

NOXXON Pharma N.V.

**Statements of financial position
as of 31 December 2015**

Amsterdam, 7 November 2016

NOXXON Pharma N.V.**Statements of Financial Position as of 31 December 2015**

(in thousands of €)

Assets	Note	31 December 2015	16 January 2015	Equity and liabilities	Note	31 December 2015	16 January 2015
Current assets				Equity			
Cash and cash equivalents	(3)	45	46	Subscribed capital	(4)	45	45
				Accumulated deficit		-127	0
		<u>45</u>	<u>46</u>			<u>- 82</u>	<u>45</u>
				Current liabilities			
				Trade accounts payable	(5)	65	0
				Other liabilities	(6)	62	1
						<u>127</u>	<u>1</u>
		<u>45</u>	<u>46</u>			<u>45</u>	<u>46</u>

NOXXON Pharma N.V.

Statement of Comprehensive Loss for the Stub Period Ended 31 December 2015

(in thousands of €)

		16 January to 31 December 2015
	Note	
General and administrative expenses		<u>-127</u>
Net loss before income tax		<u>-127</u>
Net loss - all attributable to equity holders of the Company		<u><u>-127</u></u>
Other comprehensive income		0
Total comprehensive loss		<u><u>-127</u></u>
Loss per share in € per share (basic and diluted)	(7)	-0,03

NOXXON Pharma N.V.**Cash-Flow Statement for the Stub Period Ended 31 December 2015**

(in thousands of €)

	16 January to 31 December 2015
	Note <hr/>
Operating activities	
Net loss before income tax	-127
<u>Changes in operating assets and liabilities:</u>	
Trade accounts payable and other liabilities	126
Net cash used in operating activities	<hr style="border-top: 1px dashed black;"/> -1
Net change in cash and cash equivalents	-1
Cash at the beginning of year	(3) <hr/> 46
Cash at the end of year	(3) <hr/> 45

NOXXON Pharma N.V.**Statement of Changes in Shareholders' Equity for the Stub Period Ended 31 December 2015**

(in thousands of €)

	Common and Preferred Shares				
	Note	Number of shares outstanding	Subscribed capital	Accumulated Deficit	Total
16 January 2015		4.500.000	45	0	45
Net loss				-127	-127
Total comprehensive loss				-127	-127
31 December 2015	(4)	4.500.000	45	-127	-82

NOXXON Pharma N.V., Notes to the Financial Statements 2015

1. Corporate Information

NOXXON Pharma N.V. (in the following NOXXON or Company) was incorporated pursuant to the laws of the Netherlands and is a Dutch public company with limited liability (*naamloze vennootschap*). The Company was formed 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., holding four million five hundred thousand ordinary shares in the capital of NOXXON Pharma N.V.

Pursuant to the terms of a corporate reorganization that was completed on 23 September 2016, substantially all of the equity interest in NOXXON Pharma AG was exchanged for newly issued ordinary shares of NOXXON Pharma N.V., and NOXXON Pharma AG became a subsidiary of NOXXON Pharma N.V. (in the following the Group). In connection with such exchange, the ordinary shares in NOXXON Pharma N.V. held by NOXXON Pharma AG were repurchased.

NOXXON Pharma N.V. was founded on 16 January 2015 and has its official seat in Amsterdam, the Netherlands. This financial statement is prepared as of 31 December 2015.

The financial statements were authorized by the Board of Directors for issuance on 7 November 2016.

2. Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU).

Operational activities in the stub period ended 31 December 2015

To this date, the Company has not performed any activities other than those incident to its formation, the contemplated corporate reorganization and the preparation for a capital market transaction.

Going Concern

The accompanying financial statements have been prepared on the basis that the Company 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 Company's and the Group's ability to continue as a going concern is dependent on its ability to raise additional funds to continue the research and development programs and meet its obligations.

The Group expects to 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 pursue various financing alternatives, including seeking additional investors, pursuing industrial partnerships, or obtaining further funding from existing investors through additional funding rounds, pursuing a merger or an acquisition and/or delaying, reducing the scope of, eliminating or divesting clinical programs and considering other cost reduction initiatives, such as

NOXXON Pharma N.V., Notes to the Financial Statements 2015

reducing the amount of space being rented by the Group, postponing hiring new personnel and/or reducing the size of the current workforce.

Subsequent to the corporate reorganization in September 2016, the Group executed commitment agreements, whereby certain existing shareholders provided the Group additional cash resources, consisting of equity of approximately € 2.8 million, in a private placement.

Pursuant to an agreement dated 22 September 2016, the lender has agreed, subject to certain conditions, to convert its total nominal debt of approximately € 9.6 million, including accrued interest and fees, into equity of the Group, and not enforce its rights to repayment of the loans, per the following. On 23 September 2016, upon the relevant conditions having been satisfied, an initial conversion of approximately € 7.0 million of the loans into equity of the Group became effective. Regarding the loan amount remaining, the lender allowed for payment to be deferred through the end of March 2017. Further, the lender has agreed that the balance of the loan remaining of approximately € 2.6 million shall be converted into equity of the Group on a pro-rated basis upon the raising of new capital until March 2017, which may be by investments or non-dilutive funding via partnership on the same conditions as the initial conversion. As a result, at such point in time, the total loan amount will be fully converted into equity when such new capital in the amount of approximately € 2.6 million would be raised. If by March 2017 no such new capital in the amount of approximately € 2.6 million has been raised, the lender may request for the balance of the loan to be converted into equity or for repayment under the existing loan agreements.

Further, two creditors, each in relation to their receivables due from the Group and totaling K€ 257 contributed these receivables to the Group against the issuance of ordinary shares of NOXXON Pharma N.V..

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 € 2.9 million, to provide the Group with sufficient working capital for the twelve months following the date of these interim financial statements. In particular, after completion of the private placement, consisting of equity of approximately € 2.8 million and the further contributions of receivables of the lender and two creditors, the Group believes that it has obtained sufficient working capital, including cash and commitments from existing investors to finance the Group, to continue its current operations through April 2017.

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 most attractive options are pure equity financing based on corporate news-flow and signature of an industrial partnership which brings in up-front financing. In addition, there are options for convertible debt financing and various merger and acquisition discussions. The management of NOXXON is pursuing all of these avenues in parallel with the assistance of experienced external support. Based on the options available management is confident to be able to raise additional capital.

Management has given consideration to the ability of the Company to continue as a going concern and is satisfied that the Company and the Group have adequate resources and prospects to fund current and future commitments in light of support from existing funds available as well as potential other sources of funds. Based on management's going concern assumption, the financial statements do not include any adjustments that may result from the outcome of these uncertainties. If the Company and the Group are not successful in obtaining the additional funds required to maintain

NOXXON Pharma N.V., Notes to the Financial Statements 2015

its operational activities, there is a substantial doubt that the Company will be able to continue as a going concern.

3. Cash and Cash Equivalents

Cash and cash equivalents consist of cash at bank, denominated in euro and result from the cash inflow of € 45,000 from the sole shareholder for the issued ordinary shares and simultaneously a cash inflow of € 1,000 to facilitate the formation of the Company.

4. Equity

The Company has issued 4,500,000 (four million five hundred thousand) ordinary shares to its sole shareholder NOXXON Pharma AG for a nominal amount of € 0.01 for each ordinary share. The ordinary shares are fully paid up as of 16 January 2015. In accordance with the articles of association dated 16 January 2015, the authorized capital amounts to €225,000 as of that date.

5. Trade accounts payable

Trade accounts payable comprise liabilities due to third parties for the preparation of a capital market transaction.

6. Other Liabilities

Current other liabilities comprise a loan granted by the sole shareholder NOXXON Pharma AG for an indefinite period to the Company to bear its formation expenses and further expenses incurred in preparation of a capital market transaction. The loan is interest bearing commencing on 1 January 2016 at 2.0 percent per annum and fully repayable upon termination by either party with a three business days' notice.

7. 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.

in thousands of €	2015
Net loss	(127)
Weighted number of ordinary shares outstanding	4,500,000
Loss per share, basic and diluted in € per share	(0.03)

There are no dilutive instruments outstanding.

8. Related party transactions

Sole managing directors of NOXXON Pharma N.V. in its one tier board structure during the stub period were Iain Buchanan, until 30 June 2015, and Dr. Aram Mangasarian, since 1 July 2015 and until 21 September 2016.

The managing directors have not received any salaries or compensation from NOXXON Pharma N.V. in 2015.

Since 22 September 2016 NOXXON Pharma N.V. has a two tier board structure consisting of a Board of Directors and a Supervisory Board. The members of these boards are:

Board of Directors

Dr. Aram Mangasarian
Chief Executive Officer

Dr. Matthias Baumann
Chief Medical Officer

Supervisory Board

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

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

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

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

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

Dr. Walter Wenninger
Consultant, Leverkusen, Germany

9. Events after the balance sheet date

Effective 23 September 2016, in the corporate reorganization, substantially all of the holders of the outstanding shares of NOXXON Pharma AG entered into an agreement pursuant to which they subscribed for newly issued ordinary shares, and agreed to contribute and transfer their shares in NOXXON Pharma AG to NOXXON Pharma N.V. in consideration therefor. As a result, NOXXON Pharma N.V. now holds approximately 99.8% of the shares of NOXXON Pharma AG. In total, K€ 2,051 ordinary shares were issued, less K€ 45 treasury shares. There is a risk that the tax loss carry forwards of the NOXXON Pharma AG would be forfeited due to the corporate reorganization. However, provisions in German tax law permit the carry-forward of these tax losses after such reorganization, if the NOXXON Pharma AG equity fair value exceeds its book value.

Subsequent to the corporate reorganization in September 2016, the Group executed the private placement consisting of equity contributions, debt-to-equity conversion and further contributions as follows.

The Group executed commitment agreements, whereby certain existing shareholders provided the Group additional cash resources, consisting of equity of K€ 2,819.

Pursuant to an agreement dated 22 September 2016, the lender has agreed, subject to certain conditions, to convert its total nominal debt of approximately € 9.6 million, including accrued interest and fees, into equity of the Group, and not enforce its rights to repayment of the loans, per the following. On 23 September 2016, upon the relevant conditions having been satisfied, an initial conversion of approximately € 7.0 million of the loans into ordinary shares of NOXXON Pharma N.V. became effective. Regarding the nominal value of the loan amount remaining of € 2.6 million, the lender allowed for payment to be deferred through the end of March 2017. Further, the lender has agreed that the balance of the loan remaining at the end of March 2017 shall be converted into ordinary shares of NOXXON Pharma N.V. on a pro-rated basis upon the raising of new capital until March 2017, which may be by investments or non-dilutive funding via partnership on the same conditions as the initial conversion. As a result, at such point in time, the total loan amount will be fully converted into equity when such new capital in the amount of approximately € 2.6 million would be raised. If by March 2017 no such new capital in the amount of approximately € 2.6 million has been raised, the lender may request for the balance of the loan to be converted into equity or for repayment under the existing loan agreements.

Further, two creditors, each in relation to their receivables due from the Group and totaling K€ 257 contributed these receivables against the issuance of ordinary shares of NOXXON Pharma N.V..

Effective 30 September 2016, NOXXON Pharma N.V. listed all of its ordinary shares under the symbol "ALNOX" with ISIN NL0012044762 on the Alternext stock exchange.

Amsterdam, 7 November 2016

NOXXON Pharma N.V.

NOXXON Pharma N.V., Notes to the Financial Statements 2015

Signing of the financial statements on 21 November 2016

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

Dr. Matthias Baumann, CMO

Supervisory Board

Dr. Hubert Birner, Chairman

Bertram Köhler

Dr. J. Donald de Bethizy

Dr. Olivier Litzka

Maurizio Petitbon

Dr. Walther Wenninger