partners.

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:



1. Feig, C. et al. PNAS 110.50 (2013): 20212-20217; Fearon, D. Cancer Immunol Research 2.187 (2014): 187-193; Poznansky, M., Nature America 6:543 (2000): 543-548
2. Rocarro et al. Cell reports 9 (2014): 118-128; Marasca, R. & Maffei, R., Blood 123 (2014): 952-953
3. Liu, S.C. et al. Neuro-Oncology 16.1 (2014): 21-28; Castro, B. & Aghi, M. Neuro-Oncology 16.1 (2014): 4-6
4. Nywening, T.M. et al. Lancet Oncol. 17.5 (2016): 651-62
5. Steurer, M. et al. ASH (2014): 642 CLL & Ludwig, H. et al. Leukemia 31 (2017): 997-1000

Outlook

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*). For example, while CXCL12 and other chemokines generally attract cells, it is now understood that under certain conditions of very high local concentrations that can be found in some solid tumors, CXCL12 can act as a repulsive factor for cytotoxic or killer T cells, which are key cells types of the immune system (*Source: Feig, 13; Joyce & Fearon, 2015; 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 is to conduct 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 enrolled the first patients 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 to deliver top-line data evaluating NOX-A12 monotherapy from its Phase 1/2 proof-of-mechanism trial in colorectal and pancreatic cancer in the 2nd quarter of 2018, and initial top-line data on the percent of patients whose tumors are responding to the combination therapy in the 4th quarter of 2018.

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 who are shown by biomarker analysis of their biopsy to be resistant to the current standard of care chemotherapy. 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.

An additional trial that the Group is considering to execute if sufficient financing is available is a Phase 1/2 trial in non-small cell lung cancer (NSCLC) patients who have progressed on anti-PD-1/PD-L1 immune checkpoint inhibitor monotherapy. Preliminary work in untreated patients suggests that there are zones of T-cell exclusion in many NSCLC patients which correspond to regions of high CXCL12 expression. Patients could be screened for such zones of exclusion upon failure of anti-PD-1/PD-L1 immune checkpoint inhibitor monotherapy to enrich for potential responders to a NOX-A12 + anti-PD-1/PD-L1 combination. If the results from this study are positive, the Group plans to seek advice from competent authorities to identify the most efficient manner to complete development in this indication.

NOX-E36 (emapticap pegol) a TME opportunity in oncology targeting the innate immune system

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. NOX-E36 also inhibits related chemokines relevant to TME: CCL8, CCL11 and CCL13 (*Source: Oberthür et al. 2015*). Indeed, a signature called IPRES for Innate PD-1 Resistance Signature has been identified which has been linked to resistance to checkpoint inhibitors (*Source: Bu et al. 2016*). The IPRES 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.

Animal data suggests that NOX-E36 has the potential for monotherapy activity in pancreatic cancer due to its ability to clear immunosuppressive tumor associated macrophages (TAMs) from tumors resulting in increased killer T-cells and reduced tumor volume in an animal model *(Lazarus et al., 2017)*.

The Group has significant clinical experience already with NOX-E36 as it was initially developed in diabetic nephropathy. NOX-E36 has completed Phase 1 trials and a Phase 2a trial in diabetic nephropathy which the Group believes significantly de-risks the clinical development in oncology (*Menne, J., et al., 2017*). These studies demonstrated the doses at which NOX-E36 could act on CCR2+ monocytes, the cells believed to become TAMs and established a safety and tolerability profile that supported further development.

Another trial that the Group is considering executing if sufficient financing is available is a Phase 1/2 trial of NOX-E36 in pancreatic cancer patients testing NOX_E36 monotherapy and multiple combinations for both safety and efficacy. If the results from this study are positive, the Group plans to seek advice from competent authorities to identify the most efficient manner to complete development in this indication.

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 in order to finance its operations. 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.

We continue to implement our business plan through advancing our clinical pipeline, secure required funding for later stage clinical development, aiming collaborations with pharmaceutical companies and the strengthening of our shareholder base. As the Group matures and undertakes the activities required to advance product candidates into later stage clinical development, to commercialize product candidates, it expects to further adapt its full-time employee base.

Remuneration of managing and supervisory directors

We refer to Note 22 in the consolidated financial statements 2017 of NOXXON Pharma N.V. and the section "Remuneration" in the Supervisory Board Report in this Annual Report.

Information concerning application of code of conduct and additional corporate governance policies

The Company has incorporated a code of conduct, an insider trading policy, a whistle-blower policy and a policy on bilateral contacts with shareholders each of those policies guided by the Group's culture and its cores values of transparency, integrity, collegiality. Each of these documents apply mandatorily to all personnel, Directors and consultants and can be found on the Company's website.

Corporate Governance Report

I. General

NOXXON Pharma N.V. (the Company) is a Dutch public limited liability company (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. Upon the formation of NOXXON Pharma N.V., NOXXON Pharma AG became the sole shareholder of NOXXON Pharma N.V. On 23 September 2016, substantially all of the shares in NOXXON Pharma AG were exchanged for newly issued ordinary shares (i.e. most of the then existing shareholders of NOXXON Pharma AG exchanged their shares in NOXXON Pharma AG for shares in NOXXON Pharma N.V.), with NOXXON Pharma AG becoming an almost wholly-owned subsidiary of the NOXXON Pharma N.V. The Company's business address is in Berlin, Germany. Effective 30 September 2016, NOXXON Pharma N.V. listed all of its ordinary shares under the symbol "ALNOX" with ISIN NL0012044762 on the Alternext (now Euronext Growth) stock exchange in Paris.

The Company applies a two-tier board structure comprising of the Management Board (bestuur) and the Supervisory Board (raad van commissarissen). Under Dutch law, the Management Board is collectively responsible for the Company's general affairs and is in charge of the day-to-day management, formulating strategies and policies, and setting and achieving the Company's objectives. The Supervisory Board supervises the Management Board and the general affairs in the Company and the business connected with it and provides the Management Board with advice.

Each member of the Management Board and the Supervisory Board has a duty to properly perform the duties assigned to him or her and to act in the corporate interest of the Company and its business. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, customers, patient populations and suppliers.

II. Management Board

Powers, Responsibilities and Functioning of the Management Board

The Management Board is the executive body of the Company, collectively responsible for the day-to-day management, the Company's general affairs and the Company's representation.

The Management Board shall supply the Supervisory Board in due time with all information required for the performance of the duties the Supervisory Board. The Management Board is required to notify the Supervisory Board in writing of the main features of the Company's strategic policy, general and financial risks and management and control systems, at least once per year. The Management Board must submit certain important decisions to the Supervisory Board and/or the General Meeting for approval.

Composition of the Management Board

In 2017, the Management Board was comprised of the following Management Board Directors, with a term that will end at the General Meeting to be held in 2018, the year which is two years after the Listing.

Name	Age	Nationality	Position	Member Since	Term
Aram Mangasarian, Ph.D.....	48	US	Chief Executive Officer	1 July 2015	until AGM 2018
Dr. Matthias Baumann	59	German	Chief Medical Officer	2016	Initially until AGM 2018, resigned per 30 April 2017

Dr. Baumann resigned before the end of the term to pursue opportunities elsewhere. In February 2017, Dr. Jarl Ulf Jungnelius has taken on the duties of Chief Medical Officer on a consulting basis. In consultation with the Nomination and Corporate Governance Committee the Supervisory Board decided that functioning of the CEO as sole member of the management board with the support of Dr. Jungnelius on a consulting basis is adequate and appropriate considering the scale of the Group's business and that there would be no need to appoint an additional management board member.

The following is a brief summary of the business experience of the current member of the Management Board and the Chief Medical Officer.

Aram Mangasarian

Aram Mangasarian, Ph.D. is the Chief Executive Officer and joined NOXXON in May 2010 as Chief Business Officer of NOXXON. Aram brings over fifteen years' experience in biotechnology and pharmaceutical business development to NOXXON. Prior to joining NOXXON, Aram served as Vice-President Business Development for Novexel from October 2005 to March 2010. In this capacity he concluded the licensing agreement for North American rights to the NXL104 beta-lactamase inhibitor, now known as avibactam, with Forest Laboratories (NYSE:FRX) in January 2008. Aram Mangasarian, Ph.D. was a member of the team that negotiated the acquisition of Novexel by AstraZeneca (NYSE:AZN) in March 2010. From May 2000 to October 2005, Aram served in a variety of roles at ExonHit Therapeutics (now Diaxonhit, Euronext: ALEHT), eventually heading the business development function as Vice-President. He concluded a number of important agreements for ExonHit, in particular the strategic alliance with Allergan.

Jarl Ulf Jungnelius

Dr. Jarl Ulf Jungnelius has taken on the duties of Chief Medical Officer on a consulting basis (not a member of the management board).

Dr. Jungnelius worked at Celgene from 2007 to 2014 where he served as Vice President of Clinical Research and Development, Solid Tumors. Prior to that post Dr. Jungnelius held leadership positions at Takeda, Pfizer and Eli Lilly & Company and VAXIMM, where he was responsible for clinical development of oncology programs as well as involved in business development. Dr. Jungnelius held important responsibilities in the clinical development of several successful oncology drugs, including Abraxane®, Gemzar®,

Alimta® and Revlimid®. He is an oncologist with more than 25 years of clinical and research experience at both large pharmaceutical companies and academic organizations. Dr. Jungnelius is currently Supervisory Board director of Isofol Medical AB, Biovica International AB and Monocl AB and has been a director at Oncopeptides AB since April 2011. He received both a Bachelor of Science degree and his M.D. from the Karolinska Institute in Stockholm Sweden.

Appointment, Term of Appointment and Dismissal of the Management Board

The Articles provide that the Management Board Directors are appointed by the General Meeting upon a binding nomination by the Supervisory Board. The General Meeting may at all times deprive such nomination of its binding character by a resolution passed by at least two-thirds of the votes cast representing more than one-half of the Company's issued capital, following which the Supervisory Board shall draw up a new binding nomination.
The Management Board Rules provide that the Management Board Director will serve for aterm of not more than two years. A Management Board Director may be reappointed for a term of not more than two years at a time.

Under the Articles, the General Meeting and the Supervisory Board may suspend Management Board Directors at any time, and the General Meeting may remove Management Board Directors at any time. A resolution of the General Meeting to remove a Management Board Director may be passed by a simple majority of the votes cast, provided that the resolution is based on a proposal by the Supervisory Board. A resolution of the General Meeting to remove a Management Board Director other than upon proposal of the Supervisory Board shall require a majority of at least two-thirds of the votes cast representing more than one-half of the Company's issued share capital. A suspension of a Management Board Director may be discontinued by the General Meeting at any time. A General Meeting must be held within three months after a suspension of a Management Board Director has taken effect, in which meeting a resolution must be adopted to either terminate or extend the suspension, provided that in the case that such suspension is not terminated, the suspension does not last longer than three months in aggregate. The suspended Management Board Director must be given the opportunity to account for his or her actions at that meeting. If neither such resolution is adopted nor the General Meeting has resolved to dismiss the Management Board Director, the suspension will cease after the period of suspension has expired.

Decision-making and approvals of the Management Board

The Management Board adopted internal rules and regulations (the "**Management Board Rules**") that describe, *inter alia*, the procedure for holding meetings of the Management Board, for the decision-making by the Management Board, and the Management Board's operating procedures. Any change to the Management Board Rules requires the approval of the Supervisory Board.

III. Supervisory Board

Powers, Responsibilities and Functioning of the Supervisory Board

The Supervisory Board is an independent corporate body responsible for supervising and advising the Management Board and overseeing the general course of affairs and strategy of the Group.

Further details in respect of the members of the Supervisory Board can be found in the section entitled “Supervisory Board” in this Annual Report.

NOXXON Pharma N.V. recognizes the benefits of diversity, including gender balance. However, NOXXON Pharma N.V. feels that gender is only one part of diversity and future members of the Board of Directors and of the Supervisory Board will continue to be selected on the basis of wide ranging (technical) experience, backgrounds, skills, knowledge and insights.

IV. General Meeting

Annual General Meeting

An annual General Meeting must be held within six months from the end of the preceding fiscal year of the Company. The purpose of the annual General Meeting is to discuss, amongst other things, the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of the Management Board Directors from liability for their management and the Supervisory Board Directors from liability for their supervision thereon, filling of any vacancies and other proposals brought up for discussion by the Management Board and the Supervisory Board.

Extraordinary General Meetings

Extraordinary General Meetings may be held as often as the Management Board or the Supervisory Board deems such necessary. In addition, Shareholders representing alone or in aggregate at least 10% of the issued and outstanding share capital of the Company may request that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within 42 days of the Shareholder(s) making such request, that/those Shareholder(s) will be authorized to request in summary proceedings a Dutch District Court to convene a General Meeting. In any event, a General Meeting will be held to discuss any requisite measures within three months of it becoming apparent to the Management Board that the shareholders’ equity of the Company has decreased to an amount equal to or lower than one-half of the issued and paid-up part of the capital.

Share capital

The Articles provide for an authorized share capital in an amount of €10,250,000 divided into Ordinary Shares, each with a nominal value of €1.

As of balance sheet date, 2,293,230 Ordinary Shares were outstanding, of which 58,652 Ordinary Shares were held by the Company as treasury shares.

Voting rights

Each Ordinary Share confers the right on the holder to cast 1 vote at the General Meeting. Under the Articles, blank and invalid votes shall not be counted as votes cast. Further, Ordinary Shares in respect of which a blank or invalid vote has been cast and shares in respect of which the person with meeting rights who is present or represented

at the meeting has abstained from voting are counted when determining the part of the issued share capital that is present or represented at a General Meeting. The chairman of the General Meeting shall determine the manner of voting and whether voting may take place by acclamation, subject to certain restrictions under the Articles. Ordinary Shares in respect of which the law determines that no votes may be cast shall be disregarded for the purposes of determining the part of the issued share capital that is present or represented at a General Meeting. Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of Ordinary Shares which are held by the Company.

Resolutions are passed by an absolute majority of the votes cast, unless Dutch law or the Articles prescribe a larger majority. Under Dutch law, no votes may be cast at a General Meeting in respect of Ordinary Shares which are held by the Company. In accordance with Dutch law, the Articles do not provide quorum requirements generally applicable to General Meetings.

Amendment of Articles of Association

The General Meeting may only resolve to amend the Articles upon a proposal made by the Management Board, which proposal requires the prior approval of the Supervisory Board. A resolution adopted by the General Meeting to amend the Articles requires an absolute majority of the votes cast, unless less than half of the Company's issued and outstanding share capital is present or represented at the meeting, in which case a majority of at least two-thirds of the votes cast shall be required.

Issue of shares

The General Meeting is authorized to issue Ordinary Shares or to grant rights to subscribe for Ordinary Shares and to restrict and/or exclude statutory pre-emptive rights in relation to the issuance of Ordinary Shares or the granting of rights to subscribe for Ordinary Shares. The General Meeting may designate another body of the Company, such as the Management Board, competent to issue Ordinary Shares (or grant rights to subscribe for Ordinary Shares) and to determine the issue price and other conditions of the issue for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years) so long as the maximum number of Ordinary Shares which may be issued is specified. A resolution of the General Meeting to issue Ordinary Shares or to designate another body of the Company, such as the Management Board, competent to do so, can only be adopted at the proposal of the Management Board, which proposal requires the prior approval of the Supervisory Board.

The General Meeting has adopted a resolution pursuant to which the Management Board was designated as the corporate body authorized to, subject to approval of the Supervisory Board, resolve to issue Ordinary Shares, to grant rights to subscribe for Ordinary Shares and to restrict and/or exclude statutory pre-emptive rights of Shareholders in relation to the issuances of Ordinary Shares or the granting of rights to subscribe for such Ordinary Shares for a period of three years from the Listing Date. In addition, on 27 June 2017 the General Meeting has adopted an additional resolution pursuant to which the Management Board was designated as the corporate body authorized to, subject to approval of the Supervisory Board, at any time during a period of 5 years as from the date of the General Meeting and therefore up to and including 26 June 2022 resolve to issue Ordinary Shares up to a maximum of 100% of the issued share capital of the Company, to be calculated against the amount of issued share capital as it will be at the date of the General Meeting. The delegation is intended to allow the board of directors to issue new ordinary shares for general purposes, which includes,

without limitation, mergers, demergers, acquisitions and other strategic transactions and alliances and to limit or exclude pre-emptive rights in connection therewith.

Repurchase of own shares

The Company cannot subscribe for Ordinary Shares in its own capital at the time Ordinary Shares are issued. Subject to the certain provisions of the Articles, the Company may acquire fully paid-up Ordinary Shares provided no consideration is given or provided, (i) its shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any reserves to be maintained by Dutch law and/or the Articles, (ii) the Company and its subsidiaries would thereafter not hold Ordinary Shares or hold a pledge over Ordinary Shares with an aggregate nominal value exceeding 50% of the Company's issued share capital and (iii) the Management Board has been authorized thereto by the General Meeting. Any acquisition by the Company of Ordinary Shares that are not fully paid-up shall be null and void.

The General Meeting's authorization to the Management Board to acquire own Ordinary Shares is valid for a maximum of 18 months. As part of the authorization, the General Meeting must specify the number of Ordinary Shares that may be repurchased, the manner in which the Ordinary Shares may be acquired and the price range within which the Ordinary Shares may be acquired. A resolution of the Management Board to repurchase Ordinary Shares can only be adopted with the prior approval of the Supervisory Board. The authorization is not required for the acquisition of Ordinary Shares for employees of the Company or another member of its Group, under a scheme applicable to such employees.

Ordinary Shares held by the Company in its own share capital do not carry a right to any distribution. Furthermore, no voting rights may be exercised for any of the Ordinary Shares held by the Company or its subsidiaries unless such Ordinary Shares are subject to the right of usufruct or to a pledge in favor of a person other than the Company or its subsidiaries and the voting rights were vested in the pledgee or usufructuary before the Company or its subsidiaries acquired such Ordinary Shares. The Company or its subsidiaries may not exercise voting rights in respect of Ordinary Shares for which the Company or its subsidiaries have a right of usufruct or a pledge.

The General Meeting designated the Management Board for a period of 18 months to repurchase Ordinary Shares up to 10% of the Company's issued and outstanding share capital immediately following the Listing against a repurchase price between €1 and €50, with the prior approval of the Supervisory Board, for the purpose of supporting the secondary market through a liquidity agreement with an authorized investment services provider, complying with the charter of ethics approved by the French Financial Markets Authority (Autorité des Marchés Financiers (AMF)) and the French Association of the Financial Markets (Association française des marchés financiers (AMAFI)).

The General Meeting further designated the Management Board Directors for a period of 5 years, with the prior approval of the Supervisory Board and subject to the above legal restrictions, to repurchase any Ordinary Shares that an employee of the Group is required to, or agrees to, re-transfer to the Company pursuant to an agreement entered into under the Share Participation Model of NOXXON Pharma AG (but no more than 10% of the Company's issued and outstanding share capital immediately following the Listing). Such designation provides for a repurchase price equal to the contribution originally made for each NOXXON Pharma AG share, multiplied by the exchange ratio

under the Corporate Reorganization (i.e. 1:2), for each Ordinary Share so to be repurchased.

V. Related Party Transactions

The Company is not aware of any transaction with any person who could be considered to have a direct relationship with the Company in the Fiscal Years 2017 and 2016 and in 2018 to date, other than the transactions as set out below, which transactions were conducted at arm's length basis. The transactions presented in this section refer to transactions in the context with or after the corporate reorganization on 23 September 2016.

Agreements with Kreos

Since September 2016, Kreos Jersey has been a Shareholder, holding 20.7% of the Ordinary Shares as of the balance sheet date. The loan agreements between NOXXON Pharma AG and Kreos Jersey's affiliate Kreos as the lender under such agreements and the agreements relating to the contribution to the Company of the receivables under the loan agreements against the issuance to Kreos Jersey of Ordinary Shares as well as certain other arrangements between the Company and Kreos Jersey and/or Kreos are described in Note 13 of the consolidated financial statements.

Spring 2017 Capital Increase

In the framework of the Spring 2017 capital increase, pursuant to the Issuance Agreement with Yorkville, 124,189 Ordinary Shares were issued to Yorkville and certain shareholders, pursuant to the Yorkville Financing Agreement, at an issue price of €15.50 per Ordinary Share, including the Ordinary Shares issued to Kreos Jersey pursuant to the Kreos Spring 2017 Debt Conversion (see also Note 23 of the consolidated financial statements and Note 16 of the Company financial statements).

In accordance with best practice provision 2.7.5. of the Dutch Corporate Governance Code all transactions with shareholders holding at least 10% of the shares in the Company were agreed on terms customary in the biotech sector and corresponding Supervisory Board approvals have been obtained.

Management Board and Supervisory Board

The members of the Management Board and the Supervisory Board have no personal interest in the investments made by the Group in the Fiscal Years 2017 and 2016.

Until 30 September 2017 NOXXON Pharma AG has had a service agreement with its member of the Management Board Aram Mangasarian, Ph.D. In conjunction with the implementation of NOXXON Pharma N.V. as a management holding, since 01 October 2017 NOXXON Pharma N.V. has entered into a service agreement with this member of the Management Board with main conditions unchanged, except for the Company's obligation to the French social security system. In 2017, NOXXON Pharma NV signed a consulting agreement with Whitecity Consulting ApS, a company controlled by Dr. J. Donald de Bethizy. The services are remunerated on a retainer basis in cash amounting to € 6,000 and include an equity component which is served by the Stock Option and Incentive Plan 2016. We refer also to the section "Remuneration" in the Supervisory Board Report in this Annual Report. According to this agreement the Group is entitled to request advice in the field of NOXXON's business, in particular with regard to the interactions with potential new investors, other investor relations activities or activities regarding strategic alliances. No other Supervisory Board Director has a service contract

and none of the Supervisory Board Directors have a severance agreement with the Company.

The remuneration paid to the members of the Management Board and the Supervisory Board and the pension arrangements for the sole member of the Management Board are set out in Section 13 (Management Board and Supervisory Board).

No other business transactions with the members of the Management Board and the Supervisory Board exist.

VI. Dutch Corporate Governance Code

The Dutch Corporate Governance Code contains principles and best practice provisions, that regulate relations between the management board, the supervisory board and the shareholders, and is based on a “comply or explain” principle.

The current 2016 version of the Dutch Corporate Governance Code can be found at www.commissiecorporategovernance.nl.

NOXXON is not required to report on its compliance with the Dutch Corporate Governance Code but in general acknowledges the importance of good corporate governance. In due consideration of the Company’s relatively small size of the company, it endorses and applies the underlying principles of the Dutch Corporate Governance Code where possible and conducive for its operations. Without being conclusive, the main principles of the Dutch Corporate Governance Code 2016 that are not complied with are the following:

- The Company does not comply with best practice provision 2.1.5 of the Dutch Corporate Governance Code, which requires that the Supervisory Board shall draw up a diversity policy for the composition of the Management Board and the Supervisory Board. We aim for a diverse composition with respect to nationality, experience, background, age and gender, which objective has also been included in our profile of the size and composition of the non-executive directors. NOXXON Pharma N.V. recognizes the benefits of diversity, including gender balance. However, NOXXON Pharma N.V. feels that gender is only one part of diversity and future members of the Board of Directors and of the Supervisory Board will continue to be selected on the basis of wide ranging (technical) experience, backgrounds, skills, knowledge and insights.
- The Company does not comply with best practice provisions 2.1.7, 2.1.9 and 2.3.4, which set independency requirements for the composition of the Supervisory Board, the independency of the chairman of the Supervisory Board and independency requirements for the composition of the committees of the Supervisory Board. Given the fact that the Company is a relatively young company with continuous close ties to its original shareholders who still form a large portion of the shareholder base, the continuity in the composition of the Supervisory Board is of great importance. Once a stable framework has been established, the Company shall take appropriate measures to comply with this provision.
- The Company does not comply with best practice provisions 3.1.2(vii), and 3.3.2 dealing with aspects of remuneration and which require that option rights are exercisable only three years after their grant and that Supervisory Board Directors will not be granted any shares or rights to shares as remuneration, as some of the Supervisory Board Directors will be granted ordinary shares or rights

to subscribe for ordinary shares by way of remuneration, in due consideration of the rapid and often short term changes that characterize the industry sector while at the same recognizing the importance of the substantial industry expertise such Supervisory Board Directors bring to the Company.

- The Company does not comply with best practice principle 4.3.3 of the Dutch Corporate Governance Code, which requires that a resolution of the General Meeting to cancel the binding nature of a nomination for the appointment of a Managing Director, or to remove such a Managing Director, be passed with an absolute majority of the votes cast, representing at least one-third of the issued share capital. In line with the Dutch Corporate Governance Code such resolutions can only be adopted by the General Meeting with two-third of the votes cast representing at least half of the Company's issued capital. The Articles provide that these resolutions can only be adopted with at least a two-third majority which must represent more than half of the Company's issued capital, following which a new nomination will be drawn up by the Supervisory Board, because the Company believes that the decision to overrule a nomination for the appointment or dismissal of a member of the Management Board or the Supervisory Board must be widely supported by the Shareholders.

NOXXON Pharma N.V., 30 April 2018

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

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Supervisory Board report

Introduction

The Supervisory Board is an independent corporate body responsible for supervising and advising the Management Board and overseeing the general course of affairs and strategy of the Group. The Supervisory Board is guided by the Articles of Association of the Company, its Rules of Procedure, applicable law, the Dutch Corporate Governance Code and the interests of the Company and the enterprise connected with the Company and will take into consideration the overall good of the enterprise and the relevant interests of all the Group's stakeholders.

Composition of the Supervisory Board

The Supervisory Board of the Company is comprised of the following Supervisory Board Directors.

Name	Age	Nationality	Position	Member Since	Independent/ Non-independent	Term
Dr. Hubert Birner	51	German	Chairperson, until 28 Sept. 2017	2016	not independent	AGM 2018
Dr. J. Donald deBethizy	67	US	Supervisory Board Member, Chairperson since 28 Sept. 2017	2016	independent	AGM 2018
Bertram Köhler	46	German	Supervisory Board Member	2016	not independent	AGM 2018
Dr. Olivier Litzka	50	French & German	Supervisory Board Member (until 30 Sept. 2017)	2016	not independent	Initially until AGM 2018
Dr. Maurizio PetitBon	70	Italian	Supervisory Board Member	2016	not independent	AGM 2018
Dr. Walter Wenninger	79	German	Supervisory Board Member	2016	independent	AGM 2018

The following is a brief summary of the business experience of the current members of the Supervisory Board.

Dr. Hubert Birner

Dr. Birner is responsible for TVM Capital Life Science's overall investment strategy and fund operations in North America and Europe. Dr. Birner joined TVM Capital in 2000 as an investment manager. He currently serves as Chairman of the board of directors of SpePharm Holdings BV, leon nanodrugs GmbH, Argos Therapeutics and AL-S Pharma AG. He is also a member of the board of directors of NOXXON Pharma N.V., Proteon Therapeutics Inc. and Acer Therapeutics Inc. Dr. Birner previously served on the board of directors of Horizon Pharma, Inc., Bioxell SA, Evotec AG, Probiodrug AG and Jerini AG. Prior to his current tenure, he was Head of Business Development Europe and Director of Marketing for Germany at Zeneca Agrochemicals. Dr. Birner joined Zeneca from McKinsey & Company's European Health Care and Pharmaceutical practice. As a

management consultant he gained extensive experience in R&D management, marketing and sales, and joint venture structuring and business development.

Before starting his professional career in business, he earned substantial academic merits, including a position as Assistant Professor for biochemistry at the Ludwig-Maximilian-University (LMU), following his summa cum laude doctoral degree in biochemistry at LMU; his doctoral thesis was honored with the Hoffmann-La Roche prize for outstanding basic research in metabolic diseases. Dr. Birner also holds an MBA from Harvard Business School.

Dr. J. Donald deBethizy

Dr. J. Donald deBethizy has served as a member of our board of directors of NOXXON Pharma AG and N.V since 2014 and 2016, respectively. Mr. deBethizy has 30 years of experience in research and development and financial, business and operating management in the biotechnology and consumer products industry. He is the president of White City Consulting ApS. Previously, Mr. deBethizy served as president and chief executive officer of Santaris Pharma A/S until October 2014, when the company was sold to Roche. From August 2000 to June 2012, Mr. deBethizy was co-founder and chief executive officer of Targacept, Inc., a U.S. biotechnology company listed on NASDAQ. He currently serves on the supervisory boards of Albumedix A/S, argenx NV, Newron Pharmaceuticals SpA, Saniona AB and Proterris, Inc. From May 2013 to November 2014, he served as executive chairman of Contera Pharma ApS until the company was sold to Buwang Pharma. From May 2015 to December 2017, he served as chairman of Rigontec GmbH until the company was sold to Merck & Co., Inc. He previously served on the boards of Asceneuron SA, Serendex Pharmaceuticals A/S, Enbiotix Inc., Targacept Inc. and Biosource Inc. Mr. deBethizy has held adjunct appointments at Wake Forest University Babcock School of Management, Wake Forest University School of Medicine and Duke University. Mr. deBethizy holds a B.Sc. in biology from the University of Maryland, and an M.Sc. and a Ph.D. in toxicology from Utah State University.

Bertram Köhler

Mr. Köhler joined DEWB Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG in August 2000 and has served as member of the Management Board of DEWB Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG since June 2005. Since 2012, Mr. Köhler has served as chief executive officer of DEWB Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG. Prior to his activity at DEWB Deutsche Effecten- und Wechsel-Beteiligungsgesellschaft AG, Mr. Köhler was a risk management consultant at Commerzbank AG, where he led projects in the area of company reorganizations, mergers and acquisitions and turnaround-situations. He began his career as a management consultant at KPMG in the field of financial services. Currently, he also serves as a non-executive director on the boards of Nanotron Technologies Ltd. and LemnaTec GmbH. He holds an university diploma in economics as “Diplom-Kaufmann”.

Dr. Maurizio PetitBon

Dr. PetitBon is general partner and co-founder of Kreos Capital where he focuses on healthcare investments. Prior to co-founding Kreos, Maurizio was managing partner of PMA Europe, London, a consulting partnership focused on assisting private equity firms and corporate clients in evaluating investment opportunities in technology companies. Prior to that, he was principal consultant at SRI International, in Menlo Park, California and London where he advised a number of U.S., European and Japanese technology companies on business development and M&A strategies. He also held a number of managerial positions at Emerson Electric, Digital Equipment and Xerox. Dr. PetitBon holds a doctor's degree in mechanical engineering from the University of Rome and a Master in Business Administration from INSEAD in Fontainebleau, France.

Dr. Walter Wenninger

Dr. Wenninger has over 30 years of experience in research and development, financial, business, and operating management in the pharmaceutical industry. He joined Bayer Pharma in 1968, where he held executive management positions in Germany, the United States and Europe within the life science business of Bayer AG. From 1994 to 2000, Dr. Wenninger served as a member of the management board of Bayer AG. Following his retirement at Bayer, Dr. Wenninger has been involved in the strategic positioning and development of several companies and organizations. He currently serves on the advisory group for the board of Novo A/S, DK. He has been a member of the executive committee of the German Cardiac Research Foundation, the executive committee of the Robert-Koch-Foundation, and until recently was a long-time member of the board of trustees of the German Cancer Research Center. Dr. Wenninger graduated from the Ludwig-Maximilians-University Munich in veterinary medicine with a Ph.D. and with a degree in economics as "Diplom-Kaufmann".

Supervisory Board Committees

In September 2016, the Supervisory Board established three committees to cover key areas in greater detail: an audit committee, a compensation committee and a nomination and corporate governance committee consisting of Supervisory Board Directors. Each of the committees has a preparatory and/or advisory role to the Supervisory Board. They report their findings to the Supervisory Board, which is ultimately responsible for all decision-making. In accordance with the Supervisory Board rules, the Supervisory Board will draw up rules on each committee's role, responsibilities and functioning.

The composition of each committee is detailed in the following table.

	Audit Committee	Compensation Committee	Nomination and Corporate Governance Committee
Dr. Hubert Birner	member		Chairman*
Dr. J. Donald de Bethizy		chairman	member*, chairman**
Bertram Köhler	chairman		
Dr. Olivier Litzka*		member*	member*
Dr. Maurizio Petitbon		member**	member**
Dr. Walther Wenninger	member	member	

*until 30 Sept. 2017, ** since 01 October 2017

Audit Committee

The Audit Committee assists the Supervisory Board in supervising the activities of the Management Board with respect to, inter alia the operation of the internal risk-management and control systems; the provision of financial information by the Company (including the choice of accounting policies, application and assessment of the effects of new rules, and the treatment of estimated items in the Company's annual accounts); compliance with recommendations and observations of the Company's internal and external auditors; the role and functioning of the Company's internal auditors; the Company's tax planning policy; the Company's relationship with its external auditor, including the independence and remuneration of the external auditor; the financing of the Company; and matters relating to information and communication technology.

The Audit Committee also advises the Supervisory Board on its nomination to the General Meeting of persons for appointment as the Company's external auditor, and prepares meetings of the Supervisory Board where the Company's annual report, the Company's annual financial statements, and the Company's half-yearly figures and quarterly trading updates are to be discussed.

The Audit Committee meets as often as is required for its proper functioning, but at least four times a year, such meetings to be held to coincide with key dates in the financial reporting and audit cycle. The Audit Committee must meet at least once a year with the Company's external auditor. The Audit Committee has met five times in the reporting period. Attendance rate at all meetings was 100%.

The main topics discussed by the Audit Committee were the preparation of recommendations to the Supervisory Board regarding the presentation of the consolidated financial statements of financial position as well as the Company statements of financial position as of 31 December 2016, the Annual Report 2016, the presentation of the half year condensed consolidated interim financial statement 2017, the statements of financial position 2016 and 2015 for NOXXON Pharma AG according to German GAAP, appointment of the independent auditor for 2017, budgets and

business planning, including updates on cash and financial asset management, internal control activities and risk management, review of tax matters related to the implementation of the Company as strategic management holding and the review of the cornerstones of the Company's D&O Insurance.

In addition, the Audit Committee met with the Company's external auditor Ernst & Young LLP in 2018 to discuss the audit plan for the 2017 financial statements, including audit committee responsibilities based on the new Dutch Corporate Governance Code.

Compensation Committee

The Compensation Committee, inter alia, has the following duties: preparing proposals to the Supervisory Board for the remuneration policy to be pursued; recommending to and preparing proposals for the Supervisory Board to determine the remuneration of the individual members of the Management Board; any such proposal shall, in any event, deal with: (i) the remuneration structure and (ii) the amount of the fixed remuneration, the Ordinary Shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application; reviewing and supervising corporate goals and objectives relevant to the remuneration of all members of the Management Board, evaluating the performance of members of the Management Board in light of those goals and objectives; reviewing and making proposals for the General Meeting to approve equity plans for the issuance of ordinary shares, rights to subscribe for ordinary shares and other awards; being responsible for establishing the selection criteria, selecting, appointing and setting the terms of reference for any remuneration consultants who advise the Compensation Committee within any budgetary restraints imposed by the Supervisory Board and considering any other connection that they may have with the Company; and preparing the remuneration report.

The Compensation Committee meets as often as is required for its proper functioning, but at least two times a year. The Compensation Committee has met three times in the reporting period. Attendance rate at all meetings was 100%, except for one meeting where one member of the Compensation Committee did not participate.

The main topics discussed by the Compensation Committee were the preparation of recommendations to the Supervisory Board regarding the corporate goals and objectives relevant to the remuneration of the members of the Board of Directors, the assessment of variable annual cash bonuses for the members of the Board of Directors, the corporate goal achievements for 2017 and the corporate goals for 2018 as well as the status of the implementation of the 2016 Stock Option and Incentive Plan and the review of the remuneration of the Group's staff. The committee discussed Jarl Ulf Jungnelius, M.D., Ph.D. acting as a consultant by assisting with the duties that a Chief Medical Officer would perform after Dr. Matthias Baumann left the Company.

Nomination and Corporate Governance Committee

The Nomination and Corporate Governance Committee inter alia, has the following duties: drawing up selection criteria and appointment procedures for Supervisory Board Directors and Management Board Director; periodically assessing the size and composition of the Supervisory Board, and preparing a proposal for a composition profile of the Supervisory Board Directors; periodically assessing the functioning of individual

Supervisory Board Directors and Management Board Director, and reporting on this to the Supervisory Board; preparing proposals for appointments and reappointments; supervising the policy of the Management Board on the selection criteria and appointment procedures for senior management; and overseeing the corporate governance policies of the Company, reporting and making recommendations to the Management Board and Supervisory Board concerning governance matters and oversight of the evaluation of the Management Board and Supervisory Board.

The Nomination and Corporate Governance Committee meets as often as is required for its proper functioning, but at least two times a year. The nomination and corporate governance has met once in the reporting period. Attendance rate at all meetings was 100%

The main topics discussed by the Nomination and Corporate Governance Committee were the preparation of recommendations to the Supervisory Board regarding the rotation schedule, the profile and composition of the Supervisory Board and the composition of the Board of Directors.

Activities, meetings and discussed topics

During 2017, the Supervisory Board convened seven times, thereof five times in personal meetings and twice in telephone conferences. All meetings were attended by the Management Board. At the end of each meeting a closed session was held without the Management Board being present to discuss performance of the Management Board. Attendance rate at all meetings was 100%, except for one meeting where one Supervisory Board member did not attend.

During the reporting period, the Supervisory Board regularly monitored the Management Board and acted in an advisory capacity. For this purpose, the Management Board informed the Supervisory Board at regular intervals, both orally and in writing, of the Group’s situation and essential business transactions. These consultations ensure that the Supervisory Board remains well-informed about the Group’s operations.

The Supervisory Board is in charge of advising and overseeing the strategy and business of the Group. The Supervisory Board discussed the Management Board’s reports during one meeting. The Supervisory Board and in particular its Chairman also discussed the Group's development with the Management Board on an ongoing basis.

During the reporting period, the Management Board asked the Supervisory Board for approval of transactions requiring Supervisory Board approval. The Supervisory Board granted all necessary approvals.

Furthermore, the Supervisory Board discussed with the Management Board the Group’s further strategic development, the status and progress of its clinical programs, the main risks of the business, the financial situation and further financing of the Group as well as matters of the Management Board. The discussions especially focused on

- the clinical development strategy,
- the financing from several sources, including equity financing via private placement, partial conversion of outstanding loan facility into equity and mezzanine capital via equity line financing (involving the publication of the prospectus on 11 July 2017 and share transfer to the public offering compartment of the EuroNext Growth market, Paris),

- the discussion and approval of the Annual Report 2016 and the Half-Year 2017 Financial Report,
- the composition of the Supervisory Board and corporate governance matters,
- the preparation and recommendations of the resolutions to be proposed for adoption at the AGM held on 27 June 2017,
- and the establishment of the Company as strategic management holding.

As part of the meetings, the Supervisory Board also discussed the corporate strategy and the main risks of the business. All these risks were discussed with the Management Board and where possible actions were undertaken to minimize the Company's exposure. In addition, the Company manages and controls its risks, insofar as possible, by means of a risk management and internal control system. The Management Board reports regularly to and discusses with the Supervisory Board on the Company's risk management and internal control system and the compliance therewith.

The Supervisory Board established that all of its members are committed to allocating sufficient time and attention to the Supervisory Board's duties of supervising and advising the Management Board.

Remuneration

Remuneration policy for the Management Board

The remuneration policy for the Management Board was adopted by the General Meeting on 22 September 2016. In 2017 the remuneration was applied in accordance with the remuneration policy. The full text of the remuneration policy can be found on the Company's corporate website.

Management Board Remuneration for the Fiscal Years 2017 and 2016

The table below shows the remuneration for the members of the Management Board of NOXXON Pharma N.V. (until 30 September 2017 of NOXXON Pharma AG), for the Fiscal Years 2017 and 2016, respectively.

2017[1]	**Base salary**	**Cash bonus**[2]	**Share-based compen-sation**	**Others/ Pension contri-butions**	**Fringe benefits** [3]	**Total**
Aram Mangasarian, Ph.D..	€257,717	€162,500	€165,500	N/A	€10,885	€596,602
Dr. Matthias Baumann[4] …	€ 70,388	€ 15,167	€0	N/A	€ 4,534	€ 90,089
**Total..... **	**€328,105**	**€177,667**	**€165,500**	**N/A**	**€15,419**	**€686,691**

(1) Aram Mangasarian and Matthias Baumann were members of the Management Board and of the Board of Directors of both, NOXXON Pharma N.V. and NOXXON Pharma AG. Matthias Baumann resigned as statutory director of both boards at 30 April 2017. Ever since that date Aram Mangasarian was the only statutory director of NOXXON Pharma N.V.

(2) Cash bonuses relate to goal achievements during 2017 not paid yet.

(3) Without contribution to directors and officers insurance and other insurances and expenses (such as mobile phones etc.).

(4) The compensation of Dr. Baumann concerns the period until 30 April 2017.

2016	Base salary	Cash bonus[1]	Share-based compen-sation	Others/ Pension contri-butions	Fringe benefits[2]	Total
Aram Mangasarian, Ph.D..	€260,120	€75,000	€0	N/A	€ 9,191	€344,311
Dr. Matthias Baumann	€210,463	€21,000	€0	N/A	€14,307	€245,770
Total.....	**€470,583**	**€96,000**	**€0**	**N/A**	**€23,498**	**€590,081**

(1) Cash bonuses relate to goal achievements during 2016 not paid yet.
(2) Without contribution to directors and officers insurance and other insurances and expenses (such as mobile phones etc.).

The cash bonus relates to company goals for advancing the development pipeline of the company and its lead compound NOX-A12 as well as securing the respective funding. In 2017, company goals have been agreed for securing financing to conduct a clinical trial in solid tumors (40%), advancing the development pipeline (40%) and communicating with potential investors/industrial partners (20%). The majority of these goals have been achieved with 65 %. In 2016, these goals have been partly achieved with 30 %.

Members of the Management Board are eligible participants in the 2016 Stock Option and Incentive Plan as approved by the General Meeting on 22 September 2016. Pursuant to and in accordance with the terms of 2016 Stock Option and Incentive Plan, in 2017, 46,149 options with an exercise price of €11.70 out of the above mentioned Stock Option and Incentive Plan were issued to Aram Mangasarian, resulting in a share based compensation of €166 thousand for fiscal year 2017. Relating the terms and conditions governing this grant we refer to Note 11 “Share-based compensation” of the consolidated financial statements.

In 2017 and 2016, no stock options or shares from Share Participation Model that the Group has had in place since 2008 were granted to the members of the Management Board of NOXXON Pharma AG. Under the Share Participation Model, the share-based payment transactions recognized as an expense in the Fiscal Years 2017 and 2016 according to IFRS amounted to none for the members of the Management Board of NOXXON Pharma AG.

At the date of this Report, there are no amounts reserved or accrued by the Group to provide pension, benefit, retirement or similar benefits for the members of the Management Board of NOXXON Pharma AG.

Remuneration for the Supervisory Board

The remuneration policy for the Supervisory Board was adopted by the General Meeting on 22 September 2016. In 2017 the remuneration was applied in accordance with the remuneration policy. The full text of the remuneration policy can be found on the Company’s corporate website.

Supervisory Board Remuneration

In connection with the Corporate Reorganization, the General Meeting has resolved to determine the remuneration of the Supervisory Board Directors.

Remuneration Components Supervisory Board Directors

In order to motivate the right balance of short-term and long-term practices and pursuant to the remuneration policy, the remuneration of the Supervisory Board Directors consists of the following fixed and variable components:

- a fixed annual cash compensation;
- an additional cash compensation for members of the Audit Committee, the Compensation Committee and/or the Nomination and Corporate Governance Committee; and
- a long-term incentive plan in the form of stock options.

Fixed fee

Supervisory Board Directors are entitled to an annual cash compensation retainer of EUR 35,000 subject to attending or participating in at least 75% of the duly convened board meetings. There will be no separate meeting fees. Supervisory Board Directors attending or participating in less than 75% of the convened board meetings will be eligible to receive an annual cash compensation pro rata temporis.

The chairman of the Supervisory Board will be eligible to receive twice the aforementioned cash compensation.

Committee Members Compensation

Committee members will be entitled to additional cash compensation as follows:

(i) Audit Committee members shall receive an annual compensation of €6,500; the chairman of the Audit Committee shall receive an annual compensation of €12,500.

(ii) Compensation Committee members shall receive an annual compensation of €4,000; the chairman of the Compensation Committee shall receive an annual compensation of €8,000.

(iii) Nomination and Corporate Governance Committee members shall receive an annual compensation of €3,000; the chairman of the Nomination and Corporate Governance Committee shall receive an annual compensation of €6,000.

Long-term incentive plan

According to the remuneration policy, the equity compensation will be structured as (i) an initial appointment grant vesting annually over three years of options in an amount of approximately 0.076% of the Company's outstanding Ordinary Shares with (ii) subsequent annual awards with a cliff vest after one year of options in an amount of approximately 0.038% of the Company's outstanding Ordinary Shares. However, in deviation of the remuneration policy where a vesting period would start as of the day of the grant of the right, in light of the listing on Alternext which took place on 30 September 2016, on 27 June 2017 the shareholders have approved an equity compensation for only those members of the supervisory board who were in office on 30 September 2016,

consisting of a one-time appointment grant vesting annually over three years of options retroactively as of 30 September 2016 in an amount of approximately 0.40% of the Company's outstanding ordinary shares instead.

Adjustments to variable remuneration

Pursuant to Dutch law and the Dutch Corporate Governance Code the remuneration of Management Board Directors may be reduced or Management Board Directors may be obliged to repay (part of) their variable remuneration to the Company if certain circumstances apply. Pursuant to the Dutch Corporate Governance Code, any variable remuneration component conditionally awarded to a Management Board Director in a previous fiscal year which would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been applied, the Supervisory Board will have the power to adjust the value downwards or upwards. In addition, the Supervisory Board will have the authority under the Dutch Corporate Governance Code and Dutch law to recover from a Management Board Director any variable remuneration awarded on the basis of incorrect financial or other data (claw back).

Pursuant to Dutch law, the Supervisory Board may furthermore adjust the variable remuneration (to the extent that it is subject to reaching certain targets and the occurrence of certain events) to an appropriate level if payment of the variable remuneration were to be unacceptable according to requirements of reasonableness and fairness.

Supervisory Board Remuneration for the Fiscal Years 2017 and 2016

All of the Supervisory Board Directors, except for Dr. Maurizio PetitBon, were also members of the supervisory board of NOXXON Pharma AG prior to the Corporate Reorganization and received fees in relation to such office.

The table below shows the remuneration for the Supervisory Board Directors of the NOXXON Pharma N.V. for the Fiscal Year 2017 and 2016:

2017	**Fixed fee**[2]	**Share based compensation**	**Total**
Dr. Hubert Birner[1]	N/A	N/A	N/A
Dr. J. Donald deBethizy	€55,900	€31,500	€87,400
Bertram Köhler[1]	N/A	N/A	N/A
Dr. Olivier Litzka[1]	N/A	N/A	N/A
Dr. Maurizio PetitBon[1]	N/A	N/A	N/A
Dr. Walter Wenninger	€45,500	€29,400	€74,900
Total	**€101,400**	**€60,900**	**€162,300**

(1) Supervisory Board Director of the Company has waived his right for a fee.
(2) Fixed fees have not yet been paid. Without contribution to directors and officers insurance and other insurances and expenses (such as mobile phones etc.).

Members of the Supervisory Board are eligible participants in the 2016 Stock Option and Incentive Plan as approved by the General Meeting on 22 September 2016. Pursuant to and in accordance with the terms of the 2016 Stock Option and Incentive Plan, in 2017, 8,204 options with an exercise price of €11.70 out of this plan were issued to Dr. Walter Wenninger, resulting in a share based compensation of €29 thousand for fiscal year 2017 as well as 8,204 options with an exercise price of €11.70 to Donald deBethizy and 12,306 options with an exercise price of €6.80 to Donald deBethizy, partly via Whitecity Consulting ApS, a company under his control, resulting in a share based compensation of €32 thousand for fiscal year 2017. Relating the terms and conditions governing this grant we refer to Note 11 "Share-based compensation" of the consolidated financial statements.

2016	**Fixed fee(2)**	**Share based compensation**	**Total**
Dr. Hubert Birner(1)	N/A	N/A	N/A
Dr. J. Donald deBethizy	€11,100	€0	€11,100
Bertram Köhler(1)	N/A	N/A	N/A
Dr. Olivier Litzka(1)	N/A	N/A	N/A
Dr. Maurizio PetitBon(1)	N/A	N/A	N/A
Dr. Walter Wenninger	€12,100	€0	€12,100
Total	**€23,200**	**€0**	**€23,200**

(1) Supervisory Board Director of the Company has waived his right for a fee.
(2) Fixed fees have not yet been paid. Without contribution to directors and officers insurance and other insurances and expenses (such as mobile phones etc.).

Long-term incentive plan

Apart from Dr. J. Donald deBethizy, no Supervisory Board Director has a service or severance contract with the Company.

Independence of the Supervisory Board and its members

The Supervisory Board is a separate corporate body that is independent of the Management Board of the Company. Members of the Supervisory Board can neither be a member of the Management Board nor an employee of NOXXON.

The Company's shareholder base is currently to a large extent still made up of the investors that were shareholders in NOXXON Pharma AG prior to the first listing on the Alternext (now Euronext Growth) stock exchange in Paris. Three of our Supervisory Board members, Dr. Hubert Birner, Bertram Köhler, and Dr. Maurizio PetitBon have ties with certain of those investors who still hold more than 10% of the issued share capital and therefore are considered non-independent (in the meaning of the Dutch Corporate Governance Code. A fourth Supervisory Board member, Dr. J. Donald deBethizy, has entered into a consulting agreement with the Company to advice the Company potential new investors, other investor relations activities or activities regarding strategic alliances. On that ground also Dr. J. Donald deBethizy, is considered non-independent in the meaning of the Dutch Corporate Governance Code.

Performance assessment

The Supervisory Board is responsible for the quality of its own performance. It discusses, once a year, without the presence of the members of the Management Board, its own performance, as well as the performance of its individual members, its committees, the Management Board and its individual members. In 2017 the Supervisory Board conducted an evaluation through a self-assessment and was positive, overall, about the performance of its committees and the Management Board. Further the Supervisory Board was satisfied with the performance of the Supervisory Board and determined that it works well together, with all members fully contributing to discussions.

Appreciation

The members of the Supervisory Board would like to express their gratitude and appreciation to the Management Board and employees of NOXXON for their efforts and performance in 2017. In particular, the Supervisory Board would very much like to thank the shareholders for their continued support.

30 April 2018

On behalf of the Supervisory Board

Dr. J. Donald deBethizy,

Chairman of the Supervisory Board

Consolidated statements of financial position as of 31 December 2017

Consolidated statements of financial position as of 31 December 2017

Consolidated statement of comprehensive loss for the year ended 31 December 2017

Consolidated cash-flow statements for the year ended 31 December 2017

Consolidated statements of changes in shareholder's equity for the year ended 31 December 2017

Notes to the consolidated financial statements 2017

NOXXON Pharma N.V., Amsterdam, Netherlands
Consolidated Statements of Financial Position as of 31 December 2017

(in thousands of €)

Assets	Note	31 Dec. 2017	31 Dec. 2016
Non-current assets			
Intangible assets	(4)	5	14
Equipment	(5)	47	67
Deferred tax assets	(15)	1	1
Financial assets		5	0
		58	**82**
Current assets			
Other assets	(7)	181	413
Financial assets	(6)	68	159
Cash and cash equivalents	(8)	622	2,214
Assets held for sale	(9)	0	1
		871	**2,787**
		929	**2,869**

Equity and liabilities	Note	31 Dec. 2017	31 Dec. 2016
Equity			
Share capital	(10)	2,293	2,051
Additional paid-in capital	(10)	128,523	124,666
Accumulated deficit	(10)	-134,520	-129,135
Treasury shares	(10)	-208	-62
Equity attributable to owners of the Company		**- 3,912**	**- 2,480**
Non controlling interest	(10)	-7	-2
Total equity		**- 3,919**	**- 2,482**
Non-current liabilities			
Financial liabilities	(13)	932	0
		932	**0**
Current liabilities			
Financial liabilities	(13)	1,673	2,941
Trade accounts payable		1,273	1,422
Other liabilities	(14)	970	988
		3,916	**5,351**
		929	**2,869**

NOXXON Pharma N.V., Amsterdam, Netherlands

Consolidated Statements of Comprehensive Loss for the Year Ended 31 December 2017

(in thousands of €)	Note	For the years 2017	2016
Revenues		0	83
Other operating income		261	437
Research and development expenses	(16)	-2,410	-5,327
General and administrative expenses	(16)	-2,580	-3,780
Foreign exchange losses		-1	-12
Loss from operations		-4,730	-8,599
Finance income	(13)	1,019	1
Finance cost	(13)	-1,678	-2,127
Loss before income tax		-5,389	-10,725
Income tax	(15)	-1	-27
Net loss		-5,390	-10,752
Other comprehensive income		0	0
Total comprehensive loss		-5,390	-10,752
Net loss attributable to:			
Owners of the Company		-5,385	-10,747
Non-controlling interests		-5	-5
		-5,390	-10,752
Total comprehensive loss attributable to:			
Owners of the Company		-5,385	-10,747
Non-controlling interests		-5	-5
		-5,390	-10,752
Loss per share in EUR per share (basic and diluted)	(18)	-2.54	-6.71

NOXXON Pharma N.V., Amsterdam, Netherlands
Consolidated Cash-Flow Statements for the Year Ended 31 December 2017

(in thousands of €)

	Note	For the years ended 2017	2016
Operating activities			
Net loss before income tax		-5,389	-10,725
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amorization expense	(4, 5)	29	340
Finance income		-1,019	-1
Finance cost	(13)	1,678	2,127
Loss on disposal of equipment		0	149
Release of government grants		0	-4
Share-based compensation	(11)	396	0
Other non-cash transactions		3	0
Changes in operating assets and liabilities:			
Inventories		0	13
Other current assets and other financial assets		232	762
Income tax payable		0	1
Trade accounts payable and other liabilities		-167	-1,653
Net cash used in operating activities		-4,237	-8,991
Investing activities			
Purchase of equipment		-2	-21
Proceeds from sale of equipment		0	25
Cash paid for investments in non-current financial assets		-5	0
Cash received from investments in current financial assets		131	0
Net cash provided by investing activities		124	4
Financing activities			
Proceeds from issuance of shares	(10)	1,000	7,538
Transaction costs for issuance of shares		-92	-78
Repurchase of treasury shares		-146	-17
Proceeds from issuance of convertible bonds	(19)	1,860	0
Transaction costs for issuance of convertible bonds		-101	0
Interest paid		0	-335
Net cash provided by financing activities		2,521	7,108
Net change in cash and cash equivalents		-1,592	-1,879
Cash at the beginning of period		2,214	4,093
Cash at the end of the period		622	2,214

NOXXON Pharma N.V., Amsterdam, Netherlands

Consolidated Statements of Changes in Shareholders' Equity for the Year Ended 31 December 2017

(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 Notes	Other Additional Paid-In-Capital	Total				
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**
			0	*0*		*0*		*0*	*0*	*0*	*0*
1 January 2017		2,051,097	2,051	-62	0	124,666	124,666	-129,135	**-2,480**	**-2**	**-2,482**
Net loss								-5,385	-5,385	-5	-5,390
Total comprehensive loss								-5,385	-5,385	-5	-5,390
Share-based compensation	(11)					396	396		396		396
Spring 2017 Capital increase	(10)	64,512	64			936	936		1,000		1,000
Issuance costs of capital increases						-23	-23		-23		-23
Capital increases as a result from debt-for equity swaps	(10, 13)	113,940	114			2,087	2,087		2,201		2,201
Issuance costs related to debt-for-equity swaps						-69	-69		-69		-69
Capital increases as a result from note conversions	(10, 13)	63,681	64		530		530		594		594
Purchase of treasury shares				-146			0		-146		-146
31 December 2017		2,293,230	2,293	-208	530	127,993	128,523	-134,520	**-3,912**	**-7**	**-3,919**

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 and a branch office in Berlin, Germany. 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 and on 11 July 2017 transferred to the public offering compartment of the EuroNext Growth at the Alternext stock exchange Paris, France. Effective 1 October 2017, NOXXON Pharma N.V. is a management holding providing corporate and administrative services, financial and business advice and asset management.

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

The consolidated financial statements of NOXXON Pharma N.V. as of and for the year ended 31 December 2017 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 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 consolidated financial statements for the years ended 31 December 2017 of NOXXON were authorized by the Management Board for issuance on 30 April 2018.

2. Corporate Reorganization and Private Placement in 2016

At the initial step of the Corporate Reorganization consummated on 23 September 2016, 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 held approximately 99.8% of the shares of NOXXON Pharma AG at the date of the Corporate Reorganization. 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 a debt-to-equity conversion, further contributions and equity contributions. We refer to Notes 10 and 13 for further details.

3. Summary of Significant Accounting Policies

Basis of preparation

Going Concern

The accompanying 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 2017 the Group incurred a net loss of € 5.4 million. As of 31 December 2017 the Group had generated an accumulated deficit of € 134.5 million as well as a net capital deficiency of € 3.9 million. To finance its research and development activities through 31 December 2017, the Group raised funds from several sources including its shareholders through the issuance of equity, venture loans, equity line financing and government grants.

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 June 2018 in order to continue its operations.

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 € 3.2 million, to provide the Group with sufficient working capital for the twelve months following the date of these 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, preferably in the form of equity.

Subsequent to 31 December 2017 in January and March 2018, the Group received a further nominal amount of € 1.5 million resulting from the Issuance Agreement with an investor entered into in May 2017. In addition, the Issuance Agreement was amended as follows: The ability by the investor to subscribe for subsequent tranches at its sole discretion is suspended over the next 6 months and shall be definitively cancelled provided that the Company raises at least € 5.0 million in equity financing; the Company issued a tranche of 100 new notes representing an aggregate nominal amount of € 1.0 million without any warrants attached (received in March 2018, see above); all outstanding warrants issued to the investor prior to the signing date of the amendment are cancelled. In consideration for the amendments outlined above, an amount of € 1.0 million in cash is to be paid by the Company to the investor; payment will be paid up by means of set-off against the total issuance price for the new shares.

Management has given consideration to the ability of the Group to continue as a going concern and acknowledges the need for additional funds next to credit available to the Company. Based on management's going concern assessment, the 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. No financing commitments were received by the Company as of today.

Statement of compliance

The 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) and title 9 of Book 2 of the Dutch Civil Code.

The Group has adopted all of the International Financial Reporting Standards that became effective for accounting periods beginning on or after 1 January 2017, and that are relevant to its operations. Additionally, the Group takes into consideration all Interpretations of the IFRS Interpretations Committee.

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 2017, and have been applied in preparing these consolidated financial statements.

STANDARD/INTERPRETATION	
Amendments to IAS 7 Disclosure Initiative	1 January 2017
Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

None of these amendments to standards and new or amended interpretations had a significant effect on the consolidated financial statements of the Group, except for changes in or additional disclosures to Note 19.

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
Improvements to IFRSs 2014-2016 Cycle with respect to IFRS 12	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
Improvements to IFRSs 2014-2016 Cycle with respect to IFRS 1 and IAS 28	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Improvements to IFRSs 2015-2017 with respect to IFRS 3, IFRS 11, IAS 12 and IAS 23*	1 January 2019
IFRIC 23 Uncertainty over Income tax Treatments*	1 January 2019
Amendments to IAS 28, Long-term Interests in Associates and Joint Ventures*	1 January 2019
Amendments to IAS 19 Plan Amendment, Curtailment or Settlement*	1 January 2019
IFRS 17 Insurance Contracts*	1 January 2021
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 Group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated 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 revenues,

the Group may only be affected by IFRS 15 in the future when entering into collaborative arrangements or similar deals.

The Group will adopt IFRS 9 initially on 1 January 2018 retrospectively. In addition, management has elected to not restate comparative information as permitted by IFRS 9. At the date of initial application, the Group will record any difference between previous carrying amounts and those determined under IFRS 9 in opening accumulated deficit.

The estimated impact of the adoption of IFRS 9 on the Group's equity as at 1 January 2018 is expected to be not material based on assessments undertaken.

IFRS 9 Financial Instruments – Classification – Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for its other receivables, financial assets and investments in equity shares of stock corporations that are managed on a fair value basis. At 31 December 2017, the Group had an equity investment in an unlisted stock corporation of € 5 thousand that are held for long-term strategic purposes. Under IFRS 9, the Group has designated the investment as measured at FVTPL. Consequently, all fair value gains and losses will be reported in profit or loss. However, due to the immaterial amount of historical cost and no new information is available as to whether the fair value may be different compared to the historical costs of € 5 thousand, no adjustment to opening retained earnings as of 1 January 2018 will be made.

IFRS 9 Financial Instruments – Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

In general, the new impairment model will apply to financial assets measured at amortised cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; the Group currently has no such assets.

In the past, no impairment losses were required to be recognized. Accordingly, the Group believes that impairment losses are continue to be unlikely in the future applying the IFRS 9 impairment model.

Current financial assets comprise mainly rental deposits. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated A-, based on Standard & Poors ratings as at 31 December 2017. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. Therefore, the estimated impairment on cash and cash equivalents was calculated to be nil based on the 12-month expected loss basis and reflects the short maturities of the exposures.

IFRS 9 Financial Instruments – Classification – Financial liabilities

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, whereas under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss.

The Group has not designated any financial liabilities at FVTPL and it has no current intention to do so. The Group's assessment did not indicate any material impact regarding the classification of financial liabilities at 1 January 2018.

IFRS 9 Financial Instruments – Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and ECLs. The Group's assessment included an analysis to identify data gaps against current disclosures required and the Group is in the process of implementing the system changes that it believes will be necessary to capture the required data.

IFRS 9 Financial Instruments – Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will generally be recognised in accumulated deficit and additional paid-in capital as at 1 January 2018.
- The new hedge accounting requirements are not applicable as the Group does not use any hedging.

IFRS 16 Leases

IFRS 16 Leases replaces existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 at or before the date of initial application of IFRS 16.

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

The impact identified is that the Group will recognise new assets and liabilities for its operating leases. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to K€ 60 thousand, on an undiscounted basis, for lease agreements that expire through 2021 (refer to Note 20). In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. As a result and, except for IFRS 9 and IFRS 16, none of these new or amended standards and interpretations is expected to have a significant effect on the consolidated financial statements of the Group.

Financial statement presentation

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are carried at fair value. The 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 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 consolidated from the date of incorporation. NOXXON Pharma Inc. has no significant operations as at 31 December 2017.

The 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	99.9 %
--- NOXXON Pharma Inc.	Boston, MA, USA	100.0 %

Summary of significant accounting policies

Foreign currency transactions

The 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: 7 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: 5 to 11 years
- Furniture and Fixtures: 3 to 23 years
- Others: 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.

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.

The Group classifies non-derivative financial assets into the following category: loans and receivables. The Group classifies non-derivative financial liabilities into the following category: financial liabilities at FVTPL and other financial liabilities.

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 consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

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 initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. 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.

Hybrid instruments

In 2017, the Company has issued a series of hybrid instruments consisting of a series of debenture loans in tranches with embedded conversion options, non-standard loan commitments and detachable share purchase warrants (for further information refer to Note 13).

The carrying amount of the host contract on initial recognition is in general the difference between the transaction price received upon issuance of the hybrid instrument and the fair value of the free standing detachable share purchase warrants and embedded derivatives to be bifurcated. However, due to the features of the debenture loan, the financial liability is repayable on demand at any time and accordingly recognized at its amount payable. Subsequent to initial recognition, the liability component is continued to be measured at the amount payable. The difference between the transaction price less amounts to be recognized for the derivative instruments upon issuance and the amount payable of the loan is recognized as day-one loss. 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 separately accounted derivative financial instruments are measured subsequently at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the 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.

Derivative financial instruments

The Group holds derivative financial instruments in connection with its financing activities. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

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 2017 and 2016.

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 in 2016.

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 NV under the 2016 Stock Option and Incentive Plan, the fair value is determined by using a Black-Scholes model. The fair value of share awards granted under share participation models is determined by the Group using also 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 2017 and 2016.

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 2017 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 gains from the derecognition of a derivative financial liability, fair value adjustments of derivative financial instruments in connection with the Group's financing activities and 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 hybrid instruments in connection with the equity line financing, the recognition of warrants issued, derecognition and recognition of financial liabilities and equity resulting from substantial modifications made to the terms and conditions of the financial liabilities in accordance with IFRIC 19 and interest expense on these financial liabilities. Interest expense is recognized using the effective interest method.

Significant accounting judgments and estimates

The preparation of the Group's 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.

Determining probability of achievement of performance conditions of stock options

For the performance based stock options that are based on the non-market performance condition of an effective raise of additional capital for NOXXON, management assessed probabilities and points in time for a successful capital raise, which impacts the fair value of the options granted. For the performance based stock options that are based on the non-market performance condition of a successful licensing or collaboration agreement the probability of a transaction depends both on the success of completed studies and on the success to initiate and close the transaction. As the initiation and closing of a respective transaction takes some additional time, management assessed the probability and point in time for such a transaction to occur and assessed further the uncertainty and the discretion of NOXXON’s compensation committee to ultimately issue these options (refer to Note 11).

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”. Management’s assessment included, whether the creditor was acting in its capacity as lender in order to apply IFRIC 19. 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 (refer to Note 13).

Determining classification of detachable warrants issued in 2017

Detachable warrants issued include certain terms and conditions to protect the holders of the warrants from dilution. However, for specific transactions, the anti-dilution clauses are altered in a way so that holders of warrants become preferred in that they are protected against losses from the value of the warrants and equity holders become subordinated. As a result, such detachable warrants are classified as liabilities because they do not fully comply with the definition of equity in accordance with IAS 32 (refer to Note 13).

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 2017 and 2016, intangible assets developed as follows:

in thousands of € **31 December 2017**	**Patents and Licenses**	**Other**	**Total**
Cost			
Balance at 1 January 2017	164	54	218
Disposals	160	0	160
Balance at 31 December 2017	4	54	58
Amortization			
Balance at 1 January 2017	152	52	204
Amortization expense	8	1	9
Disposals	160	0	160
Balance at 31 December 2017	0	53	53
Carrying amounts			
At 1 January 2017	12	2	14
At 31 December 2017	4	1	5

in thousands of € **31 December 2016**	**Patents and Licenses**	**Other**	**Total**
Cost			
Balance at 1 January 2016	1,818	132	1,950
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

5. Equipment

During the fiscal years 2017 and 2016 the equipment developed as follows:

in thousands of €

31 December 2017	Machinery and Equipment	Furniture and Fixtures	Other	Total
Cost				
Balance at 1 January 2017	117	231	5	353
Additions	0	2	1	3
Disposals	11	11	1	23
Balance at 31 December 2017	105	222	5	333
Depreciation				
Balance at 1 January 2017	84	197	5	286
Depreciation expense	8	11	1	20
Disposals	10	9	1	20
Balance at 31 December 2017	82	199	5	286
Carrying amounts				
At 1 January 2017	33	34	0	67
At 31 December 2017	24	23	0	47

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

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 in 2016.

6. Financial assets

Current financial assets consist of a derivative financial asset in connection with the Groups venture loans and rental deposit. The operating lease agreements related to the release of the rental deposit expired at 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 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 €	**2017**	**2016**
VAT	148	192
Receivables from sale of equipment	-	95
Prepaid expenses and other	33	126
Total	**181**	**413**

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 insurance and service contracts, which are deferred over the term of respective agreements.

Prepaid expenses and other receivables include as of 31 December 2017 the cash balance of the liquidity account with the liquidity provider amounting to K€ 12 (prior year: K€ 83).

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 2017, 98.3 % of cash and cash equivalents are denominated in euro and 1.7 % in dollars. As of 31 December 2016, 98.9 % of cash and cash equivalents are denominated in euro and 1.1 % in dollars.

Bank balances earn interest at variable rates for overnight deposits.

During 2017 and 2016 the Group placed its available funds in current accounts. 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 2017 and 31 December 2016, assets held for sale comprise equipment no 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. In 2016, 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 2017 the share capital of the Company of K€ 2,293 (prior year: K€ 2,051) is divided into 2,293,230 ordinary shares (prior year: 2,051,097) with a nominal value of € 1.00.

In 2017, the Company issued an aggregate of 64,512 ordinary shares at a price of €15.50 against contribution in cash (cash inflow of K€ 1,000) and an aggregate of 113,940 ordinary shares at a price of €15.50 per share against the contribution of a partial amount of the outstanding venture loan facility. The debt conversion was accounted for in accordance with IFRIC 19. In addition, the investor providing the equity line financing converted a total of 50 convertible notes equaling a nominal conversion amount of € 500,000 in an aggregate of 63,681 ordinary shares.

As a result, additional subscribed capital of K€ 242 and additional paid-in capital of K€ 3,553 were recognized less issuance costs of K€ 92.

Prior to the consummation of the Corporate Reorganization in 2016, 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 2017 the additional paid-in capital of the Company amounts to K€ 128,523 (prior year: K€ 124,663).

In 2017, additional paid-in capital increased by K€ 3,461 as a result of the issuance of an aggregate of 64,512 ordinary shares at a price of €15.50 against contribution in cash, an aggregate of 113,940 ordinary shares at a price of €15.50 per share against the contribution of a partial amount of the outstanding venture loan facility and conversion of

a total of 50 convertible notes equaling a conversion amount of € 500 thousand in an aggregate of 63,681 ordinary shares.

Further, share-based compensation of K€ 396 in 2017 and K€ -2 in 2016 were recorded in additional paid-in capital, respectively.

Thus, the total increase of additional paid-in capital in 2017 amounts to K€ 3,857.

Prior to the consummation of the Corporate Reorganization in 2016, 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.

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 statutory financial statements.

Treasury Shares

As of 31 December 2017 the Company held 58,652 (prior year: 45,770) ordinary shares as treasury shares.

11. Share-based Compensation

2016 Stock Option and Incentive Plan ("SOIP")

The 2016 Stock Option and Incentive Plan allows the Management Board, with the approval of the Supervisory Board, to make equity-based incentive awards to directors (including Management Board Directors provided that the Supervisory Board will decide when it concerns a person elected to the Management Board), officers, employees and consultants. In 2017 the Company granted time based stock options and performance based stock options based on this SOIP.

The time based stock options vest in equal installments over three years following the grant date. The options granted to each beneficiary are hence split into three annual instalments of one-third of the options granted. This results in a graded vesting of the options granted.

The performance based stock options include non-market performance conditions, which are required to be achieved. Upon achievement of the non-market performance condition the stock options will formally be granted and fully vest. Hence any expense related to these performance based options is recognized over the variable period when the event is expected to occur.

Under the terms and conditions of the plan, the exercise price per ordinary share covered by a stock option granted shall be determined by the Board at the time of grant but shall

not be less than 100 percent of the fair market value on the date of grant (not be less than 110 percent of the fair market value on the date of grant of incentive stock options to a Ten percent Owner of the Company). Stock options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company, specifying the number of ordinary shares to be acquired and payment of the exercise price or, upon the Company's consent, by a net exercise arrangement resulting in net settlement in shares.

The plan allows the Company further to issue restricted stock awards, restricted stock units, unrestricted stock awards, cash based awards or performance based awards, none of which was granted in 2017 or 2016, respectively.

Accelerated vesting will occur upon the following events (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person, entity or group of unrelated persons and/or entities acting in concert, (ii) a (statutory) merger, reorganization or consolidation pursuant to which the holders of the Company's outstanding voting power and outstanding shares immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding shares or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Shares of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of the Company's outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

The term of each stock option shall be fixed by the Board, but no stock option shall be exercisable more than ten years after the date the stock option is granted. In the case of a stock option that is granted to a Ten Percent Owner of the Company, the term of such stock option shall be no more than five years from the date of grant. To the extent that a stock option is not exercised within the applicable option term, the stock option shall lapse.

Based on this plan, the Company granted 129,624 stock options in 2017 and nil in 2016 to members of the Management Board, the Supervisory Board, employees and consultants. Furthermore, the Company granted 20,510 performance based stock options in 2017 and nil in 2016 to consultants.

For the performance based stock options that are based on the non-market performance condition of an effective raise of additional capital for NOXXON, the probabilities are estimated at 90% for mid 2018 and 65% for mid 2019 for a successful capital raise. For the performance based stock options that are based on the non-market performance condition of a successful licensing or collaboration agreement, the probability of a transaction depends both on the success of completed studies and on the success to initiate and close the transaction. As the initiation and closing of a respective transaction takes some additional time, management assumes the performance condition could be fulfilled mid of 2019. Furthermore, management assumed that the fulfillment of the performance condition is not more likely than not.

The movements in the number of time based stock options outstanding and their related weighted average exercise prices (in €) are as follows:

	2017		2016	
	Weighted average exerice price	Number of stock options	Weighted average exerice price	Number of stock options
Outstanding at 1 January	-	-	-	-
Granted during the year	€10.85	129,624	-	-
Forfeited during the year	-	-	-	-
Outstanding at 31 December	**€10.85**	**129,624**	**-**	**-**

In the table above, time based stock options are presented as granted in the period that the service commencement and expense recognition have started. As of 31 December 2017, 35,678 of the outstanding stock options have vested (31 December 2016: nil) and 35,678 stock options with an exercise price of € 11.70 are exercisable (31 December 2016: nil). No stock options have been exercised during the period.

A total of 107,063 stock options outstanding at the end of the period have an expiry date on 30 September 2026 and an exercise price of € 11.70 and the remaining 22,561 stock options outstanding at the end of the period have an expiry date on 13 December 2027 and an exercise price of € 6.80.

Up to 30,765 performance based stock options will be formally issued upon achievement of the non-market performance conditions. NOXXON and the beneficiary agreed on the terms and conditions on 13 December 2017. Although these stock options were included in the fair valuation and share-based payment expense, they have been excluded in the table of time-based options above, because they have not yet been formally issued.

In determining the fair values of its listed ordinary shares as of each grant date, the published share price at closing for NOXXON's ordinary shares at the Euronext Growth stock exchange was used. The fair value of the stock options issued was calculated using a Black Scholes option valuation model.

Options at the date of grant on 19 September and 13 December 2017 are summarized below:

	19 Sept. 2017	13 Dec. 2017
Share price (in €)	11.70	6.80
Option exercise price (in €)	11.70	6.80
Volatility	62%	66%
Expected life	9.03 years	10.00 years
Dividend yield	0.00%	0.00%
Risk-free rate	0.33%	0.38%
Probabilities of occurrence of non-market performance conditions	n/a	90% and 65%
Fair value per option (in €)	7.62	4.81

The fair value of the time based stock options granted is expensed based on a graded vesting schedule. During the years ended 31 December 2017 and 2016, the total share-based payment expense recognized for the stock options issued under the SOIP amounted to K€ 396 and nil, respectively.

Other Share-based Compensation

As of 31 December 2017 and 2016, the number of outstanding options issued by NOXXON Pharma AG under the Stock Option Plan 2002 for members of the management board was nil and 1,750, respectively, 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 2017 or 2016, respectively.

As of 31 December 2017 and 2016, the number of outstanding and vested shares of the Company under the share participation model for employees (held by a trustee), members of the management and supervisory board was 37,081 and 37,081, respectively. Upon payment of the share premium by the beneficiaries, the shares become available to the beneficiaries. For the share participation model no share based payment expense was recognised in 2017 and 2016, respectively.

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. In 2017, the warrants have been formally issued in the form of 6,212 stock options under the SOIP at an exercise price of € 16.00 and an expiry date on 13 July 2020. All related expenses were incurred in 2015 and accordingly, no further expense war recognized upon formally issuing the 6,212 stock options in 2017.

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). As of 31 December 2017, there are no unfulfilled conditions and contingencies related to those grants.

With respect to the investment grant awarded in 2008 by the Investitionsbank Berlin, the Group has provided for the potential repayment obligation recorded in general and administrative expenses and accrued interest thereon until 31 December 2016. In 2017, the Investitionsbank Berlin decided not to claim for the repayment of the grant and the financial liability has been released to profit and loss in 2017.

13. Financial liabilities

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

Venture loans

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 with Kreos Capital Fund IV (UK Ltd.) as the lender. Concurrently, NOXXON Pharma AG issued bonds to Kreos Capital IV (Expert Fund) Ltd. with a total notional amount of K€ 2 or € 1 for each bond. As of 31 December 2017 and 2016, 6,312 warrants are outstanding.

The bonds have a term of eight years but terminate upon earlier occurrence of specified events (bond term). 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 %. 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 Kreos as security against its future payment obligations.

In 2016 and 2017, the Group entered into a series of subsequent agreements with Kreos 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. One of these agreements involved the conversion of an amount of € 0.8 million into shares (refer to Note 10). In addition, the Group obtained a commitment from Kreos of its remaining venture loan to not request the redemption of and interest payments on its outstanding debt in the amount of € 0.8 million in cash until September 2018. The Company has the right to convert the remaining amount into shares subject to specified financing conditions. Further, Kreos has agreed, subject to certain conditions that it will convert up to the total amount of € 0.8 million debt into equity until September 2018, if not converted before.

The following table details the reconciliation of the carrying amounts of the venture loans:

in thousands of €	Venture loans carrying amount
1 January 2016	**8,878**
(thereof K€ 6,287 non-current and K€ 2,591 current)	
Effective interest less difference between carrying amount and converted nominal amount	644
Debt-for-equity swap 2016	(7,000)
31 December 2016	**2,522**
(thereof K€ 2,522 current)	
Effective interest less difference between carrying amount and converted nominal amount	32
Debt-for-equity swap I/2017	(925)
Debt-for-equity swap II/2017	(841)
31 December 2017	**788**
(thereof K€ 788 non-current)	

As of 31 December 2017 the fair value of the loan facility (financial liabilities) amounted to € 0.8 million. 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 as of 31 December 2016 amounted to K€ 419, expired on 31 March 2017 and was released to profit and loss.

Equity line financing

On 1 May 2017, the Company entered into an equity line financing agreement with YA II PN, Ltd. (Yorkville), pursuant to which Yorkville provides the Company financing in the aggregate amount of up to €10 million via the issuance of convertible notes in multiple tranches and with each tranche is granted warrants to be issued ordinary shares at a total exercise price of likewise up to an aggregate €10 million.

Accordingly, subject to the satisfaction of certain merely technical prerequisites, the Company subscribed for the first tranche of convertible notes of €1.0 million (nominal amount) and granted warrants to Yorkville to purchase ordinary shares at a total exercise price also of €1.0 million on 17 July 2017.

Following the first tranche of convertible notes and over a period of 36 months from the issuance of the first tranche of convertible notes, each of the Company and Yorkville (in its full discretion) can require the issuance of further five tranches, each in the nominal

amount of € 500 thousand, and (in case of the Company subject to the condition below and only if the convertible notes of the relevant previous tranche have been fully converted or redeemed) 26 further tranches, each in the nominal amount of € 250 thousand, up to an aggregate amount of € 10 million (including the first tranche). The obligation of Yorkville to subscribe for a tranche upon the pertinent request by the Company is subject to the condition that no material adverse changes and no events of defaults as specified in the Yorkville Financing Agreement have occurred.

The terms of the convertible notes are identical for all tranches. The convertible notes have a nominal amount of € 10,000 each and are issued at a subscription price of € 9,900 bearing no interest. They are freely transferable, perpetual and do not bear interest. Upon the issuance of each tranche, the Company is obliged to pay a commitment fee of 6% of the nominal amount of the respective tranche. The convertible notes are convertible into ordinary shares at any time at the holder's request and accordingly, represent a financial instrument payable on demand. The Company has a choice to settle in cash or in shares. The number of ordinary shares that the Company can issue to the holder upon such conversion is equal to the nominal amount of the convertible notes converted divided by the conversion price, which for each tranche is 92% of the lowest daily volume-weighted average price of an ordinary share on Euronext Growth in the relevant "pricing period" (market price). The "pricing period" is defined as those days during the period of ten consecutive trading days before the date on which the holder requests conversion on which Yorkville has not sold any ordinary shares. As a result of the number of shares to be issued is variable and the conversion right embedded in the convertible notes is considered a derivative financial liability to be bifurcated.

With each tranche, Yorkville issued warrants, the number of which is 100% of the nominal amount of the relevant tranche divided by the "warrant strike price", which is 120% of the lower of € 15.50 and the market price on the date of the applicable request for disbursement of a tranche by the Company or on the applicable subscription date of a tranche subscribed for at the discretion of Yorkville, as the case may be. The warrants can be exercised over a period of four years from their respective issuance. Upon exercise, Yorkville is issued one ordinary share per each warrant against payment in cash of the "warrant strike price". The terms governing the warrants provide for anti-dilution protection. Since the number of shares to be issued upon exercise is variable upon issuance, these warrants are considered derivative liability financial instruments.

Of the 200 notes issued in 2017, totaling drawn tranches of convertible notes of € 2.0 million, Yorkville converted 50 notes against issuance of 63,681 ordinary shares of the Company until 31 December 2017. Further, 147,112 warrants were issued together with the 200 notes, however, no warrant was exercised and accordingly, 147,112 warrants are outstanding as of 31 December 2017.

Further, the Company can draw down or Yorkville can put further three tranches of up to a nominal amount € 1.5 million. The resulting amount payable on demand from these tranches would amount to € 1.6 million, if drawn down. In addition, Yorkville can put further 25 tranches of up to a nominal amount of € 6.5 million. The resulting amount payable on demand from these tranches would amount to € 7.1 million, if drawn down.

As of 31 December 2017 the fair value of the 150 notes outstanding (current financial liabilities) amounted to € 1.7 million, reflecting the amount repayable on demand. As of 31 December 2016 the fair value of the notes outstanding amounted to nil. The fair value of the bifurcated embedded derivative of the conversion right (current derivative financial liability) as of 31 December 2017 and 2016 amounted to K€ 43 and nil, respectively. The fair value of the warrants (non-current derivative financial liability) as of 31 December 2017 and 2016 amounted to K€ 106 and nil, respectively.

Detachable warrants issued and outstanding

In 2017 the Company issued 53,761 warrants in connection with capital increases against cash, 94,950 warrants in connection with debt-to-equity conversions and 147,112

warrants in connection with the equity line financing which have been recognized at fair value. As of 31 December 2017 and 2016, 295,823 warrants and nil are outstanding, respectively.

Subsequent to 31 December 2017, further 75,187 warrants from the equity line financing have been issued. As a result of the amended Issuance Agreement in March 2018, 235,739 have been cancelled. Thus, 135,271 warrants are outstanding at the date of authorization for issuance of these consolidated financial statements.

Finance income and finance cost

Finance income amounts to K€ 1,019 (prior year K€ 1). Thereof, K€ 359 relates to fair value adjustments of warrants issued to Yorkville. Further finance income of K€ 201 relates to fair value adjustments of warrants issued to Kreos and other investors in the Spring 2017 Capital Increase, K€ 419 relates to the derecognition of a derivative financial liability in connection with Kreos and K€ 40 relates to the recognition of a derivative financial asset in connection with the remaining venture loan.

For the year 2017 the Group incurred finance cost of K€ 1,678 (prior year K€ 2,127), reflecting mainly the effects from the aforementioned transactions with Yorkville and Kreos and interest for financial liabilities relating to Kreos. Relating to the equity line financing the Group incurred finance costs for the year 2017 of K€ 973 for the notes issued (including the day-one loss incurred), transaction costs and the conversions. Finance costs relating to Kreos amount to K€ 666, thereof K€ 435 in connection with the debt-for-equity swaps in accordance with IFRIC 19. The remaining finance costs of K€ 39 are mainly related to fair value adjustments of warrants issued to other investors in the Spring 2017 Capital Increase.

14. Other Liabilities

Current other liabilities are comprised of the following:

	31 December	
in thousands of €	**2017**	**2016**
Employee benefits	664	558
Restructuring expenses and settlement benefits	135	430
Other	171	0
Total	**970**	**988**

Restructuring expenses and settlement benefits in 2017 are related to termination benefits, recognized in 2015. Restructuring expenses and settlement benefits in 2016 are related to termination benefits, grants and accrued settlement benefits, mainly recognized 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 2017 and 2016, 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.

Germany

Deferred taxes of the German NOXXON Pharma AG and NOXXON Pharma N.V. were calculated with a combined income tax rate charge of 30.18 % for the years ended 31 December 2017 and 2016. 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 and NOXXON Pharma N.V. 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.

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 2017 and 2016, 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 US tax reform, enacted on 1 January 2018, does not have a material impact on the income taxes in connection with the subsidiary in the US.

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

in thousands of €	**2017**	**2016**
Current income tax expense	1	1
Deferred income tax expense / (income)	0	26
Income tax expense	**1**	**27**

With respect to the Group, neither the parent nor the Germany subsidiary paid income taxes in the years ended 31 December 2017 and 2016. A deferred tax asset arising from unused tax losses of NOXXON Pharma AG was not recognized in the year ended 31 December 2017 and 2016, 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 €	**2017**	**2016**
Deferred tax assets		
1. Deferred payments for accrued expenses (US)	1	1
2. Embedded derivative financial liability on compound financial instrument (Germany)	0	127
3. Net operating loss carry forwards (Germany)	0	17
4. Derivative financial liabilities on warrants and conversion feature and financial liability at amortized cost (Germany)	56	0
5. Allowance on deferred tax assets relating to temporary differences (Germany)	(29)	(127)
6. Deferred tax asset relating to other temporary differences	1	9
Deferred tax liabilities		
7. Subsequent measurements of compound financial instrument (Germany)	(16)	(26)
7. Embedded derivative financial asset on compound financial instrument (Germany)	(12)	0
Deferred tax assets	**1**	**1**

Deferred tax assets have not been recognized i) in respect of temporary differences on derivative financial instruments and a conversion feature and on financial liabilities at amortized cost and ii) other temporary differences. The non-recognized deferred tax asset amounts to K€ 29 in 2017 and K€ 127 in 2016, respectively.

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 €	**2017**			**2016**		
	Gross amount	Tax rate	Tax amount	Gross amount	Tax rate	Tax amount
Trade tax	165,061	14.35%	23,686	160,489	14.35 %	23,030
Corporate income tax / solidarity surcharge	166,564	15.83%	26,367	161,938	15.83 %	25,635
less offsetting with deferred tax liabilities			-			(17)
Unused tax losses for which no deferred tax asset is recognized			**50,053**			**48,648**

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 NOXXON Pharma AG has continued its business without changes of the business purpose. As of 31 December 2017 NOXXON Pharma N.V. has unused corporate income tax losses of K€ 1,137 and trade tax losses of K€ 1,083 (prior year: for both taxes K€ 307) 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 €	**2017**	**2016***
Loss before income tax	(5,389)	(10,725)
Group tax rate in % (p/y: %)	30.18	30.18
Theoretical tax benefit	(1,626)	(3,237)
Non-deductible expenses	17	9
Tax-free income	0	(1)
Costs associated with equity offering	(28)	(32)
Share-based payments	120	(1)
Additions to / reductions in trade tax	8	54
Debt-for-equity swap related effects	131	190
Change in deferred tax assets not recognized for loss carry forwards and deductible temporary differences	1,425	3,029
Other	(46)	16
Income tax expense	**1**	**27**
Effective tax rate	**-0.03%**	**-0.25%**

* Reclassification from change in deferred tax assets not recognized to debt-for-equity swap related effects of K€ 59.

16. Income and Expenses

Other operating income

in thousands of €	**2017**	**2016**
Government grants	234	389
Income from sale of financial assets and property, plant and equipment	-	20
Other income	27	28
Total	**261**	**437**

Other income includes foreign exchange differences amounting to K€ 9 in 2017 and K€ 11 in 2016.

Research and development expenses

in thousands of €	2017	2016
Cost of raw materials, consumables and supplies	116	1,104
Cost of purchased services	843	355
Personnel expenses	996	2,025
Amortization / depreciation	22	146
Product candidate development expenses	14	10
Patent costs and consulting services	291	562
Infrastructure expenses (rent, rental related)	31	514
Maintenance expenses	0	155
Scientific event related expenses	34	67
Other	63	389
Total	**2,410**	**5,327**

The decrease in research and development expenses in 2017 compared to 2016 is mainly due to lower costs for raw materials, consumables, supplies and a production campaign substantially completed in 2016, and lower personnel expenses, patent costs and consulting services as a result of an internal restructuring and focus of the Group on its core research and development activities.

General and administrative expenses

in thousands of €	2017	2016
Personnel expenses	1,044	685
Amortization / depreciation	6	14
Impairment loss on tangible assets and assets held for sale	0	177
Legal, consulting and audit fees	972	2,246
Infrastructure expenses (rent, rental related)	20	200
Travel and advertising expenses	263	307
Restructuring expenses	0	22
Settlement benefits	0	33
Supervisory board remuneration	114	79
Other	161	17
Total	**2,580**	**3,780**

The decrease in general and administrative expenses in 2017 is mainly driven by lower legal and consulting expenses compared to 2016 related to the preparation of financing transactions.

Personnel expenses

in thousands of €	2017	2016
Regular salary	1,050	2,196
Settlement benefits	0	33
Benefits	245	199
Share-based compensation	396	-
Share-based compensation adjustment for turnover	-	(2)
Social security contribution	331	287
Release of accrued holidays	(35)	(29)
Other	52	26
Total	**2,040**	**2,710**

Social security contributions include contributions for statutory pension insurance in the amount of K€ 143 in 2017 and K€ 140 in 2016.

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

All operational 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.

No revenues are generated in 2017. Revenues in 2016 are generated in Germany with three 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 €	2017	2016
Net loss	(5,385)	(10,747)
Weighted number of ordinary shares outstanding	2,123,556	1,602,250
Loss per share, basic and diluted in € per share	**(2.54)**	**(6.71)**

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 2017, the contribution of a part of outstanding financial liabilities relating to Kreos into equity of the Company 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€ 2,201, as a non-cash transaction.

In 2016, the Reorganization, 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.

in thousands of €	1 January 2017	Cash flows	Non-cash movements	31 December 2017
Financial liabilities				
Non-current	0	0	932	932
Current	2,941	1,860	(3,128)	1,673
Total	**2,941**	**1,860**	**(2,196)**	**2,605**

Non-cash changes include the non-cash debt for equity swap related to KREOS and the derecognition of a derivative financial liability in connection with KREOS, totaling K€ 1,497, conversions of 50 notes in connection with the equity line financing, totaling K€ 544 and warrants issued as well as fair value adjustments related to embedded derivatives that were bifurcated for accounting purposes, totaling K€ 155 (for details refer to Note 13).

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 patent expired in August 2017. 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 2017 and 2016.

Commitments

During the years ended 31 December 2017 and 2016 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 which amounted to K€ 1,931 in 2017 and K€ 934 in 2016.

Operating Leases

The Group leases certain laboratory and office space and equipment under various non-cancellable operating leases with third parties. The lease agreements expire at various dates through 2021. Rent expense under these operating leases totaled K€ 104 and K€ 714 for the years ended 31 December 2017 and 2016, respectively.

Future minimum payments under non-cancellable operating leases with initial terms exceeding one year at 31 December 2017 and 31 December 2016, are as follows:

2017

In thousands of €	**Total**	2017	2018	2019	2020	2021	Thereafter
Operating Leases	**60**	45	11	2	2	0	0

2016

In thousands of €	**Total**	2016	2017	2018	2019	2020	Thereafter
Operating Leases	**121**	77	23	13	8	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, 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 cash at banks 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 at banks. 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 €)
2017	(10)	(8)
	+ 10	6
2016	(10)	(125)
	+ 10	102

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 €)
2017	(10)	(6)
	+ 10	5
2016	(10)	(18)
	+ 10	15

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 2017 and 2016 based on contractual undiscounted payments.

in thousands of €

Year ended 31 December 2017	**Total**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Financial liabilities	2,657	1,673	0	0	984	0
Trade accounts payable	1,273	0	1,273	0	0	0

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 2017 and 2016 reflect the effect of the agreements reached with Kreos on the repayment schedule and additional interest payments of financial liabilities as described in Note 13.

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 2017 and 2016.

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.

The carrying amount, reflecting the fair value of the derivative financial liabilities (refer to Note 13) was calculated using a level 3 valuation and a Black Sholes model using the following main input parameters: time equivalent risk free rate of interest published by the European Central Bank, historic share volatility of a peer group, small and medium sized entity risk premium.

22. Related Party Relationships

Shareholder with significant influence

As of 31 December 2017, the Company had one shareholder – Kreos and at 31 December 2016 no shareholders with significant influence.

Supervisory Board

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

Dr. Hubert Birner
Chairman of the Supervisory Board (until 28 September 2017)
Managing Partner of TVM Capital GmbH, Munich

Maurizio PetitBon
Vice-Chairman of the Supervisory Board (since 13 December 2017)
General Partner of Kreos Capital, London, Great Britain

Dr. J. Donald de Bethizy
Chairman of the Supervisory Board (since 28 September 2017)
Consultant, Fredericksberg, Denmark

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

Dr. Olivier Litzka (until 30 September 2017)
Partner of Edmond de Rothschild Investment Partners, Paris

Dr. Walter Wenninger
Consultant, Köln

Management Board

The members of the Management Board:

Dr. Aram Mangasarian
Chief Executive Officer

Dr. Matthias Baumann (since 23 September 2016 until 30 April 2017)
Chief Medical Officer

Other transactions

In December 2017, NOXXON Pharma NV signed a consulting agreement with Whitecity Consulting ApS, a company owned by Dr. J. Donald de Bethizy. According to this agreement the Group is entitled to request advice in the field of NOXXON's business, in particular with regard to the interactions with potential new investors, other investor relations activities or activities regarding strategic alliances. In addition to a remuneration in cash Whitecity Consulting ApS was granted 12,306 stock options under the SOIP 2017 (refer to Note 11).

The transactions with Kreos in financial years 2017 and 2016 are disclosed in Notes 2 and 13.

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 2017 and 2016, 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 2017, the short-term employee benefits for the key management personnel (management board and chief medical officer on consultancy basis) comprise fixed and variable compensation (K€ 707, thereof accrued expenses K€ 207). As of 31 December 2017, the number of issued and outstanding options for key management personnel under the SOIP was 56,404 with a weighted average exercise price of € 10.81 and nil under the Stock Option Plan 2002. Under the SOIP, the share-based payment transactions recognized as an expense during the reporting period amounted to K€ 176. 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 key management personnel was K€ 883 in 2017.

In 2016, the short-term employee benefits for the key management personnel (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 key management personnel 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 key management personnel was K€ 849 in 2016.

In 2017, the remuneration for the supervisory board amounted to K€ 101 (thereof accrued expenses of K€ 101). As of 31 December 2017, the number of issued and outstanding options for key management personnel under the SOIP was 28,714 with a weighted average exercise price of € 9.60. Under the SOIP, the share-based payment transactions recognized as an expense during the reporting period amounted to K€ 61. 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€ 162 in 2017.

In 2016, the remuneration for the supervisory board amounted to K€ 79 (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.

23. Events after the balance sheet date

Subsequent to 31 December 2017 in January and March 2018, the Group received a further nominal amount of € 1.5 million resulting from the Issuance Agreement with an investor entered into in May 2017. On 12 March 2018, the Issuance Agreement was amended to cancel all issued and outstanding warrants held by such investor and to amend the further financing of up to € 6.5 million as follows:

- The ability by the investor to subscribe for subsequent tranches at its sole discretion is suspended over the next 6 months and shall be definitively cancelled provided that the Company raises at least € 5.0 million in equity financing;
- The Company issued a tranche of 100 new notes representing an aggregate nominal amount of € 1.0 million without any warrants attached (received in March 2018, see above);
- All outstanding warrants issued to the investor prior to the signing date of the amendment are cancelled;
- The investor subscribes for the issuance of 167,622 new shares of the Company for a total issuance price of € 1.0 million at €5.9658 per share, which is the volume weighted average price of 12 March 2018.

In consideration for the amendments outlined above, an amount of € 1.0 million in cash is to be paid by the Company to the investor; payment will be paid up by means of set-off against the total issuance price for the new shares.

On 22 January, 9 February and 23 April 2018, the investor converted 15, 10 and 50 of its convertible notes against issuance of 28,790, 21,786 and 147,058 ordinary shares of NOXXON, respectively. Thus, 225 convertible notes of the total 350 notes issued to the investor are outstanding as of the date of the authorization of these consolidated financial statements.

On 13 March 2018, the Company issued 167,622 ordinary shares in conjunction with the amended Issuance Agreement with the investor. As a result, the subscribed capital increased subsequent to 31 December 2017 from 2,293,230 by 365,256 to 2,658,486 ordinary shares.

Amsterdam, 30 April 2018

NOXXON Pharma N.V.

Signing of the financial statements on 30 April 2018

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

Supervisory Board

Dr. J. Donald de Bethizy, Chairman

Dr. Hubert Birner

Bertram Köhler

Dr. Maurizio Petitbon

Dr. Walther Wenninger

Company statements of financial position as of 31 December 2017

Company balance sheet as at 31 December 2017

Company income statement for the year ended 31 December 2017

Notes to the company financial statements for the year ended 31 December 2017

Company balance sheet as at 31 December 2017

(before profit appropriation)

In thousands of €		2017	2016
Fixed assets			
Equipment		10	0
Financial fixed assets	*3*	0	0
Total fixed assets		**10**	**0**
Current assets	*4*		
Receivables due from group companies	*8*	298	0
Other receivables		121	86
Cash at bank and in hand	*5*	422	395
Total current assets		**841**	**481**
Total assets		**851**	**481**
Shareholders' equity	*6*		
Issued capital		2,293	2,051
Share premium		12,315	8,618
Retained earnings		(10,768)	(127)
Undistributed result		(5,496)	(10,641)
Total equity		**(1,656)**	**(99)**
Financial liabilities	*7*	143	0
Non-current liabilities		**143**	**0**
Financial liabilities	*7*	1,673	419
Trade payables		372	136
Liabilities due to group companies	*8*	197	25
Other liabilities		122	0
Current liabilities		**2,364**	**580**
Total equity and liabilities		**851**	**481**

Company income statement for the year ended 31 December 2017

In thousands of €		2017	2016
Share in results from participating interests, after taxation	*3*	(4,038)	(9,431)
Other result after taxation		(1,458)	(1,210)
Net result		**(5,496)**	**(10,641)**

Notes to the company financial statements for the year ended 31 December 2017

1 General

The company financial statements are part of the 2017 statutory financial statements of NOXXON Pharma N.V., Amsterdam, The Netherlands (the 'Company').

With reference to the income statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

The Company is registered under number 62425781 in the Business Register with corporate seat in Amsterdam, the Netherlands and has a branch office in Berlin, Germany. Effective 1 October 2017, NOXXON Pharma N.V. is a management holding providing corporate, legal and administrative services, financial and business advice and asset management.

The company financial statements for the year ended 31 December 2017 were authorized by the Board of Directors on 30 April 2018 and the Supervisory Board on 30 April 2018.

2 Basis of preparation

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. See Note 3 of the consolidated financial statements for a description of these principles.

The Company is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. For a detailed assessment and result we refer to Note 3 of the consolidated financial statements.

Corporate Reorganization and Private Placement

For a detailed explanation of the Corporate Reorganization and the Private Placement consummated in financial year 2016 we refer to Note 2 of the consolidated financial statements. For the impact on the Company's financial statements we refer to Notes 3 and 6.

Going Concern

For a detailed explanation of the Going Concern of the Company and the Group we refer to Note 3.1 of the consolidated financial statements.

Participating interests in group companies

Participating interests in group companies are accounted for in the Company financial statements according to the net asset method. Net asset value is based on the measurement of assets, provisions and liabilities and determination of net result based on the principles applied in the consolidated financial statements. Participations with a negative net asset value are valued at nil. A share of the profits from the participation, in later years, will only be processed if and insofar as the cumulative unrecognized share has compensated the loss. However, if the Company wholly or partly guarantees the debts of a participation, or has the constructive obligation to allow the participation (for its share) to pay its debts, a provision is recognized in the amount of the expected payments by the Company on behalf of the participation. The provision is formed primarily at the expense of long-term unsecured receivables that should actually be seen as part of net investment, and the remainder presented under provisions.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realised.

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 Netherlands Civil Code, the income statement of the Company exclusively states the share in the result of participating interests after taxation and the other result after taxation.

3 Financial fixed assets

Financial assets solely include the investment of the Company in its almost fully owned subsidiary NOXXON Pharma AG, with statutory seat in Berlin, Germany.

In thousands of €	2017	2016
Participating interests in group companies	**0**	**0**
Loans due from group companies	**--**	**--**
	0	**0**

Movements in financial fixed assets were as follows:

In thousands of €	Participating interests in group companies	Loans due from group companies	Total
Balance at 1 January 2016:	**--**	**--**	**--**
1 Debt conversion		7,257	7,257
2 Accrued interest		74	74
3 Capital contribution to NOXXON Pharma AG	2,100	--	2,100
4 Capital contribution due to debt cancellation of loans and receivables due from NOXXON Pharma AG	7,331	(7,331)	--
5 Share in results from participating interests, excluding impairment after taxation	(1,383)	--	(1,383)
Total changes	**8,048**	**--**	**8,048**
6 Impairment of fixed asset due to negative equity of NOXXON Pharma AG	(8,048)	--	(8,048)
Carrying amount	**0**	**--**	**0**
Balance at 1 January 2017:	**0**	**--**	**0**
Changes during the financial year:			
1 Debt conversion		1,771	1,771
2 Purchase of shares from NOXXON Pharma AG	54		54
3 Capital contributions to NOXXON Pharma AG	2,050		2,050
4 Capital contribution due to debt cancellation of loans and receivables due from NOXXON Pharma AG	1,771	(1,771)	--
5 Share in results from participating interests, excluding impairment, after taxation	(3,931)	--	(3,931)
6 Equity-based incentive awards issued to officers and employees of the subsidiary NOXXON Pharma AG	269	--	269
7 Dividends distributed to NOXXON Pharma N.V.	(106)		(106)
Total changes	**107**	**--**	**107**
8 Impairment of fixed asset due to negative equity of NOXXON Pharma AG	(107)	--	(107)
Carrying amount	**0**	**--**	**0**

For details on the impact of the Corporate Reorganization, reference is made to Note 6.

As of 23 September 2016, upon consummation of the Corporate Reorganization, substantially all common and preferred shares in NOXXON Pharma AG were exchanged for 1,504,452 ordinary shares of NOXXON Pharma N.V. In the course of the Debt Conversion, creditors of NOXXON Pharma AG, a subsidiary of the Company, waived their rights for repayment and contributed their receivables amounting to K€ 7,257 to the

Company against issuance of ordinary shares. Subsequently, interest of K€ 74 accrued on the interest bearing part of these contributed receivables. NOXXON Pharma N.V. then contributed a total amount of K€ 7,331 including accrued interest to the additional paid-in capital of NOXXON Pharma AG, which resulted in a corresponding increase of the participation in NOXXON Pharma AG.

However, upon the Corporate Reorganization, the participating interest in NOXXON Pharma AG had a negative net equity. Due to the judgement of the transaction as a transaction under common control, the opening balance was K€ 0 because the value is negative and no consideration was paid. Additional share issuances at nominal value and payments and debt conversions made with respect to the investment, described in the preceding paragraph, were accounted for in accordance with IAS 28.38. Nevertheless, the equity value of the investment remained negative due to continuing research and development activities and accordingly, an impairment loss of K€ 8,048 was recognized resulting in a financial fixed asset of K€ 0. No additional losses were provided for, or a liability recognised, because NOXXON Pharma N.V. has, as of 31 December 2016, incurred no legal or constructive obligations to make payments on behalf of the participating interest holdings in NOXXON Pharma AG.

Upon the corporate reorganisation, the fair value of the participating interest amounted to € 45.3 million (middle case scenario) based on a discounted cashflow valuation. The discounted cashflow value is derived based on the net present value of the cash flows of the operative business, e.g. excluding interest income or expenses as well as any results from non-operating assets/liabilities/special assets. A weighted average cost of capital (WACC) of 12% was applied, based on a peer group analysis including a market risk premium of 6.0%. Further, a constant debt/equity ratio over the plan period based on an assumption of 100% equity financing was considered.

In 2017, Kreos waived its right for repayment against NOXXON Pharma AG and contributed its receivable amounting to K€ 1,771 to the Company against issuance of ordinary shares. NOXXON Pharma N.V. then contributed a total amount of K€ 1,771 to the additional paid-in capital of NOXXON Pharma AG, which resulted in a corresponding increase of the participation in NOXXON Pharma AG. In addition, the Company contributed K€ 2,050 in cash to NOXXON Pharma AG. Nevertheless, the equity value of the investment remained negative due to continuing research and development activities and accordingly, an impairment loss of K€ 107 was recognized resulting in a financial fixed asset of K€ 0. No additional losses were provided for, or a liability recognised, because NOXXON Pharma N.V. has, as of 31 December 2017, incurred no legal or constructive obligations to make payments on behalf of the participating interest holdings in NOXXON Pharma AG.

The cumulative loss of NOXXON Pharma AG, since the NOXXON Pharma N.V. became head of the Group in September 2016, was K€ 5,421. The loss of NOXXON Pharma AG for the fiscal year 2017 was K€ 4,037. Total cumulative loss of NOXXON Pharma AG, ever since its establishment was K€ 121,258.

The Company, with its statutory seat in Amsterdam, is the holding company and has the following financial interests:

Name	Location	Share in issued capital %
Consolidated participating interests		
NOXXON Pharma AG	Berlin, Germany	**99.9**
NOXXON Pharma Inc. (indirectly held by NOXXON Pharma AG)	Boston, MA, USA	**100.0**

4 Current assets

Other receivables include as of 31 December 2017 the cash balance of the liquidity account with the liquidity provider amounting to K€ 12 (prior year: K€ 83) and prepaid expenses of K€ 9 (prior year: K€ 3). All amounts are due within one year. The cash balance of the liquidity account with the liquidity provider is not withdrawable on demand into cash at bank or in hand, because the cash amounts are transferred to the liquidity provider to enable him to increase the liquidity of the NOXXON Pharma N.V. shares by increasing the trading volume.

5 Cash at bank and in hand

Cash consist only of cash at bank and in hand. Deposits included under cash at bank and in hand are withdrawable on demand. The net book value represents the maximum amount that is at risk. The carrying amount of cash at bank and in hand is a reasonable approximation of the fair value.

6 Shareholders' equity

Reconciliation of movements in capital and reserves

In thousands of €	Issued share capital	Share premium	Retained earnings	Undistri-buted result	Total
Balance at 1 January 2016	45	--	--	(127)	(82)
Result appropriation to retained earnings	--	--	(127)	127	--
Changes in financial year 2016	--	--	--	--	--
• Issued ordinary shares (Reorganization)	1,504	(1,504)			
• Purchase of own shares in Reorganization	--	(45)	--	--	(45)
• Issued ordinary shares (Private Placement)	502	10,204	--	--	10,706
• Issuance costs	--	(20)	--	--	(20)
• Purchase of own shares	--	(17)	--	--	(17)
• Result for the year				(10,641)	(10,641)
Balance at 1 January 2017	2,051	8,618	(127)	(10,641)	(99)
Result appropriation to retained earnings	--	--	(10,641)	10,641	--
Changes in financial year 2017:					
• Share-based compensation	--	127	--	--	127
• Group share based compensation	--	269	--	--	269
• Spring 2017 Capital increase	64	830	--	--	894
• Capital increases debt-for-equity swaps	114	2,087	--	--	2,201
• Capital increase from note conversions	64	530	--	--	594
• Purchase of own shares	--	(146)	--	--	(146)
• Result for the year	--	--	--	(5,496)	(5,496)
Balance at 31 December	**2,293**	**12,315**	**(10,768)**	**(5,496)**	**(1,656)**

Share capital, Share premium and Reserve for own shares

Ordinary shares

As of 31 December 2017 the share capital of the Company of K€ 2,293 (prior year K€ 2,051) is divided into 2,293,230 ordinary shares (prior year: 2,051,097) with a nominal value of € 1.00.

In 2017, the Company issued an aggregate of 64,512 ordinary shares at a price of €15.50 against contribution in cash and an aggregate of 113,940 ordinary shares at a price of €15.50 per share against the contribution of a partial amount of the outstanding venture loan facility. In addition, the investor converted a total of 50 convertible notes equaling a conversion amount of € 500,000 in an aggregate of 63,681 ordinary shares.

As a result, additional subscribed capital of K€ 242 thousand and share premium of K€ 3,553 thousand were recognized.

As of 23 September 2016, upon consummation of the Corporate Reorganization, substantially all common and preferred shares in NOXXON Pharma AG were exchanged for 1,504,452 ordinary shares of NOXXON Pharma N.V. This exchange comprised 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.

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 of the subsidiary NOXXON Pharma AG. In the Private Placement, an amount of K€ 10,204 was allocated as a share premium, less transaction costs of K€ 20.

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.

Share premium

As of 31 December 2017, the share premium of the Company amounts to K€ 12,315 (prior year K€ 8,618).

In 2017, share premium increased by K€ 3,553 thousand as a result of the issuance of an aggregate of 64,512 ordinary shares at a price of €15.50 against contribution in cash, resulting in an increase of K€ 936 (less the par-value of ordinary shares issued), an aggregate of 113,940 ordinary shares at a price of €15.50 per share against the contribution of a partial amount of the outstanding venture loan facility, resulting in an increase of K€ 2,087 (in accordance with IFRIC 19 at the fair value of ordinary shares at the conversion point in time), and conversion of a total of 50 convertible notes equaling a nominal conversion amount of € 500 thousand in an aggregate of 63,681 ordinary shares, resulting in an increase of K€ 530 (in accordance with IFRIC 19 at the fair value of ordinary shares at the conversion point in time).

Further, share-based compensation of K€ 127 and group share based payment compensation of K€ 269 in 2017 and nil in 2016 were recorded, respectively.

In the course of the Private Placement in 2016, an amount of K€ 10,204 was recorded as share premium, less of transaction costs of K€ 20.

The purchase price or carrying amount of the treasury shares of K€ 62 was charged to share premium.

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.

Own shares

At 31 December 2017, the Company held 58,652 own shares (prior year 45,770 own shares).

Share-based compensation

For details of the 2016 Stock Option and Incentive Plan ("SOIP") we refer to note 11 of the consolidated financial statements. The share based payments for each individual member of the Board of Directors and the Supervisory Board are disclosed in the remuneration report in the supervisory board report.

NOXXON Pharma N.V. issued equity-based incentive awards to directors (including Management Board Directors provided that the Supervisory Board will decide when it concerns a person elected to the Management Board), officers, employees and consultants.

However, some of those beneficiaries provide services only to the subsidiary NOXXON Pharma AG and not directly to NOXXON Pharma N.V. Accordingly, the Company receives services indirectly through the subsidiary NOXXON Pharma AG in the form of an increased investment in the subsidiary - i.e. the subsidiary receives services from officers and employees that are paid for by the Company - thereby increasing the value of the subsidiary. Therefore, the Company recognizes in share premium the equity-based incentive awards, with a corresponding increase in its investment in NOXXON Pharma AG in its separate financial statements. The amount recognised as an additional investment for the financial year 2017 of K€ 269 is based on the grant-date fair value of the share-based payment. We refer to note 3. No amounts were recognized for financial year 2016.

For beneficiaries that directly provide services to the Company, the equity-based incentive awards are recognized in other result after taxation, with a corresponding increase in share premium. In the financial year 2017, an amount of K€ 127 was recognized. No amounts were recognized for financial year 2016.

Reconciliation of shareholders' equity and net result to the consolidated financial statements

Shareholders' equity and net result according to the Company financial statements are not identical to the corresponding figures in the consolidated financial statements.

In thousands of €	2017 Shareholder's equity	2017 Net Result	2016 Shareholders' equity	2016 Net Result
Company financial statements	(1,656)	(5,496)	(99)	(10,641)
--Impairment of financial fixed asset in Company's financial statements	107	107	--	8,048
--Result of participating interest prior to corporate reorganization	--	--	--	(9,369)
--Company financial result already included in consolidated result	--	--	--	1,210
-- Net consolidated equity upon corporate reorganization	(2,367)	--	(2,367)	--
--Accumulated issuance costs recognized in subsidiaries financial statements	--		(14)	--
-- Other	4	4	--	--
Consolidated financial statements	**(3,912)**	**(5,385)**	**(2,480)**	**(10,747)**

The carrying amount of the group company NOXXON Pharma AG is nil in the Company financial statements. However, the equity deficit of this group company is recognized in full in the consolidated financial statements. For the share of the loss not recognized in the company financial statements, please refer to the Note 3 on financial fixed assets.

Proposal for result appropriation for the financial year 2017

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2017 loss for the period amounting to K€ 5,496 to be added to the accumulated losses in retained earnings.

7 Financial liabilities

For a detailed explanation of the Yorkville equity line financing we refer to Note 13 of the consolidated financial statements. As of 31 December 2016 no notes were outstanding. The fair value of the bifurcated embedded derivative of the conversion right (current derivative financial liability) as of 31 December 2017 and 2016 amounted to K€ 43 and nil, respectively. The fair value of the warrants (non-current derivative financial liability) as of 31 December 2017 and 2016 amounted to K€ 106 and nil, respectively.

Further, non-current financial liabilities as at 31 December 2017 represent the fair value of K€ 37 of warrants issued to investors in the Spring 2017 Capital Increase.

The amount of K€ 419 as at 31 December 2016 represents the fair value of the derivative financial liability relating to the contingent debt-to-equity swap with Kreos, a lender of the Group. The derivative financial liability is a financial instrument of the Company. If the lender of the Group had called for the debt-to-equity swap until 31 March 2017, the Company would have been required to issue a number of ordinary shares to that lender based on a fixed conversion rate, depending on the amount of debt to be converted in accordance with the lenders request. The option forfeited as at 31 March 2017 and was derecognized to profit and loss.

8 Receivables due from and liabilities due to group companies

In thousands of €	2017	2016
Accounts receivable from group companies	298	--
Receivables due from group companies	**298**	**--**
Accounts payable to group companies	102	25
Value added tax payables to group companies (tax group)	95	--
Liabilities due to group companies	**197**	**25**

9 Financial instruments

General

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company financial statements of the Company.

Fair value

The fair values of most of the financial instruments stated on the balance sheet, including accounts receivable, cash at bank and in hand and current liabilities, are close to their carrying amounts.

The fair value of the derivative financial liabilities (see Note 7) is calculated based on level 3 input factors using a Black Scholes option model. The fair value of the warrants amounts to K€ 143 as at 31 December 2017 (prior year nil) and the fair value of the embedded derivative financial liability relating to the conversion option of Yorkville amounts to K€ 43 as at 31 December 2017 (prior year nil). The option forfeited in 2017 and was derecognized at an amount of K€ 419 (prior year change of fair value: K€ 419). Both are fully recognised in profit and loss in the years 2017 and 2016, respectively.

10 Employee benefits and number of employees

Since October 2017, the Company employs one member of the Board of Directors and three employees, all working abroad.

As of balance sheet date, the Group employs one member of the Board of Directors and nine employees, all working abroad.

11 Share in results from participating interests

A loss of K€ 3,931 (prior year: K€ 1,383) of share in results from participating interests relates to group companies.

12 Fees of the auditor

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees (excluding surcharges, expenses and VAT) for the financial year have been charged by EY Netherlands to the Company, its subsidiaries and other consolidated entities, and were expensed in the Company's and consolidated financial statements in the respective years:

In thousands of €	**EY Netherlands 2017**	**Other EY network 2017**	**Total EY 2017**
Audit of the financial statements	148	--	148
Other audit engagements	22	--	22
	170	**--**	**170**

In thousands of €	EY Netherlands 2016	Other EY network 2016	Total EY 2016
Audit of the financial statements	64	81	145
Other audit engagements	--	154	154
	64	**235**	**299**

13 Remuneration of managing and supervisory directors

For remuneration of the members of the management board and the supervisory board of NOXXON Pharma N.V. see section "Remuneration" of the Supervisory Board report of the Annual Report 2017.

14 Related party transactions

For related party transactions we refer to Note 22 of the consolidated financial statements. For transactions between the Company and its subsidiaries we refer to Notes 3 and 8 of the Company's financial statements.

15 Commitments and contingencies

Commitments of K€ 104 (prior year: K€ 121) exist in relation to the listing agent agreement, the sponsor bank and agent agreement and other services. There are no further commitments or contingencies.

16 Events after the balance sheet date

Subsequent to 31 December 2017 in January and March 2018, the Group received a further nominal amount of € 1.5 million resulting from the Issuance Agreement with an investor entered into in May 2017. On 12 March 2018, the Issuance Agreement was amended to cancel all issued and outstanding warrants the investor holds and to amend the further financing of up to € 6.5 million by way of issuing convertible notes as follows:

- The ability by the Investor to subscribe for subsequent tranches at its sole discretion is suspended over the next 6 months and shall be definitively cancelled provided that the Company raises at least € 5.0 million in equity financing;
- The Company issued a tranche of 100 new notes representing an aggregate nominal amount of €1.0 million without any warrants attached;
- All outstanding warrants issued to the Investor prior to the signing date of the amendment are cancelled;
- The Investor subscribes for the issuance of 167,622 new shares of the Company for a total issuance price of € 1.0 million at €5.9658 per share, which is the volume weighted average price of 12 March 2018;

In consideration for the amendments outlined above, an amount of € 1.0 million in cash is to be paid by the Company to the Investor; payment will be paid up by means of set-off against the total issuance price for the new shares.

On 22 January, 9 February and 23 April 2018, the investor converted 15, 10 and 50 of its convertible debenture notes against issuance of 28,790, 21,786 and 147,058 ordinary shares of NOXXON, respectively. On 13 March 2018, the Company issued 167,622 ordinary shares in conjunction with the amended Issuance Agreement with the investor.

As a result, the subscribed capital increased subsequent to 31 December 2017 from 2,293,230 by 365,256 to 2,658,486 ordinary shares.

Amsterdam, 30 April 2018

NOXXON Pharma N.V.

Signing of the financial statements on 30 April 2018

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

Supervisory Board

Dr. J. Donald deBethizy, Chairman

Dr. Hubert Birner

Bertram Köhler

Dr. Maurizio Petitbon

Dr. Walther Wenninger

Other information

Provisions in the Articles of Association governing the appropriation of profit

The company's Articles of Association provide under chapter X, Article 29 provisions about the appropriation of profits, distributions and losses as follows:

CHAPTER X. Financial year and annual accounts. Profits and distributions.

Article 29. Profits, distributions and losses.

1. The company shall have a policy on reserves and dividends, which shall be determined and may be amended by the board of directors. The adoption and thereafter each material change of the policy on reserves and dividends shall be discussed at the general meeting under a separate agenda item.
2. From the profits, if any, shown in the annual accounts, as adopted, the Management Board shall determine which part shall be reserved. Any profits remaining thereafter shall be at the disposal of the general meeting. The board of directors shall make a proposal for that purpose. A proposal to pay a dividend shall be dealt with as a separate agenda item at the general meeting.
3. Distribution of dividends on the shares shall be made in proportion to the nominal value of each share.
4. Distributions may be made only insofar as the company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law.
5. If a loss was suffered during any one year, the board of directors may resolve to offset such loss by writing it off against a reserve which the company is not required to keep by virtue of the law.
6. The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.
7. The board of directors may, subject to due observance of the policy of the company on reserves and dividends, resolve to make an interim distribution, provided the requirement of paragraph 4 of this article has been complied with, as shown by interim accounts. Such interim accounts shall show the financial position of the company not earlier than on the first day of the third month before the month in which the resolution to make the interim distribution is announced. Such interim accounts shall be signed by all members of the board of directors. If the signature of one or more of them is missing, this shall be stated and reasons for this omission shall be given. The interim accounts shall be deposited in the offices of the trade register within eight days after the day on which the resolution to make the interim distribution has been announced.
8. At the proposal of the board of directors, the general meeting may resolve to make a distribution on shares wholly or partly not in cash but in shares. At the proposal of the board of directors, the general meeting may resolve that distributions are made in another currency than Euro.
9. The board of directors may, subject to due observance of the policy of the company on reserves and dividends, resolve that distributions shall be made to holders of shares out of one or more reserves.

10. Dividends and other distributions of profit shall be made payable in the manner and at such date(s) - within four (4) weeks after declaration thereof - and notice thereof shall be given, as the Management Board shall determine. The board of directors may determine that entitled to dividends and other distributions of profits shall be, the shareholders, usufructuaries and pledgees, as the case may be, at a record date within four (4) weeks after notification thereof. A claim of a shareholder for payment of a distribution shall be barred after five (5) years have elapsed.

Profit-sharing certificates and similar rights

The Company has no preference shares, which give priority over part of the distributable profit.

Branch offices

NOXXON Pharma N.V. operates through the following branch offices (direct or indirect owned subsidiaries:

Name	Registered seat	Shareholding (%)
NOXXON Pharma N.V.	Amsterdam, Netherlands	parent company
NOXXON Pharma AG	Berlin, Germany	99.9 %
--- NOXXON Pharma Inc.	Boston, MA, USA	100.0 %

The Company has a branch office in Berlin, Germany.

Independent auditor's report

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

Report on the audit of the financial statements 2017 included in the annual report

Our opinion

We have audited the financial statements 2017 of NOXXON Pharma N.V., based in Amsterdam, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of NOXXON Pharma N.V. as at 31 December 2017 and of its result and its cash flows for 2017 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code
- The accompanying company financial statements give a true and fair view of the financial position of NOXXON Pharma N.V. as at 31 December 2017 and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code

The consolidated financial statements comprise:

- The consolidated statement of financial position as of 31 December 2017
- The following statements for 2017: the consolidated statement of comprehensive loss, the consolidated cash-flow statement and the consolidated statement of changes in shareholders' equity
- The notes to the consolidated financial statements comprising a summary of the significant accounting policies and other explanatory information

The company financial statements comprise:

- The company balance sheet as of 31 December 2017
- The company income statement for the year ended 31 December 2017
- The notes to the company financial statements comprising a summary of the accounting policies and other explanatory information

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 financial statements section of our report.

We are independent of NOXXON Pharma N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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.

Material uncertainty related to going concern

We draw attention to the going concern paragraph in note 3.1 of the financial statements which indicates that the company is dependent upon raising additional finance in order to continue operations. 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.

Materiality

Materiality	€ 86,300 (2016: €151,700)
Benchmark applied	2% of total expenses
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 is an appropriate benchmark.

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

We agreed with the supervisory board that misstatements in excess of € 4,300, 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 consolidated financial statements of NOXXON Pharma N.V.

Our audit mainly focused on the significant group entity NOXXON Pharma AG with its statutory seat in Berlin, Germany, as all operations of the group reside within that entity, as well as the holding company NOXXON Pharma N.V., as financing transactions occurred within that entity.

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 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. In addition to the matter described in the ‘Material uncertainty related to going concern’ section of our report we have determined the following key audit matter:

Complexity of financial instruments	
Risk	Note 13 of the consolidated financial statements sets out that in 2017 the Company entered into financing agreements with two outside investors. We identified the risk that due to the technical and/or contractual complexity of the financing agreements, these transactions may not be accounted for in accordance with the applicable accounting framework.

Complexity of financial instruments	
Our audit approach	We inquired of Company management with respect to the prerequisites and conditions surrounding the financing agreements and the consequences for the financial statements. For a sample of financial instruments resulting from these financing agreements, we assessed whether the characteristics of the financial instrument were evaluated in accordance with EU-IFRS in presenting as either a financial liability or as equity. Furthermore, we assessed key inputs and assumptions as well as sensitivities to key factors. We assessed whether the disclosures in the financial statements appropriately reflected the Group's exposure to financial instrument valuation risk resulting from the financing agreements, with reference to the requirements of the prevailing accounting standards.
Key observations	We are satisfied that the transactions resulting from the financing agreements are accounted for in accordance with the applicable accounting framework. The disclosure on financial instruments is in line with the requirements under EU-IFRS.

Last year we identified a key audit matter with respect to the accounting of the corporate reorganization that occurred in 2016. As this was a one off event, the matter did not recur in the current financial year.

Report on other information included in the annual report

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

- The management report
- Other information pursuant to Part 9 of Book 2 of the Dutch Civil Code

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and 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, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

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

Description of responsibilities for the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the 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 financial statements.

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

Our responsibilities for the audit of the 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 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 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, we conclude that a material uncertainty exists. Consequently, we are required to draw attention in our auditor's report to the related disclosures in the financial statements. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and 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 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 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, 30 April 2018

Ernst & Young Accountants LLP

signed by P.A.E. Dirks

Declaration by the Person Responsible for Annual Report 2017

"I declare that, to the best of my knowledge, the Consolidated statements of financial position as of 31 December 2017 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the Group and the Company and all the other companies included in the scope of consolidation, and that this Annual Report includes a fair view of the important events which occurred during the Fiscal Year 2017, their impact on the financial statements and the main transactions between related parties, together with a description of the principal risks and uncertainties that they face in the upcoming twelve months."

Amsterdam, 30 April 2018

NOXXON Pharma N.V.

Dr. Aram Mangasarian, CEO