



NOXXON Pharma N.V.
Amsterdam, The Netherlands

Half-Year Financial Report
2018
30 June 2018

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Forward-looking statements

This Half-Year Financial Report contains statements that constitute forward-looking statements. Forward-looking statements appear in a number of places in this Half-Year Financial 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 Factors" in this Half-Year Financial Report.

Such estimates have been made in good faith and represent the current beliefs of management. Management believes 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 Half-Year Financial 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.

Condensed consolidated interim financial statements as of 30 June 2018

Condensed consolidated interim statements of financial position as of 30 June 2018

Condensed consolidated interim statements of comprehensive loss for the six-month period ended 30 June 2018

Condensed consolidated interim cash-flow statements for the six-month period ended 30 June 2018

Condensed consolidated interim statements of changes in shareholder's equity for the six-month period ended 30 June 2018

Notes to the condensed consolidated interim financial statements as of 30 June 2018

NOXXON Pharma N.V., Amsterdam, The Netherlands
Condensed Consolidated Interim Statements of Financial Position as of 30 June 2018

(in thousands of €)

Assets	Note	30 June 2018	31 December 2017	Equity and liabilities	Note	30 June 2018	31 December 2017
Non-current assets				Equity			
Intangible assets		5	5	Subscribed capital	(4)	3,126	2,293
Equipment		41	47	Additional paid-in capital	(4)	131,306	128,523
Deferred tax assets		1	1	Accumulated deficit	(4)	-138,569	-134,520
Financial assets		5	5	Treasury shares		-211	-208
		<u>52</u>	<u>58</u>	Equity attributable to owners of the Company		<u>- 4,348</u>	<u>- 3,912</u>
				Non controlling interest		-9	-7
				Total equity		<u>- 4,357</u>	<u>- 3,919</u>
Current assets				Non-current liabilities			
Other assets		122	181	Financial liabilities	(5)	700	932
Financial assets		68	68			<u>700</u>	<u>932</u>
Cash and cash equivalents		798	622				
		<u>988</u>	<u>871</u>	Current liabilities			
				Financial liabilities	(5)	2,082	1,673
				Trade accounts payable		1,582	1,273
				Other liabilities		1,033	970
						<u>4,697</u>	<u>3,916</u>
		<u>1,040</u>	<u>929</u>			<u>1,040</u>	<u>929</u>

NOXXON Pharma N.V., Amsterdam, The Netherlands**Condensed Consolidated Interim Statements of Comprehensive Loss for the Six-Month Period****Ended 30 June 2018**

(in thousands of €)	Note	For the six months ended	
		30 June 2018	30 June 2017*
Other operating income		77	245
Research and development expenses	(7)	-1,189	-1,215
General and administrative expenses	(8)	-1,359	-1,263
Foreign exchange losses		-2	0
Loss from operations		-2,473	-2,233
Finance income	(5)	59	593
Finance cost	(5)	-1,637	-586
Loss before income tax		-4,051	-2,226
Income tax		0	0
Net loss		-4,051	-2,226
Other comprehensive income		0	0
Total comprehensive loss		-4,051	-2,226
Net loss attributable to:			
Owners of the Company		-4,049	-2,223
Non-controlling interests		-2	-3
		-4,051	-2,226
Total comprehensive loss attributable to:			
Owners of the Company		-4,049	-2,223
Non-controlling interests		-2	-3
		-4,051	-2,226
Loss per share in EUR per share (basic and diluted)	(6)	-1.70	-1.10

*Restated, refer to Note 4

NOXXON Pharma N.V., Amsterdam, The Netherlands
Condensed Consolidated Interim Cash-Flow Statements for the Six-Month Period Ended 30 June 2018

(in thousands of €)

	Note	For the six months ended	
		30 June 2018	30 June 2017*
Operating activities			
Net loss before income tax		-4,051	-2,226
<u>Adjustments to reconcile net loss to net cash used in operating activities:</u>			
Depreciation and amortization expense		11	13
Finance income		-59	-593
Finance cost		1,637	586
Employee stock based compensation		292	0
Other non-cash transactions		0	1
<u>Changes in operating assets and liabilities:</u>			
Trade receivables, other current assets, other financial assets and prepaid expense		59	222
Trade accounts payable and other liabilities		354	-157
Net cash used in operating activities		-1,757	-2,154
Investing activities			
Purchase of equipment		-5	0
Cash received from investments in current financial assets		0	131
Cash paid for investments in current financial assets		0	-5
Net cash used in/provided by investing activities		-5	126
Financing activities			
Proceeds from issuance of ordinary shares	(4)	0	1,000
Transaction costs for issuance of ordinary shares		0	-22
Proceeds from issuance of convertible notes and convertible bonds	(5)	1,941	0
Purchase of treasury shares		-3	-30
Prepaid transaction costs for issuance of convertible notes		0	-10
Net cash provided by financing activities		1,938	938
Net change in cash and cash equivalents		176	-1,090
Cash at the beginning of period		622	2,214
Cash at the end of the period		798	1,124

*Restated, refer to Note 4

NOXXON Pharma N.V., Amsterdam, The Netherlands

Condensed Consolidated Interim Statements of Changes in Shareholders' Equity for the Six-Month Period ended 30 June 2018

(in thousands of €)	Note	Ordinary Shares			Additional Paid-In Capital		Accumulated Deficit	Total	Non-controlling Interests	Total Equity
		Number of Shares	Subscribed Capital	Treasury Shares	Other Additional Paid-In-Capital	Total				
1 January 2017		2,051,097	2,051	-62	124,666	124,666	-129,135	-2,480	-2	-2,482
Net loss							-2,365	-2,365	-3	-2,368
Total comprehensive loss							-2,365	-2,365	-3	-2,368
Capital increases	(4)	124,189	124		2,386	2,386		2,510		2,510
Issuance costs of capital increases	(4)				-82	-82		-82		-82
Purchase of treasury shares	(4)			-30						-30
30 June 2017		2,175,286	2,175	-92	126,970	126,970	-131,500	-2,447	-5	-2,452
<i>Restatement</i>	(4)				-204	-204	142	-62		-62
<i>30 June 2017 (restated)</i>		2,175,286	2,175	-92	126,766	126,766	-131,358	-2,509	-5	-2,514
1 January 2018		2,293,230	2,293	-208	128,523	128,523	-134,520	-3,912	-7	-3,919
Net loss							-4,049	-4,049	-2	-4,051
Total comprehensive loss							-4,049	-4,049	-2	-4,051
Share-based compensation					292	292		292		292
Capital increases	(4)	833,031	833		2,491	2,491		3,324		3,324
Issuance costs of capital increases	(4)				0	0		0		0
Purchase of treasury shares	(4)			-3	0	0		-3		-3
30 June 2018		3,126,261	3,126	-211	131,306	131,306	-138,569	-4,348	-9	-4,357

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 resulting in NOXXON Pharma AG becoming the German subsidiary of the Company. Effective 30 September 2016, NOXXON Pharma N.V. listed all of its ordinary shares under the symbol "ALNOX" with ISIN NL0012044762 on the Euronext Growth (formerly Alternext) stock exchange in Paris, France, and on 13 July 2017 transferred its ordinary shares to the public offering compartment of this exchange. Effective 1 October 2017, NOXXON Pharma N.V. is a management holding providing corporate and administrative services, financial and business advice and asset management to its German subsidiary.

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

The unaudited condensed consolidated interim financial statements of NOXXON Pharma N.V. as of and for the six months ended 30 June 2018 ("interim financial statements") comprise the Company and its wholly owned and / or controlled subsidiaries, NOXXON Pharma AG, Berlin, Germany and NOXXON Pharma Inc., Boston, United States (all entities in the following also the Group).

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 and its second asset, NOX-E36 targeting the innate immune system.

The interim financial statements as of and for the six months ended 30 June 2018 of NOXXON were authorized by the Management Board for issuance on 9 October 2018.

2. Basis of Preparation and Significant Group Accounting Policies

Going Concern

The accompanying interim 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 six months ended 30 June 2018 the Group incurred a net loss of € 4.1 million. As of 30 June 2018 the Group had generated an accumulated deficit of € 138.6 million as well as a net capital deficiency of € 4.4 million. To finance its research and development activities through 30 June 2018, the Group raised funds from several sources including its shareholders through the issuance of equity, venture loans, equity line financing, convertible bonds 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 November 2018 in order to continue its operations.

Subsequent to 30 June 2018, the Company raised financing in the gross amount totaling € 1.5 million comprising of (for details we refer to Note 10):

- two tranches of its equity line financing with YA II PN, Ltd, (Yorkville) with a nominal amount of K€ 200 for the tranche issued in July 2018 and upon amending the Investment Agreement with Yorkville for the tranche issued in August 2018 with a gross amount of K€ 650, and
- the issuance of convertible bonds with new investors amounting to K€ 200 in July 2018, and in parallel with the listing of the convertible bonds in September 2018 an additional amount of K€ 420.

In addition, in July 2018, the Group amended the existing agreements with Kreos Capital IV (UK) Ltd., a lender of the Group, and Kreos Capital IV (Expert Fund) Ltd., a shareholder of the Company (together Kreos), extending from 30 September 2018 until 30 June 2019 the time during which Kreos will not request the redemption of and interest payment on its outstanding debt, and during which qualifying equity raises will result in conversion of the remaining debt to ordinary shares of the Company.

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 € 4.0 million, to provide the Group with sufficient working capital for the twelve months following the date of these interim 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 external support. Based on the options available management is confident to be able to raise additional capital, preferably in the form of equity.

Management has given consideration to the ability of the Group to continue as a going concern and acknowledges the need for additional funds. 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. While management is confident of raising funds, 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 further financing commitments beyond those disclosed herein were received by the Company as of today.

Statement of compliance

The interim financial statements of NOXXON Pharma N.V. and its subsidiaries as of and for the six months ended 30 June 2018 and 2017 have been prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements as at 31 December 2017.

The Group has adopted in its accounting policies all of the International Financial Reporting Standards that became effective for accounting periods beginning on or after 1 January 2018, 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 2018, and have been applied in preparing these interim consolidated financial statements.

Standard/interpretation	Effective Date
IFRS 2 Amendments Classification and Measurement of Share-based Payment Transactions	1 January 2018
IFRS 4 Amendments Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 (2014) Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
IFRS 15 Amendment Clarifications to IFRS 15	1 January 2018
IAS 40 Amendment Transfers of Investment Property	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Improvements to IFRS (2014-2016) IFRS 1, IAS 28	1 January 2018

The Group adopted IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. 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 adopted IFRS 9 on 1 January 2018 retrospectively. In addition, management has elected to not restate comparative information as permitted by IFRS 9. The impact of the adoption of IFRS 9 on the Group's equity as at 1 January 2018 is nil. Accordingly, at the date of initial application, the Group did not record any difference between previous carrying amounts and those determined under IFRS 9 in opening accumulated deficit.

IFRS 9 Financial Instruments – Classification – Financial assets, financial liabilities

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. The new classification for the Group's financial assets is as follows. Trade and other receivables, financial assets and cash and cash equivalents, previously classified as "loans and receivables" under IAS 39 are now classified as "at amortised cost" under IFRS 9. Trade and other payables and financial liabilities are classified "at amortised cost", embedded bifurcated derivatives and free standing derivatives are classified at "fair value through profit or loss (FVTPL)"; the classification under IAS 39 and IFRS 9 did not change.

At 31 December 2017 and 30 June 2018, the Group had an equity investment in an unlisted stock corporation of K€ 5 that is 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 K€ 5, no adjustment to opening retained earnings as of 1 January 2018 was made.

The other standards, amendments to standards and new or amended interpretations had no significant effect on the interim financial statements of the Group.

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 after 1 January 2019.

Standard/interpretation	Effective Date
IFRS 9 Amendments Prepayment Features with Negative Compensation	1 January 2019
IFRS 16 Leases	1 January 2019
IAS 28 Amendments Long-term Interests in Associates and Joint Ventures*	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments*	1 January 2019
Improvements to IFRS (2015-2017) IFRS 3, 11 IAS 12, 23*	1 January 2019
IAS 19 Amendments Plan Amendment, Curtailment or Settlement*	1 January 2019
IFRS 17 Insurance Contracts*	1 January 2021
IFRS 10, IAS 28 Amendments Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	undetermined

*not yet endorsed by European Union

Significant accounting policies

The accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2017 with the exception of new amendments to standards and new or amended interpretations applied for the first time as described above.

Significant accounting judgments and estimates

The preparation of the Group's interim 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. Actual results may differ from those estimates.

In preparing these consolidated interim financial statements, the critical judgments made by management in applying the Group's accounting policies and the key accounting estimates were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2017. In addition, critical judgments were made by management for the six months period ended 30 June 2018 with respect to embedded

derivatives in hybrid financial instruments consisting of a loan facility and derivative financial instruments that were required to be bifurcated.

3. Financial Risk Management Objectives and Policies

No significant changes were made to the Group's financial risk management objectives and policies compared to the year ended 31 December 2017. No new financial instruments were recognized or significant changes to the financial risks occurred during the six months ended 30 June 2018, other than those described in Note 5 below.

4. Equity

As of 30 June 2018 the share capital of the Company of K€ 3,126 is divided into 3,126,261 ordinary shares with a nominal value of € 1.00 following capital increases consummated in the first half of 2018.

Additional paid-in capital increased by K€ 2,491, net of transaction costs, as a result of the capital increased and by K€ 292 as a result of share-based compensation.

As of 30 June 2018 and according to the articles of association of the Company, up to 12,550,000 ordinary shares with a nominal value of € 1.00 are authorized to be issued. All shares are registered shares. No share certificates shall be issued.

The comparative figures were restated with respect to 103,492 detachable warrants issued in the six months ended 30 June 2017. These warrants, amounting to K€ 204, were reclassified from equity to financial liabilities, and measured at fair value through profit or loss, resulting in restated finance income of K€ 174 and restated finance cost of K€ 32 for the six months ended 30 June 2017, respectively. The carrying amount of the warrants issued at 30 June 2017 amounts to K€ 62.

5. Financial liabilities

Note 5 Financial liabilities should be read in conjunction with Note 10 Events after the balance sheet date regarding issuance of further tranches in conjunction with the equity line financing and conversions of notes in share capital.

Venture loans

In prior years, the Group entered into a series of 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. 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, which in July 2018 was agreed to be extended until June 2019. The Group 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, subsequently extended in July 2018 until June 2019, if not converted before.

As of 30 June 2018 the carrying amount of the loan facility amounted to € 0.8 million, thereof € 0.5 million current and € 0.3 million non-current and as of 31 December 2017 € 0.8 million non-current. As of 30 June 2018 and 31 December 2017, the fair value of the loan facility amounted to € 0.8 million. As of 30 June 2018 and 31 December 2017, 6,312 warrants are outstanding concurrently issued with the loan facilities.

In the six months ended 30 June 2018 and 2017, non-cash finance costs of K€ 71 and K€ 350, respectively, were incurred with respect to the venture loans. Finance income in the six months ended 30 June 2017 of K€ 419 related to the derecognition of a derivative financial liability in connection with Kreos; the presentation was amended in accordance with the most recent annual financial statements.

Equity line financing

In 2017, the Company entered into an Issuance Agreement relating to the equity line financing with 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 warrants attached to acquire ordinary shares at a total exercise price of likewise up to an aggregate of € 10 million.

In the six months ended 30 June 2018, the Company drew down further tranches of 170 notes, totaling € 1.7 million, representing the carrying amount as of 30 June 2018. All of the 150 notes issued and outstanding at 31 December 2017 and 35 notes issued in the first half year 2018 were converted in the six months ended 30 June 2018 against issuance of 665,409 ordinary shares of the Company. As of 30 June 2018, 135 notes are outstanding.

On 12 March 2018, this Issuance Agreement was amended to cancel all issued and outstanding warrants held by Yorkville and to amend the available further financing at that time 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;
- All outstanding warrants issued to the investor prior to the signing date of the amendment are cancelled;
- The investor subscribed 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 was paid by the Company to the investor; payment was made by means of set-off against the total issuance price for the new shares.

As of 30 June 2018 and 31 December 2017 the fair value of the notes outstanding (current financial liabilities) amounted to € 1.5 million and € 1.7 million, respectively, reflecting the amount repayable on demand. The fair value of the bifurcated embedded derivative of the conversion right (current derivative financial liability) as of 30 June 2018 and 31 December 2017 amounted to K€ 40 and K€ 43, respectively. The fair value of the warrants (non-current derivative financial liability) as of 30 June 2018 and 31 December 2017 amounted to K€ 24 and K€ 106, respectively.

For the six months ended 30 June 2018 and 2017, non-cash finance income of K€ 3 and nil, and non-cash finance costs of K€ 1,373 and nil, respectively, were incurred with respect to the equity line financing. These finance costs include transaction costs of K€ 139 in connection with the above mentioned notes issued which were deducted by the investor from the proceeds paid to the Company.

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, 295,823 warrants were outstanding.

In January 2018, 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. Subsequently, 66,445 warrants were issued and thus, 201,716 warrants are outstanding as at 30 June 2018 (thereof 135,271 warrants at an exercise price of € 18.60 and 66,445 warrants at an exercise price of € 3.01).

For the six months ended 30 June 2018 and 2017, finance income relating to fair value adjustments of warrants outstanding amount to K€ 56 and K€ 174, finance costs relating to the recognition of warrants issued and fair value adjustments of warrants outstanding amount to K€ 164 and K€ 236, respectively.

Convertible bonds

In June 2018, the Company entered into convertible loan agreements with existing investors totaling € 380,000 in the form of a convertible bonds with a maturity date 30 June 2020, which will convert the nominal loan amount plus accrued interest to Company's shares at the terms of a future equity financing round, or starting on 1 October 2018 at the investors option at the market price upon conversion, which will be reset quarterly to the volume-weighted average price of NOXXON shares on Euronext Growth in the last 10 trading days of the previous calendar quarter. The convertible bonds carry an interest rate of 7%, payable in shares upon conversion. As a result of the fixed repayment amount, payable in a variable number of shares upon conversion, the bonds are measured at their repayment amounts and classified as financial liabilities.

As of 30 June 2018 and 31 December 2017 the carrying amounts of the bonds outstanding (non-current financial liabilities) amounted to € 0.4 million and nil, respectively. As of 30 June 2018 and 31 December 2017 the fair value of the bonds outstanding amounted to € 0.3 million and nil, respectively, The fair value of the bifurcated embedded derivative of the conversion right (current derivative financial liability) as of 30 June 2018 and 31 December 2017 amounted to K€ 10 and nil, respectively.

For the six months ended 30 June 2018 and 2017, non-cash finance costs of K€ 29 and nil, respectively, were incurred with respect to the convertible bonds and related conversion rights.

6. Loss per share

The loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of outstanding ordinary shares.

in thousands of €	Six months ended 30 June 2018	Six months ended 30 June 2017
Net loss	(4,049)	(2,223)
Weighted number of ordinary shares outstanding	2,386,059	2,014,380
Loss per share, basic and diluted in € per share	(1.70)	(1.10)

For the purposes of the loss per share calculation no dilutive instruments are taken into account. Share options under the share-based payment plans, shares to be issued under the conversion rights related to the equity line financing and convertible bonds as well as of the detachable warrants were excluded because the effect would be anti-dilutive.

7. Research and development expenses

in thousands of €	Six months ended 30 June 2018	30 June 2017
Costs for production of drug substances, service fees and other costs related to clinical trials and preclinical testing.	540	459
Personnel expenses	391	524
Patent costs and consulting services	222	151
Other	36	81
Total	1,189	1,215

Research and development expenses in the first six months of 2018 compared to the first six months of 2017 are at par in total, however cost of purchased services increased and personnel expenses decreased as a result of lower own staff and increased outsourcing activities in relation to the Group's clinical programs, partly offset by additional personnel expenses due to the recognition of share-based payment expenses. When such non-cash share-based payment expenses for the six months ended 30 June 2018 and 2017 (amounting to K€ 128 for and nil, respectively) are removed, the remaining personnel expenses are K€ 263 and K€ 524, respectively.

8. General and administrative expenses

in thousands of €	Six months ended	
	30 June 2018	30 June 2017
Personnel expenses	655	443
Legal, consulting and audit fees	356	553
Public and investor relations and related expenses	194	106
Other	154	161
Total	1,359	1,263

The increase in general and administrative expenses in the first six months of 2018 compared to the first six months of 2017 is mainly driven by higher personnel expenses due to the recognition of share-based payment expenses, higher public and investor relation expenses related to the preparation of financing transactions in the first half of 2018, partly offset by lower legal, consulting and audit fees. When non-cash share-based payment expenses for the six months ended 30 June 2018 and 2017 (amounting to K€ 164 for and nil, respectively) are removed, the remaining personnel expenses are K€ 491 and K€ 443, respectively.

9. Related party transactions

Shareholder with significant influence

As of 30 June 2018, the Company had no shareholder with significant influence. As of 31 December 2017, the Company had one shareholder – Kreos – with significant influence.

Management Board

The members of the Management Board:

Dr. Aram Mangasarian
Chief Executive Officer

Dr. Matthias Baumann (until 30 April 2017)
Chief Medical Officer

Supervisory Board

The members of the Supervisory Board:

Dr. J. Donald deBethizy

Chairman of the Supervisory Board (since 28 September 2017)
Consultant, Frederiksberg, Denmark

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

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

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

Remuneration

The principles and policies of the remuneration are described in the Company's consolidated financial statements for the year ended 31 December 2017.

For the six months ended 30 June 2018 and 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€ 458, thereof accrued expenses K€ 171) and K€ 395, respectively. As of 30 June 2018, 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. Under the SOIP, the share-based payment transactions recognized as an expense during the reporting period amounted to K€ 158 and nil, respectively. Under the share participation models, the share-based payment transactions recognized as an expense during the reporting period amounted to nil in both periods. Thus, the total compensation for the key management personnel for the six months ended 30 June 2018 and 2017 was K€ 616 and K€ 395, respectively.

In the six months ended 30 June 2018 and 2017, the remuneration for the supervisory board amounted to K€ 65 (thereof accrued expenses K€ 65), and K€ 56, respectively. As of 30 June 2018, the number of issued and outstanding options for the supervisory board 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€ 51 and nil, respectively. Under the share participation models, the share-based payment transactions recognized as an expense during the reporting period amounted to nil in both periods. Thus, the total compensation for the supervisory board members for the six months ended 30 June 2018 and 2017, was K€ 116 and K€ 56, respectively.

10. Events after the balance sheet date

In July 2018, the Company issued another tranche of its equity line financing with Yorkville and has received 20 notes totaling K€ 200 with a nominal value of € 10,000 each and 83,682 warrants attached with an exercise price of € 2.39.

In August 2018, the Company amended its financing agreement with Yorkville regarding its equity line financing and drew a further tranche for a gross amount of K€ 650. The main amendments are as follows:

- The ability by the investor to subscribe for subsequent tranches at its sole discretion is suspended until 31 January 2019 and shall be definitively cancelled provided that the Company raises at least € 5.0 million in equity financing;
- Raising of at least € 1.0 million in equity financing shall definitively cancel the ability of the Investor to subscribe for half of the remaining tranches at its sole discretion, leaving € 2.55 million at the discretion of the investor;
- The Company issued a tranche of 100 new notes representing an aggregate nominal amount of €1.0 million with 492,610 warrants attached with an exercise price of € 2.03;

- In consideration for the amendments outlined above and the notes and warrants, a gross amount of K€ 650 in cash was paid to the Company by the investor.

Thus, during the period July to September 2018, the Company issued 120 notes to Yorkville. Further, all of the 135 notes outstanding as of 30 June 2018 and all of the 120 notes issued subsequent to 30 June 2018 were converted against issuance of 1,656,254 ordinary shares of the Company. Accordingly, no notes are outstanding as of the date of the authorization of these consolidated interim financial statements. As a result, the subscribed capital increased subsequently to 30 June 2018 from 3,126,261 by 1,656,254 to 4,782,515 ordinary shares.

In July 2018, the Group amended the existing agreements with Kreos extending from 30 September 2018 until 30 June 2019 the time during which Kreos will not request the redemption of and interest payment on its outstanding debt, and during which qualifying equity raises will result in conversion of the remaining debt to ordinary shares of the Company.

In July 2018, the Company has secured additional financing of K€ 200 from new investors in the form of convertible bonds which will convert to ordinary shares of the Company at the terms of a future equity financing round, or starting on 1 October 2018 at the investors option at the market price, which will be reset quarterly to the volume-weighted average price of NOXXON shares on Euronext Growth in the last 10 trading days of the previous calendar quarter. The convertible bonds carry an interest rate of 7%, payable in ordinary shares upon conversion.

In September 2018, the convertible bonds issued in June 2018 (see Note 5) and in July 2018 (see above) have been listed on the Euronext Access market in Paris as notes convertible into NOXXON shares. In parallel with this listing, NOXXON secured an additional K€ 420 as an investment in convertible bonds. This brings the total amount invested in convertible bonds to € 1 million.

In October 2018, 7 of the issued 100 notes were converted against issuance of 30,283 ordinary shares of the Company. As a result, the subscribed capital increased to 4,812,798 ordinary shares. As of the date of the authorization of these consolidated interim financial statements, 93 notes from the Company's convertible bond financing are outstanding.

Amsterdam, 9 October 2018

NOXXON Pharma N.V.

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

Management and Activity Report

Management of NOXXON Pharma N.V. (the “Company” or “NOXXON”) and its controlled subsidiaries (the “Group”) hereby presents its condensed consolidated interim financial statements as of 30 June 2018.

Business Highlights

NOXXON has been focused on advancing its Phase 1/2 clinical trial combining NOXXON’s anti-CXCL12 agent, NOX A12, with Merck & Co./MSD’s anti-PD 1 antibody, Keytruda®, at one of the top cancer research centers in Europe, the National Center for Tumor Diseases in Heidelberg, Germany. The company achieved 90% recruitment in the first half of the year and announced completion of recruitment in September 2018.

The available data from this clinical trial in patients with metastatic solid tumors that do not usually respond to checkpoint inhibitor monotherapy has now yielded a number of data points that the Group believes further de-risk the compound. NOX-A12 tumor penetration in both colorectal and pancreatic cancer patients has been documented, as has triggering of signatures consistent with an immune-stimulatory Th1 type immune response following NOX-A12 monotherapy. Once patient responses to the NOX-A12 + Keytruda® combination are known the company will be able to plan out the next steps of development of NOX-A12 in colorectal and pancreatic cancers.

On the financing front the Group has diversified its sources of funding adding European institutional investors the variable-rate equity vehicle which has continued to finance the ongoing clinical trial.

Looking forward the Group was encouraged by the support of the neuro-oncology community in particular the group of world-class KOLs that agreed to join the NOXXON sponsored brain tumor event in Frankfurt.

Business Highlights during First Half-Year of 2018

- January 2018: NOXXON issued a fourth tranche of ODIRNANE bonds totaling € 500 thousand.
- March 2018: NOXXON renegotiated the ODIRNANE bond financing agreement to remove unilateral option for the investor to subscribe for tranches over six months and to definitively cancel existing warrants in exchange for € 1 million in shares. NOXXON issued a fifth tranche of ODIRNANE bonds totalling € 1 million without warrants attached.
- April 2018: NOXXON announced the initiation of analyst coverage by Aurgalys Value in both French and English.
- May 2018: NOXXON announced that patient recruitment in its ongoing trial examining the effects of NOX-A12 monotherapy and NOX-A12 + Keytruda® on the tumor microenvironment metastatic microsatellite stable pancreatic and colorectal cancer patients had reached 90%. The company also provided interim data from part 1 of this trial comparing baseline tumor biopsies to those taken after two weeks of NOX-A12 monotherapy which showed that NOX-A12 monotherapy could trigger signatures consistent with an immune-stimulatory Cytotoxic/Th1 type response.

- June 2018: NOXXON issued a seventh tranche of ODIRNANE bonds totaling € 200 thousand and secured additional financing from existing investors in the form of a convertible bond amounting to € 380 thousand which will convert to ALNOX shares at the terms of a future equity financing round, or starting on 1 October 2018 at the investors option at the market price, which will be reset quarterly to the 10-day volume-weighted average price, carrying an interest rate of 7%, payable in shares upon conversion.

Business Highlights After 30 June 2018

- July 2018: NOXXON issued a further tranche of the ODIRNANE bonds totaling € 200 thousand and announced an amendment to the existing agreements with Kreos Capital extending from 30 September 2018 until 30 June 2019, the time during which Kreos Capital will not request the redemption of and interest payment on its outstanding debt amounting to € 841 thousand, and during which qualifying equity raises will result in conversion of the remaining into equity of the company.
- August 2018: NOXXON announced that additional financing of € 200 thousand was secured from new European investors in the form of convertible bonds under the same investment vehicle as in June 2018, raised additional funds via ODIRNANE bonds with a gross amount of € 650 thousand and amended its financing agreement extending timing to cancel Yorkville's unilateral right to invest.
- September 2018: NOXXON announced completion of patient recruitment in the ongoing NOX-A12 clinical trial in metastatic microsatellite stable pancreatic and colorectal cancer patients. Updated timing of results was also disclosed: top-line data for the NOX-A12 monotherapy (part 1) will be published and presented at the Fourth CRI-CIMT-EATI-AACR International Cancer Immunotherapy Conference taking place from 30 September to 3 October 2018 in New York, NY, USA. Top-line efficacy data from the NOX-A12 + Keytruda® (part 2) of the trial are expected to be available at year-end 2018.
- September 2018: NOXXON hosted a brain tumor key opinion leader event entitled "Novel concepts to tackle the most aggressive form of brain cancer" focused standard of care and also novel treatment approaches for glioblastoma featuring world-class thought leaders in neuro-oncology:
 - Frank A. Giordano, MD, Vice Chair & Associate Professor, Dept. of Radiation Oncology, University Medical Center Mannheim, University of Heidelberg;
 - Martin Glas, MD, Professor and Head, Division of Clinical Neurooncology, Dept. of Neurology and Neurooncology Centre at the West German Cancer Centre, University Hospital Essen;
 - Ulrich Herrlinger, MD, Professor of Clinical Neurooncology and Head, Division of Clinical Neurooncology, Department of Neurology and Center for Integrated Oncology, University of Bonn;
 - Frederik Wenz, MD, CEO and CMO, University Medical Center Mannheim, Professor and Chairman, Dept. of Radiation Oncology, University Medical Center Mannheim, University of Heidelberg.

The experts agreed that medical need in glioblastoma remains high and that the NOXXON approach of combining NOX-A12 with radiotherapy merits a clinical trial.

- September 2018: NOXXON announced that the convertible bonds issued in June and August 2018 have been listed on the Euronext Access market in Paris as notes convertible into NOXXON shares. In parallel with this listing, NOXXON

secured an additional € 420 thousand as an investment in this instrument. This brought the total amount invested in this vehicle to the maximum authorized € 1 million.

- October 2018: NOXXON presented top-line data for the NOX-A12 monotherapy (part 1) at the Fourth CRI-CIMT-EATI-AACR International Cancer Immunotherapy Conference in New York, NY, USA. Main conclusions of the published data were that:
 - NOX-A12 penetrates into the tumor microenvironment of both colorectal and pancreatic cancers where it binds and neutralizes its target CXCL12;
 - Changes in the cytokine signature suggest that NOX-A12 modulates the tumor microenvironment and induces an immune-stimulatory Th1-like signature in approximately half of the patients;
 - There is a statistically significant correlation between more complete inhibition of the target in tumors and the changes in the cytokine & chemokine profiles;
 - A particular population of cells (CD14 & CD15 double-positive) has been identified that may serve as a biomarker for immune response; and
 - To date, the safety profile of NOX-A12 combined with pembrolizumab is consistent with that of pembrolizumab monotherapy in advanced cancer patients.

Outlook

The Group has presented top-line data from the ongoing NOX-A12 clinical trial in metastatic microsatellite stable pancreatic and colorectal cancer patients on 2 October 2018, and plans to provide initial top-line data on the percent of patients whose tumors are responding to the combination therapy in December 2018. Once these data are available the Group will communicate its plans for further development in these indications.

Another trial that the Group is considering to execute if sufficient financing is available is a 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.

The Group continues to evaluate other indications and therapeutic combinations in which to test NOX-A12 and the relative priority of such indications for the overall corporate strategy.

The Group plans to investigate the potential of NOX-E36 in the treatment of solid tumors if sufficient financing is available. The Group believes that NOX-E36 has significant potential as a TME modulator since three of its targets (CCL2/MCP-1, CCL8/MCP-2, CCL13/MCP-4) are implicated the immune privilege of tumors, in particular resistance to checkpoint inhibitors. NOXXON is evaluating in which indications and therapeutic combinations to test NOX-E36 and the relative priority of such indications for the overall corporate strategy. There is also an emerging scientific rationale that combining NOX-A12 with NOX-E36 would be beneficial as it would address multiple arms of the immune system implicated in tumor immune privilege.

Financial Highlights

Key Factors Affecting Results of Operations and Financial Condition

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

Comparison of the First Half-Year 2018 and the First Half-Year 2017

Revenues

For the reporting period, the Group has not generated any revenues. 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

Other operating income decreased 69% from €245 thousand in the first half-year of 2017 to €77 thousand in the first half-year of 2018. This decrease was mainly due to the sale of assets held for sale in 2018 which generated lower other operating income than the release of a financial liability in the first half of 2017.

Research and development expenses

Research and development expenses consist of costs incurred that are directly attributable to the development of the Group's product candidates. For more detailed information we refer to Note 7 of the condensed consolidated interim financial statements of NOXXON Pharma N.V.

Research and development expenses decreased 2% from €1,215 thousand in the first half-year of 2017 to €1,189 thousand in the first half-year of 2018. Whereas the research and development expenses are at par in total, cost of purchased services increased and personnel expenses decreased as a result of lower own staff and increased outsourcing activities in relation to the Group's clinical programs, partly offset by additional personnel expenses due to the recognition of share-based payment expenses. When such non-cash share-based payment expenses for the six months ended 30 June 2018 and 2017 (amounting to €128 thousand for and nil, respectively) are removed, the remaining personnel expenses are €263 thousand and €524 thousand, respectively.

Research and development costs 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). Accordingly, the Group has not capitalized any development costs.

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.

General and administrative expenses

General and administrative expenses consist principally of salaries and related costs for personnel in executive and finance and other general and administrative functions. For more detailed information we refer to Note 8 of the condensed consolidated interim financial statements of NOXXON Pharma N.V.

General and administrative expenses increased from €1,263 thousand in the first half-year of 2017 to €1,359 thousand in the first half-year of 2018. This increase in general and administrative expenses is mainly driven by higher personnel expenses due to the recognition of share-based payment expenses, higher public and investor relation expenses related to the preparation of financing transactions in the first half of 2018, partly offset by lower legal, consulting and audit fees. When non-cash share-based payment expenses for the six months ended 30 June 2018 and 2017 (amounting to €164 thousand and nil, respectively) are removed, the remaining personnel expenses are €491 thousand and €443 thousand, respectively.

Foreign exchange losses

Foreign exchange losses increased from nil in the first half-year of 2017 to €2 thousand in the first half-year of 2018 as a result of higher volume of purchases denominated in currencies other than euro in the first half-year of 2018.

Finance income

Finance income decreased from €593 thousand in the first half-year of 2017 to €59 thousand in the first half-year of 2018. Finance income in the first half-year 2017 was due to the derecognition of a financial liability of €419 thousand and fair value adjustments of warrants issued and outstanding of €174 thousand, whereas the finance income in the first half-year 2018 only relates to the fair value adjustments of warrants issued and outstanding.

The finance income in the first half-year 2018 and in the first half-year 2017 is non-cash income.

Finance cost

Finance cost increased by €1,051 thousand from €586 thousand in the first half-year 2017 to €1,637 thousand in the first half-year 2018. This increase is mainly due to the consideration incurred of €773 thousand (net of derecognition of cancelled warrants) in connection with the amendment of the Issuance Agreement with Yorkville on 12 March 2018 and the finance costs in the first half-year 2018 relating to conversions of outstanding notes in equity of €313 thousand and the issuance of notes and the recognition of warrants of €451 thousand relating to the Yorkville financing.

Finance cost in first half-year 2018 and in the first half-year 2017 is non-cash cost, except for transaction costs amounting to €139 thousand in half-year 2018 which were deducted by the investor from the proceeds paid to the company.

The comparative figures were restated with respect to 103,492 detachable warrants issued in the six months ended 30 June 2017. These warrants, amounting to €204 thousand, were reclassified from equity to financial liabilities, and measured at fair value through profit or loss, resulting in restated finance income of €174 thousand and restated finance cost of €32 thousand for the six months ended 30 June 2017, respectively. The carrying amount of the warrants issued at 30 June 2017 amounts to €62 thousand.

Loss before income tax

As a result of the above factors, the Group's loss before income tax increased by 82% from €2,226 thousand in the first half-year 2017 to €4,051 thousand in the first half-year 2018.

Income Tax

Income tax was nil in the first half-year 2017 and in the first half year 2018, respectively.

Consolidated Statements of Financial Position

Assets

The Group's total non-current assets include intangible assets, equipment, deferred tax assets and financial assets. Total non-current assets decreased from €58 thousand as of 31 December 2017 to €52 thousand as of 30 June 2018.

The Group's total current assets consist of its cash and cash equivalents in cash balances, other assets and financial assets. Financial assets consist of the invested interest bearing rental deposits related to the Group's operating lease agreements. Other assets correspond to prepaid expenses for insurance and service contracts, the Group's liquidity account and claims against local tax authorities for value added tax (VAT) on supplies and services received.

The movements in total current assets from 31 December 2017 to 30 June 2018 primarily relate to an increase in cash and cash equivalents by €176 thousand from €622 thousand to € 798 thousand as a result of financing activities exceeding the continued research and development activities and a decrease of other assets by €59 thousand mainly in relation to lower VAT and the Group's liquidity account and other receivables, partly offset by increased prepaid expenses.

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 2017 to 30 June 2018 was mainly due to the effects of the partial conversion of the outstanding convertible loans from the equity line financing representing €3,324 thousand executed in the first half-year 2018 and the net loss incurred for the first half of 2018.

In the first half-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 59,677 ordinary shares at a price of €15.50 per share against the contribution of a partial amount of the outstanding venture loan facility. As a result, additional subscribed capital of €124 thousand and additional paid-in capital of €2,386 thousand were recognized less issuance costs of €82 thousand.

The total equity as of 30 June 2018 amounted to a negative equity of €4,357 thousand compared to €3,919 thousand as of 31 December 2017.

Liabilities

Non-current financial liabilities decreased from €932 thousand as of 31 December 2017 to €700 thousand as of 30 June 2018 mainly as a result of the reclassification of €565 thousand of the venture loan to current financial liabilities based on the agreed maturity and the issuance of €380 thousand of convertible loans in the first half-year of 2018. Current financial liabilities increased from €1,673 thousand as of 31 December 2017 to €2,082 thousand as of 30 June 2018 mainly as a result of the above mentioned reclassification, conversions of convertible notes into equity and the issuance of new convertible notes.

Trade accounts payable of €1,273 thousand as of 31 December 2017 compared to €1,582 thousand as of 30 June 2018 are in the course of the normal research and development activities. The increase of other liabilities from €970 thousand as of 31 December 2017 to €1,033 thousand as of 30 June 2018 results primarily from higher accrued expenses, including accrued expenses from prior years not paid out yet.

Events After the Condensed Consolidated Interim Statements of Financial Position Date as of 30 June 2018

For Events After the Condensed Consolidated Interim Statements of Financial Position Date as of 30 June 2018 we refer to Note 2 of the condensed consolidated interim financial statements of NOXXON Pharma N.V.

Analysis of Cash Flows

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.

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 income and 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 €2,154 thousand in the first half-year 2017 to €1,757 thousand in the first half-year 2018 was mainly a result of the decreased other current assets and increased trade accounts payable and other current liabilities. This decrease of cash used resulting from changes in operating assets and liabilities was partly offset by an increase in loss from operations.

Net cash used in/provided by investing activities

The decrease in net cash used in investing activities results from purchase of equipment amounting to €5 thousand compared to net cash provided by investing activities of €126 thousand in the first half-year 2017 due to the release and repayment of the rental deposit of €131 thousand without any retentions by the landlord partly offset by cash paid for investments in current financial assets.

Net cash provided by financing activities

The increase in net cash provided by financing activities from €938 thousand in the first half-year 2017 to €1,938 thousand in the first half-year 2018 was mainly due to proceeds from issuance of convertible bonds, thereof further tranches of the equity line financing amounting to €1,561 (net of transaction costs) and €380 thousand of the convertible loan financing compared to proceeds from the issuance of ordinary shares of the Company in the amount of €1,000 thousand in the first half-year 2017 as well as lower purchases of treasury shares and prepaid transaction costs in the first half-year 2018 compared to first half-year 2017.

Transactions between Related Parties

The Group did not conclude any new significant transactions with related parties during the reporting period.

For related party transactions we also refer to Note 22 of the consolidated statements of financial position as of 31 December 2017 of NOXXON Pharma N.V. and Note 9 of the condensed consolidated interim financial statements as of 30 June 2018 of NOXXON Pharma N.V.

Risk Factors

Risk factors are similar to those presented in Section Significant risks and uncertainties of the Management Report of the Annual Report 2017 (pages 16 to 26) and did not change significantly during the first half-year of 2018. This document is available on the Company's website: www.noxxon.com.

For the financial risk management objectives and policies we also refer to Note 21 of the consolidated statements of financial position as of 31 December 2017 of NOXXON Pharma N.V.

Declaration by the Person Responsible for 2018 Half-Year Financial Report

“I declare that, to the best of my knowledge, the Condensed consolidated interim financial statements as of 30 June 2018 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 Company and all the other companies included in the scope of consolidation, and that this Half-year Management and Activity Report includes a fair view of the important events which occurred during the first six months of the year, their impact on the half-year financial statements and the main transactions between related parties, together with a description of the principal risks and uncertainties that they face in the remaining six months of the year.”

Amsterdam, 9 October 2018

NOXXON Pharma N.V.

Dr. Aram Mangasarian, CEO