ProQR®

ANNUAL REPORT 2014

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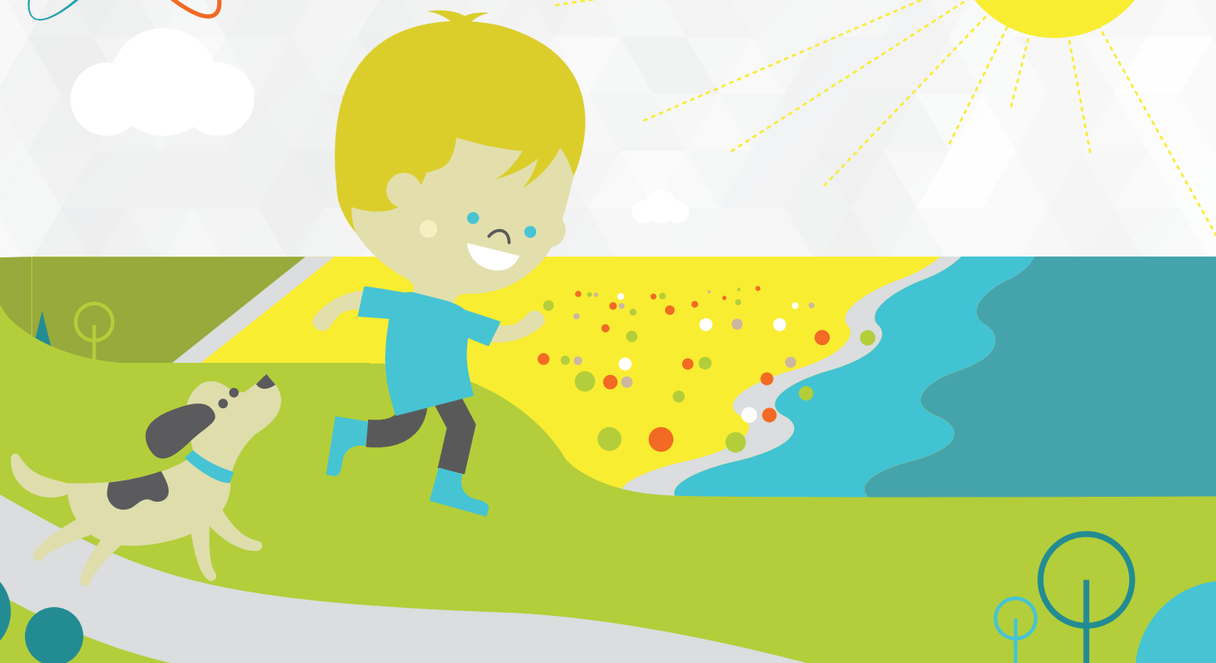
We act in the interest of patients



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Message from the CEO

2014 was an exciting year for us. A year in which we put our Company on the map and positioned ourselves for future growth and clinical development of our Lead compound QR-010.

As such 2014 was focused on enabling. We started 2014 with the opportunity of QR-010, an experimental therapy for the most common mutation in cystic fibrosis, or CF, that had shown a compelling pre-clinical proof of concept. Over the course of 2014 this opportunity turned into a responsibility, the responsibility to develop this opportunity into a potentially life changing therapy for cystic fibrosis patients. In 2014 we enabled ProQR to do just that, with an impressive list of achievements.

We started 2014 with a group of 21 highly motivated and enthusiastic ProQRians. This team achieved a compelling proof of concept in the just 18 months since inception of the Company. We invest significantly in making ProQR a great place to work, to enable ourselves to achieve great things. Our human capital is the most crucial capital we have and we will continue to working only with the best of the best. In 2014 we grew the team to 70 ProQRians building the capabilities needed to execute on our ambitions. We also formed an experienced and balanced Management Team and installed a strong Supervisory Board in 2014.

QR-010 was advanced through pre-clinical development in 2014, an enabling step to test this potentially life changing therapy in ΔF508 cystic fibrosis patients in 2015. We reinforced and validated the pre-clinical PoC, manufactured a first GMP batch of QR-010, executed GLP non-clinical safety studies, prepared regulatory filings, preparing the drug to dose a first patient by Q2 2015 in a first clinical trial in CF.

And we won't stop there. We see a deep pipeline of possibilities to develop life changing therapies for patients beyond CF. QR-110 for Leber's congenital amaurosis, or LCA, is the first program beyond CF that we have launched in our pipeline. LCA is the most prevalent genetic blindness in kids. In 2014 we initiated the program and prepared it to advance into pre-clinical development in 2015, in an effort to dose first patient in a clinical study in 2016. In 2014 we've also founded the ProQR innovation unit, our internal discovery engine, which is responsible for initiating new programs to treat severe genetic disorders.

Drug development is a lengthy and expensive process. Over the course of 2014 we enabled our Company to finance the development of QR-010 and the pipeline in other diseases beyond CF by adding $175M to the balance sheet. Over the course of 2014 we raised a private financing round of ~$60M and an initial public offering on NASDAQ of ~$112M. We ended 2014 with a market cap of over $500M. I want to thank our shareholders for enabling us to do this important work for patients.

I want to thank the team and express my gratitude for the passion, energy, attitude and the fun we have along the way, our partners for standing reliably on our side and our shareholders for the trust and continued support. I'm looking forward to an even more exciting 2015, where we will test QR-010 in CF patients, prepare QR-110 for clinical studies and launch a next program in our mission to change the lives of patients.

Daniel de Boer

Key figures

	2014	2013
Result from continued operations *(in € 1,000)*		
Net revenue	—	—
Operating result	(16,461)	(3,239)
Net result	(12,127)	(3,253)
Balance sheet information *(in € 1,000)*		
Non-current assets	1,350	243
Current assets	113,897	4,261
Total assets	115,247	4,504
Shareholders' equity	109,404	(89)
Non-current liabilities	2,829	991
Current liabilities	3,014	3,602
Cash flows *(in € 1,000)*		
Net cash used in operating activities	(14,457)	(2,332)
Net cash used in investing activities	(1,233)	(137)
Net cash generated by financing activities	119,883	6,349
Ratio's *(in %)*		
Current ratio	37.8	1.2
Solvency	94.9	(2.0)
Figures per share		
Weighted average number of shares outstanding	11,082,801	5,517,688
Earnings per share *(in €)*	(1.09)	(0.59)
Cash flow per share *(in €)*	9.40	0.70
Employees *(in FTE)*		
Average number of staff for the period	37.8	13.4

Management Board

We have a two-tier board structure consisting of our Management Board (raad van bestuur) and a separate Supervisory Board (raad van commissarissen). The Management Board operates under the chairmanship of the Chief Executive Officer and shares responsibility for the deployment of ProQR's strategy and policies, and the achievement of its objectives and results.

Under Dutch Law, the Management Board has ultimate responsibility for the management and external reporting of the Company and is answerable to shareholders at the General Meeting of Shareholders. Pursuant to the two-tier corporate structure, the Management Board is accountable for its performance to a separate and independent Supervisory Board.

The following table sets out information with respect to each of our Management Board members, their respective ages and their positions at the Company as of the date of this annual report.

Name	Age	Position	Date of appointment	Term expires
Daniel de Boer	32	Chief Executive Officer	February 21, 2012	2018
René Beukema	51	Chief Corporate Development Officer and General Counsel	April 17, 2014	2018

The following sets forth biographical information regarding our management board members.

Daniel de Boer is our founding chief executive officer and has served as such since our incorporation in February 2012. Mr. de Boer has been a serial entrepreneur in IT who has led a number of other companies through phases of growth, initiating development and launch of several IT related products in several European countries. Prior to joining us, Mr. de Boer served as a founder and Chief Executive Officer of RNA Systems from 2009 to 2011. From 2007 to 2008, he was a founder and Chief Executive Officer of PC Basic, and from 2005 to 2011, he served as a founder and Chief Executive Officer of Running IT. Mr. de Boer is responsible for the overall strategy and general business in the Company.

René Beukema has served as our chief corporate development officer and general counsel since April 2014. Mr. Beukema joined us in September 2013 and is a seasoned in-house corporate lawyer in the Dutch biotechnology arena. Prior to joining us, Mr. Beukema served as general counsel and corporate secretary of Crucell N.V. for twelve years, following his experience as a senior legal counsel at GE Capital / TIP Europe and legal counsel at TNT Express Worldwide. Mr. Beukema was also a venture partner of Aescap Venture, a life sciences venture capital firm. Mr. Beukema is the co-founder and advisor of Mytomorrows N.V., a Dutch life sciences company, and a member of the VU Medical Cancer Center children in Amsterdam. He holds a post-doctoral degree in corporate law from the University of Nijmegen in co-operation with the Dutch Association of In-house Counsel (*Nederlands Genootschap van Bedrijfsjuristen*) and a Master's degree in Dutch law from the University of Amsterdam.

Supervisory Board

The Supervisory Board supervises the policies of the Management Board and the general course of affairs of ProQR and advises the Management Board thereon. The Supervisory Board, in the two-tier corporate structure under Dutch law, is a separate and independent corporate body.

The following table sets forth information with respect to each of our supervisory board members and their respective ages as of the date of this annual report. The terms of office of all our supervisory board members expire according to a rotation schedule drawn up by our supervisory board.

Our supervisory board is currently composed of the following members, all of whom are independent under applicable NASDAQ standards and the Dutch Corporate Governance Code (DCGC):

Name	Gender	Nationality	Age	Position	Date of appointment	Term expires
Dinko Valerio	Male	NL	58	Chairman	January 1, 2014	2018
Alison Lawton	Female	US	53	Member	September 17, 2014	2016
Antoine Papiernik	Male	FR	48	Member	January 1, 2014	2015
Henri Termeer	Male	NL	69	Member	January 1, 2014	2017

The following sets forth biographical information regarding our supervisory board members.

Dinko Valerio is one of our founders and currently serves as the chairman of our supervisory board. Mr. Valerio has served on our supervisory board since January 2014. Mr. Valerio is a scientist and an experienced biotech entrepreneur with experience in both public and private companies as CEO and board member. Mr. Valerio is founder and former CEO of Crucell N.V., a Dutch biotech company, and founder and general partner of Aescap Venture, a life sciences venture capital firm. In 1999, Mr. Valerio was one of the founders of Galapagos Genomics N.V., a spinout from Crucell N.V. which develops novel mode of action medicines. Adding to his corporate experience, Mr. Valerio is a professor in the field of gene therapy of the hematopoietic system at the University of Leiden. He received his Master of Science degree in Biology from the University of Amsterdam in 1982 and completed his Ph.D. in Molecular Genetics with Honors at the University of Leiden in 1986. Mr. Valerio also was a visiting scientific specialist at Genentech Inc., San Francisco in 1985 and a postdoctoral fellow at the Salk Institute, San Diego from 1986 to 1987. He is an author on more than 100 articles in peer-reviewed journals and an inventor on 11 patent-families. We believe that Mr. Valerio's experience in the venture capital industry, particularly with biopharmaceutical companies, and his experience serving on the boards of directors of a number of biopharmaceutical companies provide him with the qualifications and skills to serve as chairman of our supervisory board.

Alison Lawton has served on our supervisory board since September 2014. Ms Lawton is currently the Chief Operating officer of Aura Biosciences Inc. From January 2013 to January 2014, Ms. Lawton served as Chief Operating Officer of OvaScience, Inc., a public life sciences company. From 1991 to 2013, Ms. Lawton worked at various positions of increasing responsibility at Genzyme Corporation, or Genzyme, and subsequently at Sanofi-Aventis, following its 2011 acquisition of Genzyme, each a global biopharmaceutical company. Ms. Lawton served as head of Genzyme Biosurgery, where she was responsible for Genzyme's global orthopedics, surgical and cell therapy and regenerative medicine businesses. Prior to that, Ms. Lawton oversaw Global Market Access at Genzyme, which included Regulatory Affairs, Global Health Outcomes and Strategic Pricing, Global Public Policy, and Global Product Safety & Risk Management. Before joining Genzyme, Ms. Lawton worked for seven years in the United Kingdom at Parke-Davis, a pharmaceutical company. Ms. Lawton serves on the board of directors of Verastem, Inc., a public biopharmaceutical company. She also served on the board of directors of Cubist Pharmaceuticals for three years until its acquisition by Merck &Co., Inc. in 2015. She currently sits on the Scientific Advisory Board for the Massachusetts Life Science Center. She is past President and Chair of the Board of Regulatory Affairs Professional Society and past FDA Advisory Committee member for Cell and Gene Therapy Committee. She earned her BSc in Pharmacology, with honors, from King's College London. We believe that Ms. Lawton's significant operational, international, regulatory and senior management experience within the pharmaceutical and biotechnology industries, as well as experience serving on a board of directors within the industry, provide her with the qualifications and skills to serve as a member of our supervisory board.

Antoine Papiernik has served on our supervisory board since January 2014. Mr. Papiernik is managing partner at Sofinnova Partners, which he joined in 1997. Mr. Papiernik has been an initial investor and active board member in public companies like Actelion, Addex, Auris Medical, Orexo, NovusPharma (then sold to CTI), Movetis (then sold to Shire), Mainstay, Pixium and Stentys, which went public respectively on the Zürich Stock Exchange, the NASDAQ Global Market, the Stockholm Stock Exchange, the Milan Nuovo Mercato, the Belgium Stock Exchange, the Dublin Stock Exchange and EuroNext Paris, in Cotherix (initially NASDAQ listed, then sold to Actelion), CoreValve (sold to Medtronic), Fovea (sold to Sanofi Aventis) and Ethical Oncology Science (EOS, sold to Clovis Oncology). Mr. Papiernik has also invested in and is a board member of private companies MD Start, ReCor, Shockwave Medical and Reflexion Medical. Mr. Papiernik has an MBA degree from the Wharton School of Business, University of Pennsylvania. We believe that Mr. Papiernik's experience in the venture capital industry, particularly with biopharmaceutical companies, and his experience serving on the boards of directors of a number of biopharmaceutical companies provide him with the qualifications and skills to serve as member of our supervisory board.

Henri Termeer is vice chairman and has served on our supervisory board since January 2014. From October 1983 to June 2011, Mr. Termeer served as chairman, president and chief executive officer of Genzyme Corporation. For ten years prior to joining Genzyme, Mr. Termeer worked for Baxter International Laboratories, Inc., a manufacturer of human health care products. Mr. Termeer resigned from Genzyme in June 2011 following the acquisition of Genzyme by Sanofi. Widely acknowledged for his contributions to the biotechnology industry and health care field, Mr. Termeer is active in the areas of humanitarian assistance, policy issues, and innovation in providing access to health care. He is a member of the board of each of Massachusetts General Hospital and Partners HealthCare and a member of the board of fellows of Harvard Medical School. Mr. Termeer is also a member of the board of the Massachusetts Institute of Technology and serves on its Executive Committee and a board member of the Biotechnology Industry Organization (BIO). He is chairman emeritus of the

New England Healthcare Institute, a nonprofit, applied research health policy organization he was instrumental in founding. Mr. Termeer is currently a board member of Abiomed Inc., Aveo Pharmaceuticals, Verastem, Inc., Moderna Therapeutics and Medical Simulation, and was a board member of Allergan, Inc. from 2014 through its acquisition by Actavis in March 2015. In 2008, he was appointed to Massachusetts Governor Deval Patrick's Council of Economic Advisors. Mr. Termeer was chairman of the Federal Reserve Bank of Boston's board of directors from 2010-2011. Mr. Termeer studied economics at the Economische Hogeschool (Erasmus University, the Netherlands) and earned an MBA from the Darden School at the University of Virginia. We believe that Mr. Termeer's experience in the pharmaceutical and biotechnology industries and his experience serving on the boards of directors of a number of biopharmaceutical companies provide him with the qualifications and skills to serve as member of our supervisory board.

Management Board Report

The Company

ProQR Therapeutics N.V., or "ProQR" or the "Company", is a development stage company that focuses on the development and commercialization of novel therapeutics based on our unique proprietary RNA repair platform technologies. We are dedicated to changing lives through the creation of transformative RNA medicines for severe diseases such as cystic fibrosis and Leber's congenital amaurosis. Founded in 2012, we are growing our pipeline with patients and loved ones in mind.

ProQR was incorporated in the Netherlands, on February 21, 2012 with its statutory seat in Leiden, the Netherlands. Since September 18, 2014, the Company's ordinary shares are listed on the NASDAQ Global Market under ticker symbol PRQR. The address of its headquarters and registered office is Darwinweg 24, 2333 CR Leiden, the Netherlands.

Operations

We are an innovative biopharmaceutical Company engaged in the discovery and development of RNA-based therapeutics for the treatment of severe genetic disorders. Utilizing our unique, proprietary RNA repair technologies we are building a pipeline in severe genetic disorders beyond cystic fibrosis, or CF, and Leber's congenital amaurosis, or LCA. We believe we will be able to treat genetic disorders in which a single protein is defective due to certain types of genetic mutations. We design our therapeutic candidates to specifically target and repair the defective messenger RNA, or mRNA, that is transcribed from a mutated gene in order to restore the expression and function of normal, or wild-type, protein. We believe that targeting the mRNA to restore the production of normal protein is a unique approach that offers advantages compared with small molecule, gene therapy and other therapeutic approaches. The first two programs in our pipeline focus respectively on the development of a disease-modifying therapy for the treatment of CF and LCA. Further, based on our own research and initial selection criteria, we believe that our RNA repair technologies can potentially be used to treat a broad range of other severe genetic diseases with high unmet medical need, and to date we have identified more than 50 potential target indications.

Our lead product candidate, QR-010, a first-in-class RNA-based oligonucleotide, is designed to address the underlying cause of the disease by repairing the mRNA defect encoded by the ΔF508 mutation in the CFTR gene of CF patients. QR-010 has been granted orphan drug designation in the United States and the European Union.

In the first half of 2015, we intend to dose a first patient in our first clinical trial directly in CF patients. This clinical trial will be a Phase 1b, randomized, double-blind, placebo-controlled, 28-day dose-escalation study to evaluate the safety, tolerability and absorption, distribution and degradation, or pharmacokinetics, of QR-010 in CF patients who have two copies of the ΔF508 mutation. We will also assess exploratory outcome measures that could be indicative of the potential efficacy of QR-010. In parallel with our Phase 1b trial and beginning in the first half of 2015, we will also conduct a proof-of-concept, or POC, study designed to investigate the drug candidate's ability to restore CFTR function in the nasal lining of CF patients with the ΔF508

mutation. We expect to report top-line data from both our Phase 1b trial and our POC study in the second half of 2015 or first half of 2016.

Our product candidate, QR-110, is designed to treat patients with the most common mutation causing Leber's congenital amaurosis, the leading genetic cause of blindness in childhood. We expect to advance our pre-clinical studies during 2015 and to dose a first patient in our first clinical trials in LCA patients in 2016.

Beyond CF and LCA, our innovation unit, which is our internal discovery engine, is working on many more programs that we have identified in our own internal research. We see many opportunities where we can use our knowhow and RNA technologies to potentially make a life saving impact to patients suffering from different severe genetic disorders. The programs in the innovation unit vary in stage of discovery, from the idea phase to close to having a complete pre-clinical PoC. We believe based on this internal discovery effort we will be able to add two programs per year to our development pipeline.

Main financial developments

Financial position
Financially, 2014 was a remarkable year for ProQR. We successfully concluded our IPO in September 2014, providing us with net proceeds of € 80,376,000. On top of that, our sources of financing in 2014 were a private placement of equity securities and exercises of options providing total net proceeds of € 40,434,000, including conversion of a convertible loan of € 2,560,000, provided in 2013 by existing shareholders, and funding from a governmental body amounting to € 1,667,000.

As a result of the acquired funding, our liquidity and solvency improved significantly. ProQR's cash and cash equivalents at December 31, 2014 amounted to € 112,736,000 compared to € 4,129,000 at December 31, 2013. During the year 2014, operating cash used amounted to € 14,457,000, compared to € 2,332,000 in 2013. Shareholders' equity increased to € 109,404,000.

As at December 31, 2014, we had non-current liabilities of € 2,829,000, which consisted of borrowings from a government body in the amount of € 2,814,000 and finance lease liabilities in the amount of € 15,000.

Income statement
We have generated losses since our formation in February 2012. For the years ended December 31, 2013 and 2014, we incurred net losses of approximately € 3,253,000 and € 12,127,000, respectively. At December 31, 2014, we had an accumulated deficit of € 15,798,000. We expect to continue incurring losses for the foreseeable future as we continue pre-clinical studies and initiate the clinical development program for our lead product candidate, QR-010, and if successful, eventually commercialize the product, which will require building a sales and marketing infrastructure. To date, we have not generated any revenues from royalties or product sales. Based on our current plans, we do not expect to generate royalty or product revenues for the foreseeable future.

The other income increased to € 313,000 in 2014 from € 116,000 in 2013. These amounts reflect the grants we received from the Cystic Fibrosis Foundation in 2012 and August 2014 for

2013 and 2014 respectively.

Research and development costs increased to € 10,267,000 in 2014 from € 2,569,000 in 2013. These research and development costs comprise allocated employee costs, the costs of materials and laboratory consumables, license- and IP-costs and other allocated costs. These costs were primarily related to our lead product candidate, QR-010, the development of which also formed the basis for other pipeline projects. Our research and development expense is highly dependent on the development phases of our research projects and, as a result, fluctuates significantly from period to period.

The variances in research and development costs between the year ended December 31, 2014 and 2013 are mainly due to:

- increased staff costs as a result of increased staff working on QR-010 pre-clinical studies. The number of full-time equivalent employees working on such studies increased from 12 at December 31, 2013 to 40 at December 31, 2014;
- increased laboratory costs including purchases of compounds and laboratory materials used by the research and development staff in proportion to the increase in the number of employees, and increased costs for the use of laboratories, which are charged on a per capita basis;
- increased costs for externally conducted studies, including various *in vivo* studies, proof of concept studies and dose ranging and toxicity studies conducted in connection with the development of QR-010;
- costs for the production of QR-010 compound, including the costs of a GMP batch of QR-010 in preparation of our Phase 1b clinical study in 2014 and the costs of comparative production batches of QR-010 in support of selecting our preferred contract manufacturer in 2013;
- increased project-related consultancy costs, including regulatory and intellectual property support; and
- increased share-based compensation, reflecting grants of share options to research and development staff made after we adopted our Option Plan in September 2013.

General and administrative costs increased to € 6,507,000 in 2014 from € 786,000 in 2013. These general and administrative costs comprise allocated employee costs, office costs, general consultancy costs and allocated other costs. The increase was primarily related to:

- increased staff costs associated with the increase of our general and administrative staff from 5 full-time equivalent employees at December 31, 2013 to 19 full-time equivalent employees at December 31, 2014;
- increased office and general costs, including office rent, information technology and communication costs, travel costs and office consumables;
- increased costs for legal support, accounting and other consultancy costs, including costs incurred in preparation of our IPO amounting to € 1,770,000 in 2014; and
- increased share-based compensation, reflecting grants of share options to non-research and development staff made after we adopted our Option Plan in September 2013.

In 2014 share-based compensation amounted to € 646,000, compared to € 41,000 in 2013. Net financial income amounted to € 4,334,000, compared to net financials expenses of € 14,000 in 2013. This increase in financial income results from the interest income on the proceeds of our

IPO and foreign exchange differences on cash denominated in U.S. dollars.

Outlook

We expect to continue growing in 2015 in terms of research and development expenses as well as the number of employees compared to 2014. In 2014, we raised additional cash to fund these expenses and to prepare the Company for future growth. Given the development stage of the Company, we do not anticipate revenues in the foreseeable future.

Leiden, April 22, 2015

On behalf of the Management Board,

Daniel de Boer
CEO

Supervisory Board Report

We as members of the Supervisory Board are fully committed to our role and responsibility in respect of the proper functioning of the corporate governance of ProQR. The Supervisory Board supervises and advises the Management Board in performing their management tasks and setting the strategy of the Company. The Supervisory Board acts, and we as individual members of the Board act in the interests of ProQR, its business and development and all its stakeholders. This report includes a more specific description of the Supervisory Board's activities during the financial year 2014 and other relevant information on its functioning.

Activities of the Supervisory Board

The Supervisory Board and the Board of Directors met 5 times during 2014, and have held various additional informal meetings and telephone conferences, both collectively as individually. During these meetings, the progress of the various projects, the main risks of the business, the funding and the strategic direction of the Company were discussed. The Supervisory Board meetings were very well attended (100%) and the Committees reported back on their activities to the full Supervisory Board on a regular basis.

Committees of the Supervisory Board

We have an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of these committees.

Compensation Committee

The Compensation Committee has met 2 times in 2014.

REMUNERATION REPORT 2014

The compensation committee was established in the course of 2014. Prior to this, the full supervisory board discussed any remuneration topics.

In June 2014, the supervisory board adopted our remuneration policy. This remuneration policy is also applicable to the next financial year and subsequent years. The main components of this policy are:

- The remuneration of all staff members, including the members of the management board consists of a fixed salary, and short term and long term incentives. The short term incentive consists of a cash bonus and the long term incentive of options to our shares. Next to that other benefits in kind such as participation in a pension plan, and for our U.S. employees health care insurance are offered. Detailed information on the remuneration of the individual members can be found in Note 22 to the financial statements.
- The short term incentive comprises achievement of Company wide objectives, as well as personal objectives. The short term incentive for our CEO Daniel de Boer is up to 35% of his fixed salary, while for our chief corporate development officer and

general counsel René Beukema it is up to 25% of his fixed salary.

- The long term incentive plan concerns allocation of options on our shares. The CEO is eligible to be annually allocated 135% of his fixed salary in options, while the chief corporate development officer and general counsel is eligible to be annually allocated 55% of his fixed salary in options. The stock options granted have a 10 year life following the grant date. The stock options granted vest in four annual equal tranches of 25% starting for the first time as from the first anniversary of the date of grant.
- The management services agreements with our management board members provide for a lump-sum payment in case of termination following a change in control subject to certain conditions. Such payment is equal to 24 months of the individual's monthly gross fixed salary in effect at the time of the change in control.

Fixed salary
The individual remuneration of the management board members was reviewed and adjusted upon introduction of the remuneration policy on July 1, 2014. Part of the adjustment to Daniel de Boer's remuneration was subject to certain conditions which were achieved later in the year.

Short term incentives
The compensation committee reviewed the performance of the Company in comparison to the objectives and reviewed the achievements of the members of the management board versus their personal objectives and concluded that the objectives had been met to a major extent, and that the Company has been positioned very well for the future.

In the first half of the year, the supervisory board decided to grant our CEO, Daniel de Boer, a bonus for exceptional performance. Early 2015, following the recommendations of the compensation committee, the supervisory board decided that both management board members Daniel de Boer and René Beukema had achieved 90% of their objectives that had been set to determine their individual bonus awards for the year 2014. These bonuses will be paid in cash in the first quarter of 2015.

Long term incentives
In the course of the year, options were allocated to all staff members, including our management board members. As part of our long term incentive plan, on February 13, 2015 the supervisory board has, upon recommendation by the compensation committee allocated options to all staff members including our management board.

Supervisory board remuneration
In September 2014, our shareholders approved a compensation policy whereby members of our supervisory board will receive board fees of € 25,000 per year and that the chairperson will receive board fees of € 30,000 per year. In addition, each board committee chairperson will receive € 5,000 per year for service on such committee (except for the chairperson for the nominating committee who will receive € 3,000), and that each other member of a board committee will receive € 3,000 per year for service on such committee. On top of that several supervisory board members were granted options as set out in Note 22 to the financial statements.

Nominating and Corporate Governance Committee

The chairman of the Nominating and Corporate Governance Committee elected to involve the entire Supervisory Board in the selection process of additional Supervisory Board members. Hence no formal nomination committee meeting was held. Based on discussions held, Alison Lawton was added as a member and Paul Baart was nominated to join the Supervisory Board. His appointment is subject to approval of the Annual General Meeting of Shareholders in June 2015.

Audit Committee

The audit committee met for the first time in the fourth quarter of 2014. Main topics addressed were the third quarter results, cash management and the audit plan of the external auditor for 2015.

The audit committee also reviewed ProQR's annual financial statements, including non-financial information, prior to publication thereof. The financial statements for 2014 have been audited and provided with an unqualified opinion by our external auditor, Deloitte Accountants B.V., and were extensively discussed with the auditors in the meetings of the Supervisory Board, Audit Committee and Management Board in April 2015. The Supervisory Board is of the opinion that the Financial Statements 2014 meet all requirements and recommends that the Annual General Meeting of Shareholders adopts the financial statements and the appropriation of net result proposed by the Management Board.

The Company's external auditor attended all Audit Committee meetings. The Audit Committee will evaluate the performance of Deloitte as independent external auditor in 2015. Due to the limited size of the Company, it was concluded that there was currently no need to appoint an internal auditor.

The Supervisory Board is responsible for the quality of its own performance and it discusses, once a year on its own, without the members of the Management Board present, both its own functioning and that of the individual members, and the functioning of the Management Board and that of its individual members. In 2014, no formal self-evaluation of the Supervisory Board took place. However, the Supervisory Board did discuss its composition and competencies and has added Alison Lawton as a member based on that review. In 2015, Paul Baart is nominated to join the Supervisory Board based on this review.

We feel the additional efforts of all staff at ProQR form a strong foundation for the success and growth of the Company and all milestones reached this past year. Therefore, we would like to express our thanks to the members of the Management Board, senior management and all other employees for their contribution and performance during the year. In particular we would also very much like to thank our shareholders for their continued support.

Leiden, April 22, 2015

On behalf of the Supervisory Board,

Dinko Valerio
Chairman

Corporate Governance

ProQR attaches great importance to corporate governance. In this report, the Company addresses its overall corporate governance structure and states to what extent and how it applies the principles and best practice provisions of the Dutch Corporate Governance Code ("DCGC" or "the Code"). This report also includes the information which the Company is required to disclose pursuant to the Dutch governmental decree on Article 10 Takeover Directive and the governmental decree on Corporate Governance.

Deviations from certain aspects of the Code, when deemed necessary in the interests of the Company, will be disclosed in the Annual Report. Deviations are due to our Company being listed in the United States with most of our investors being outside of the Netherlands, as well as to the international business focus of our Company. As a Company listed on NASDAQ, we comply with NASDAQ's corporate governance listing standards (except for instances where we follow our home country's corporate governance practices in lieu of certain NASDAQ's standards as explained below) as NASDAQ investors are more familiar with NASDAQ's rules than with the Code.

Substantial changes in the Company's corporate governance structure and in the Company's compliance with the Dutch Corporate Governance Code, if any, will be submitted to the General Meeting of Shareholders for discussion under a separate agenda item. The Supervisory Board and the Management Board, which are responsible for the corporate governance structure of the Company, are of the opinion that the principles and best practice provisions of the Dutch Corporate Governance Code that are addressed to the Management Board and the Supervisory Board, interpreted and implemented in line with the best practices followed by the Company, are being applied.

The full text of the DCGC can be found at the website of the Monitoring Commission Corporate Governance Code (www.commissiecorporategovernance.nl) and for an overview of our conformity with the Code the following documents are available at our website (www.ProQR.com): audit committee charter, compensation committee charter, nominating and corporate governance committee charter and our code of business conduct and ethics.

Management Board

Our management board is responsible for the day-to-day management of our operations under the supervision of the supervisory board. The management board is required to:

- keep the supervisory board informed in a timely manner in order to allow the supervisory board to carry out its responsibilities;
- consult with the supervisory board on important matters; and
- submit certain important decisions to the supervisory board for its approval.

Our management board may perform all acts necessary or useful for achieving our corporate purposes, other than those acts that are prohibited by law or by our articles of association. The management board as a whole and any management board member individually, are authorized to represent us in dealings with third parties.

Under our articles of association, the number of management board members is determined by the supervisory board, and the management board must consist of at least one member. The supervisory board elects a CEO from among the members of the management board.

Members of the management board are appointed by the general meeting of shareholders upon a binding nomination of the supervisory board. Our general meeting of shareholders may at all times deprive such a nomination of its binding character by a resolution passed by at least two-thirds of the votes cast representing more than 50% of our issued share capital, following which our supervisory board shall draw up a new binding nomination.

Our management board rules provide that, unless the resolution appointing a management board member provides otherwise, members of our management board will serve for a maximum term of four years. Our articles of association provide that the management board members must retire periodically in accordance with a rotation schedule adopted by the management board. A management board member who retires in accordance with the rotation schedule may be reappointed immediately for a term of not more than four years at a time.

Supervisory Board

Our supervisory board is responsible for the supervision of the activities of our management board and our Company's general affairs and business. Our supervisory board may, also on its own initiative, provide the management board with advice and may request any information from the management board that it deems appropriate. In performing its duties, the supervisory board is required to act in the interests of our Company (including its stakeholders) and its associated business as a whole. The members of the supervisory board are not authorized to represent us in dealings with third parties.

Pursuant to Dutch law, members of the supervisory board must be natural persons. Under our articles of association, the number of supervisory board members is determined by our supervisory board itself, provided there will be at least three supervisory board members. Our articles of association provide that members of the supervisory board are appointed by the general meeting of shareholders upon a binding nomination by the supervisory board. Our general meeting of shareholders may at all times deprive such a nomination of its binding character by a resolution passed by at least two-thirds of the votes cast representing more than 50% of our issued share capital, following which our supervisory board shall draw up a new binding nomination.

Our supervisory board rules provide that members of our supervisory board will serve for a maximum duration of three four-year terms. Our articles of association provide that the supervisory board members must retire periodically in accordance with a rotation schedule adopted by the supervisory board. A supervisory board member who retires in accordance with the rotation schedule can be reappointed immediately. The rotation schedule provides that the terms of office of the members of our supervisory board are staggered, such that approximately one-fourth of our supervisory board members will be subject to election in any one year and which has the effect of creating a staggered board (which may in turn deter a takeover attempt). The supervisory board appoints a chairman from among its members.

Under our articles of association, the general meeting of shareholders may suspend or remove supervisory board members at any time. A resolution of our general meeting of shareholders to suspend or remove a supervisory board member may be passed by a simple majority of the votes cast, provided that the resolution is based on a proposal by our supervisory board. In the absence of a proposal by our supervisory board, a resolution of our general meeting of shareholders to suspend or remove a supervisory board member shall require a majority of at least two-thirds of the votes cast representing more than 50% of our issued share capital.

In a meeting of the supervisory board, each supervisory board member is entitled to cast one vote. A supervisory board member may grant a written proxy to another supervisory board member to represent him at a meeting of the supervisory board. All resolutions by our supervisory board are adopted by a simple majority of the votes cast unless our supervisory board rules provide otherwise. In case of a tie in any vote of the supervisory board, the chairman of the supervisory board shall have the casting vote. Our supervisory board may also adopt resolutions outside a meeting, provided that such resolutions are adopted in writing, all supervisory board members are familiar with the resolution to be passed and provided that no supervisory board member objects to such decision-making process.

Committees of the Supervisory Board

We have an audit committee, a compensation committee and a nominating and corporate governance committee. We have adopted a charter for each of these committees.

Audit Committee
Our audit committee consists of Henri Termeer (chairman), Antoine Papiernik and Alison Lawton. Each member satisfies the independence requirements of the NASDAQ listing standards / Rule 10A-3(b)(1) under the Exchange Act as well as the criteria for independence set forth in best practice III.2.2 of the DCGC, and Henri Termeer and Antoine Papiernik each qualifies as an "audit committee financial expert," as defined by the SEC in Item 16A: "Audit Committee Financial Expert" and as determined by our supervisory board. The audit committee oversees our accounting and financial reporting processes and the audits of our financial statements. The audit committee is responsible for, among other things:

- making recommendations to our supervisory board regarding the appointment by the general meeting of shareholders of our independent auditor;
- overseeing the work of our independent auditor, including resolving disagreements between the management board, the officers and the independent auditors relating to financial reporting;
- pre-approving all audit and non-audit services permitted to be performed by the independent auditor;
- reviewing the independence and quality control procedures of the independent auditor;
- discussing material off-balance sheet transactions, arrangements and obligations with the management board and the independent auditor;
- reviewing and approving all proposed related-party transactions;
- discussing the annual audited statutory financial statements with the management board;
- annually reviewing and reassessing the adequacy of our audit committee charter;
- meeting separately with the independent auditors to discuss critical accounting policies, recommendations on internal controls, the auditor's engagement letter and independence letter and other material written communications between the independent auditors and the management board and the officers; and
- attending to such other matters as are specifically delegated to our audit committee by our supervisory board from time to time.

Compensation Committee
Our compensation committee consists of Antoine Papiernik (chairman), Henri Termeer and Alison Lawton. Each member satisfies the independence requirements of the NASDAQ listing standards as well as the criteria for independence set forth in best practice III.2.2 of the DCGC. The compensation committee assists our supervisory board in reviewing and approving or recommending our compensation structure, including all forms of compensation relating to our supervisory board members, our management board members and our officers. Members of our management board may not be present at any compensation committee meeting while their compensation is deliberated. Subject to and in accordance with the terms of the compensation policy approved by our general meeting of shareholders from time to time, as required by Dutch law, the compensation committee is responsible for, among other things:

- reviewing and making recommendations to the supervisory board with respect to compensation of our management board and supervisory board members;
- reviewing and approving the compensation, including equity compensation, change-of-control benefits and severance arrangements, of our officers (not part of our management board or supervisory board) as it deems appropriate;
- overseeing the evaluation of our management board members and our officers;
- reviewing periodically and making recommendations to our supervisory board with respect to any incentive compensation and equity plans, programs or similar arrangements;
- exercising the rights of our supervisory board under any equity plans, except for the right to amend any such plans unless otherwise expressly authorized to do so;
- attending to such other matters as are specifically delegated to our compensation committee by our supervisory board from time to time;
- approving the compensation package for the officers; and
- periodically reviewing, in consultation with our CEO, our management board and our officers succession planning.

Our supervisory board may also delegate certain tasks and powers under our Option Plan to the compensation committee.

Nominating and Corporate Governance Committee
Our nominating and corporate governance committee consists of Dinko Valerio (chairman), Antoine Papiernik and Alison Lawton. Each member satisfies the independence requirements of the NASDAQ listing standards as well as the criteria for independence set forth in best practice III.2.2 of the DCGC. The nominating and corporate governance committee assists our supervisory board in selecting individuals qualified to become our supervisory board members and management board members and in determining the composition of the management board, supervisory board and its committees and our officers. The nominating and corporate governance committee is responsible for, among other things:

- recommending to the supervisory board persons to be nominated for election or re-election to the supervisory board and the management board at any meeting of the shareholders;

- overseeing the supervisory board's annual review of its own performance and the performance of its committees; and
- considering, preparing and recommending to the supervisory board a set of corporate governance guidelines.

Insurance and Indemnification of Management Board and Supervisory Board Members

Under Dutch law, management board members, supervisory board members and certain other representatives may be held liable for damages in the event of improper or negligent performance of their duties. They may be held jointly and severally liable for damages to the Company for infringement of the articles of association or of certain provisions of the Dutch Civil Code. They may also be liable towards third parties for infringement of certain provisions of the Dutch Civil Code. In certain circumstances they may also incur additional specific civil and criminal liabilities.

Our articles of association provide that we will indemnify our management board members, supervisory board members, former management board members and former supervisory board members (each an "Indemnified Person") against (i) any financial losses or damages incurred by such Indemnified Person and (ii) any expense reasonably paid or incurred by such Indemnified Person in connection with any threatened, pending or completed suit, claim, action or legal proceedings, whether civil, criminal, administrative or investigative and whether formal or informal, in which he becomes involved, to the extent this relates to his position with the Company, in each case to the fullest extent permitted by applicable law. No indemnification shall be given to an Indemnified Person (a) if a Dutch court has established, without possibility for appeal, that the acts or omissions of such Indemnified Person that led to the financial losses, damages, suit, claim, action or legal proceedings result from either an improper performance of his duties as an officer of the Company or an unlawful or illegal act and (b) to the extent that his financial losses, damages and expenses are covered by an insurance and the insurer has settled these financial losses, damages and expenses (or has indicated that it would do so). Our supervisory board may stipulate additional terms, conditions and restrictions in relation to such indemnification.

Board composition and diversity

Our Management Board comprised two persons in 2014, both of whom are male. Our Supervisory Board has three male members and one female member. As a Company, we support diversity of culture, gender and age in our Company. Our current Management Board and Supervisory Board members were selected based on the required profile and talent and abilities of the members without positive or negative bias on gender, culture or age. In the future, this will be our basis for selection of new Board members.

Controls and procedures

Our managing board, including our chief executive officer and chief financial officer, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of December 31, 2014, have concluded that based on the evaluation of these controls and procedures required by Rule 13a-15(b) of the Exchange Act, our disclosure controls and procedures were effective. The internal risk management and control systems provide a reasonable

assurance that the financial reporting does not contain any errors of material importance and that the risk management and control systems worked properly in the year under review.

Risk factors and the risk management approach, as well as the sensitivity of our results to external factors and variables are described in more detail in "Risk Management". Our internal control system has been discussed with the Audit Committee and the external auditors.

In view of the requirements of the U.S. Securities Exchange Act, procedures are in place to enable the CEO and the CFO to provide certifications with respect to the Annual Report on Form 20F.

General Meeting of Shareholders

General meetings of shareholders are held in Leiden, Amsterdam, Rotterdam, The Hague, or in the municipality of Haarlemmermeer (Schiphol Airport), the Netherlands. All shareholders and others entitled to attend general meetings of shareholders are authorized to attend the general meeting of shareholders, to address the meeting and, in so far as they have such right, to vote, either in person or by proxy.

We must hold at least one general meeting of shareholders each year, to be held within six months after the end of our financial year. A general meeting of shareholders shall also be held within three months after our management board has considered it to be likely that the Company's equity has decreased to an amount equal to or lower than half of its paid up and called up capital. If the management board and supervisory board have failed to ensure that such general meetings of shareholders as referred to in the preceding sentences are held in a timely fashion, each shareholder and other person entitled to attend shareholders' meetings may be authorized by the Dutch court to convene the general meeting of shareholders.

Our management board and our supervisory board may convene additional extraordinary general meetings of shareholders whenever they so decide. Pursuant to Dutch law, one or more shareholders and/or others entitled to attend general meetings of shareholders, alone or jointly representing at least ten percent of our issued share capital may on their application, be authorized by the Dutch court to convene a general meeting of shareholders. The Dutch court will disallow the application if it does not appear to it that the applicants have previously requested that the management board or supervisory board convenes a shareholders' meeting and neither the management board nor the supervisory board has taken the necessary steps so that the shareholders' meeting could be held within six weeks after the request.

General meetings of shareholders are convened by a notice which includes an agenda stating the items to be discussed. For the annual general meeting of shareholders the agenda will include, among other things, the adoption of our annual accounts, the appropriation of our profits or losses and proposals relating to the composition and filling of any vacancies of the management board or supervisory board. In addition, the agenda for a general meeting of shareholders includes such items as have been included therein by our management board or our supervisory board. Pursuant to Dutch law, one or more shareholders and/or others entitled to attend general meetings of shareholders, alone or jointly representing at least 3% of the issued share capital have the right to request the inclusion of additional items on the agenda of shareholders' meetings. Such requests must be made in writing, substantiated, or by a proposal for a resolution and received by us no later than the sixtieth day before the day

the relevant general meeting is held. No resolutions will be adopted on items other than those which have been included in the agenda.

We will give notice of each general meeting of shareholders by publication on our website and, to the extent required by applicable law, in a Dutch daily newspaper with national distribution, and in any other manner that we may be required to follow in order to comply with Dutch law, applicable stock exchange and SEC requirements. We will observe the statutory minimum convening notice period for a general meeting of shareholders.

Pursuant to our articles of association, our management board may determine a record date (*registratiedatum*) of 28 calendar days prior to a general meeting of shareholders to establish which shareholders and others with meeting rights are entitled to attend and, if applicable, vote in the general meeting of shareholders. The record date, if any, and the manner in which shareholders can register and exercise their rights will be set out in the convocation notice of the general meeting. Our articles of association provide that a shareholder must notify the Company in writing of his identity and his intention to attend (or be represented at) the general meeting of shareholders, such notice to be received by us ultimately on the seventh day prior to the general meeting. If this requirement is not complied with or if upon direction of the Company to that effect no proper identification is provided by any person wishing to enter the general meeting of shareholders, the chairman of the general meeting of shareholders may, in his sole discretion, refuse entry to the shareholder or his proxy holder.

Pursuant to our articles of association, our general meeting of shareholders is chaired by the chairman of our supervisory board. If the chairman of our supervisory board is absent and has not charged another person to chair the meeting in his place, the supervisory board members present at the meeting shall appoint one of them to be chairman. If no supervisory board members are present at the general meeting of shareholders, the general meeting of shareholders will be chaired by our CEO or, if our CEO is absent, another managing board member present at the meeting and, if none of them is present, the general meeting shall appoint its own chairman. The person who should chair the meeting may appoint another person in his stead.

The chairman of the general meeting may decide at his discretion to admit other persons to the meeting. The chairman of the general meeting shall appoint another person present at the shareholders' meeting to act as secretary and to minute the proceedings at the meeting. The chairman of the general meeting may instruct a civil law notary to draw up a notarial report of the proceedings at the Company's expense, in which case no minutes need to be taken. The chairman of the general meeting is authorized to eject any person from the general meeting of shareholders if the chairman considers that person to disrupt the orderly proceedings. The general meeting of shareholders shall be conducted in the English language.

Voting Rights and Quorum Requirements
In accordance with Dutch law and our articles of association, each issued ordinary share and preferred share confers the right on the holder thereof to cast one vote at the general meeting of shareholders. The voting rights attached to any shares held by us or our direct or indirect subsidiaries are suspended as long as they are held in treasury. Dutch law does not permit cumulative voting for the election of management board members or supervisory board members.

Voting rights may be exercised by shareholders or by a duly appointed proxy holder (the written proxy being acceptable to the chairman of the general meeting of shareholders) of a shareholder, which proxy holder need not be a shareholder. Our articles of association do not limit the number of shares that may be voted by a single shareholder.

Under our articles of association, blank votes, abstentions and invalid votes shall not be counted as votes cast. Further, 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 of shareholders. The chairman of the general meeting shall determine the manner of voting and whether voting may take place by acclamation.

In accordance with Dutch law and generally accepted business practices, our articles of association do not provide quorum requirements generally applicable to general meetings of shareholders. To this extent, our practice varies from the requirement of NASDAQ Listing Rule 5620(c), which requires an issuer to provide in its bylaws for a generally applicable quorum, and that such quorum may not be less than one-third of the outstanding voting shares.

Resolutions of the general meeting of shareholders are adopted by a simple majority of votes cast without quorum requirement, except where Dutch law or our articles of association provide for a special majority and/or quorum in relation to specified resolutions.

Anti-takeover provisions

We have adopted several provisions that may have the effect of making a takeover of our Company more difficult or less attractive, including:

- granting a perpetual and repeatedly exercisable call option to a protection foundation, which confers upon the protection foundation the right to acquire, under certain conditions, the number of preferred shares described above. The issuance of such preferred shares will occur upon the protection foundation's exercise of the call option and will not require shareholder consent;
- the staggered four-year terms of our supervisory board members, as a result of which only approximately one-fourth of our supervisory board members will be subject to election in any one year;
- a provision that our management board members and supervisory board members may only be appointed upon a binding nomination by our supervisory board, which can be set aside by a two-thirds majority of our shareholders representing more than half of our issued share capital;
- a provision that our management board members and supervisory board members may only be removed by our general meeting of shareholders by a two-thirds majority of votes cast representing more than 50% of our issued share capital (unless the removal was proposed by the supervisory board); and
- a requirement that certain matters, including an amendment of our articles of association, may only be brought to our shareholders for a vote upon a proposal by our management board that has been approved by our supervisory board.

Deviations from the Dutch Corporate Governance Code

The Code contains a "comply-or-explain" principle, offering the possibility to deviate from the Code as long as any such deviations are explained. We acknowledge the importance of good corporate governance. However, at this stage, we do not comply with all the provisions of the DCGC, to a large extent because such provisions conflict with or are inconsistent with the corporate governance rules of the NASDAQ Stock Market and U.S. securities laws that apply to us, or because such provisions do not reflect best practices of global companies listed on the NASDAQ Global Market. The main deviations from best practice provisions are listed below.

- Best practice provision III.7.1 prohibits the granting of shares or rights to shares to members of the supervisory board as compensation. It is common practice for companies listed on the NASDAQ Global Market to grant shares to the members of the supervisory board as compensation, in order to align the interests of the members of the supervisory board with our interests and those of our shareholders, and we have granted and expect to grant options to acquire ordinary shares to our supervisory board members.
- Pursuant to the best practice provisions II.2.4 through II.2.7 of the DCGC, options granted to our management board members should not be exercisable during the first three years after the date of grant; the option exercise price for our management board members may not be below a verifiable trading price (or an average thereof); neither the option exercise price nor the other terms and conditions applicable to options granted to our management board members may be modified during the term of those options (except as prompted by structural changes to our share capital or our Company in accordance with market practice); shares granted to our management board members for no financial consideration should be retained by them for a period of at least five years or until they cease to hold office, whichever is the shorter period; and the number of options and/or shares granted to our management board members should be dependent on the achievement of pre-determined performance criteria. We do not intend to comply with all of the above requirements.
- Pursuant to best practice provision II.2.8 the remuneration of the management board in the event of dismissal may not exceed one year's salary. The management services agreements with our management board members provide for a lump-sum equal to 24 months of the individual's monthly gross fixed salary. Based on the risk profile of the company and to be able to attract highly skilled management, we assumed this period to be appropriate.
- Best practice provision IV.1.1 provides that the general meeting of shareholders may pass a resolution to cancel the binding nature of a nomination for the appointment of a member of the management board or of the supervisory board or a resolution to dismiss such member by an absolute majority of the votes cast. It may be provided that such majority should represent a given proportion of the issued capital, but this proportion may not exceed one third. In addition, best practice IV.1.1. provides that if such proportion of the share capital is not represented at the meeting, but an absolute majority of the votes cast is in favor of a resolution to cancel the binding nature of the nomination, a new general meeting of shareholders will be convened where the resolution may be adopted by absolute majority, regardless of the proportion of the share capital represented at the meeting. Our articles of association will provide that these resolutions can only be adopted with at least a 2/3 majority which must represent more than 50% of our issued capital, and that no such second meeting will be convened, because we believe that the decision to overrule a nomination by the management board or the supervisory board for the appointment or dismissal of a member of our management board or of our supervisory board must be widely supported by our shareholders.
- Best practice provision IV.3.1 stipulates that meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences must be announced in advance on the Company's website and by means of press releases. Provision must be made for all shareholders to follow these meetings and presentations in real time, for example by means of webcasting or telephone. After the meetings, the presentations must be posted on the Company's website. We believe that enabling shareholders to follow in real time all the meetings with analysts, presentations to analysts and presentations to investors, would create an excessive burden on our resources and therefore, we do not intend to comply with all of the above requirements.

Summary of significant corporate governance differences from NASDAQ Listing Standards

Our ordinary shares are listed on NASDAQ. The Sarbanes-Oxley Act of 2002, as well as related rules subsequently implemented by the SEC, requires foreign private issuers, including our Company, to comply with various corporate governance practices. As a foreign private issuer, subject to certain exceptions, the NASDAQ listing standards permit a foreign private issuer to follow its home country practice in lieu of the NASDAQ listing standards. Our corporate governance practices differ in certain respects from those that U.S. companies must adopt in order to maintain a NASDAQ listing. The home country practices followed by our Company in lieu of NASDAQ rules are described below:

- We do not intend to follow NASDAQ's quorum requirements applicable to meetings of shareholders. In accordance with Dutch law and generally accepted business practice, our articles of association do not provide quorum requirements generally applicable to general meetings of shareholders.
- We do not intend to follow NASDAQ's requirements regarding the provision of proxy statements for general meetings of shareholders. Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a generally accepted business practice in the Netherlands. We do intend to provide shareholders with an agenda and other relevant documents for the general meeting of shareholders and shareholders will be entitled to give proxies and voting instructions to us and/or third parties.

We intend to take all actions necessary for us to maintain compliance as a foreign private issuer under the applicable corporate governance requirements of the Sarbanes-Oxley Act of 2002, the rules adopted by the SEC and NASDAQ's listing standards.

Risk Management

Our business is subject to numerous risks and uncertainties. If any of these risks actually occurs, our business, prospects, operating results and financial condition could suffer materially. These risks include, but are not limited to, the following:

Risks Related to Our Capital Needs and Financial Position

We are a pre-clinical stage biopharmaceutical company with a history of losses. We expect to continue to incur significant losses for the foreseeable future and may never achieve or maintain profitability, which could result in a decline in the market value of our ordinary shares.

We are a pre-clinical stage biopharmaceutical company with a limited operating history, engaged in the discovery and development of RNA-based therapeutics for the treatment of severe genetic disorders. Since our inception in February 2012, we have devoted a significant portion of our resources to the development of our lead product candidate, QR-010. We have had significant operating losses since our inception. Our net losses for the period from February 21, 2012 (inception) through December 31, 2012, the year ended December 31, 2013 and year ended December 31, 2014 were approximately € 418,000, € 3,253,000 and € 12,127,000 respectively. As of December 31, 2014, we had an accumulated deficit of € 15,798,000. Substantially all of our losses have resulted from expenses incurred in connection with our research and development programs and from general and administrative costs associated with our operations. Our technologies and product candidates are in early stages of development, and we are subject to the risks of failure inherent in the development of product candidates based on novel technologies.

To date, the only revenue we have generated has been from the receipt of research grants. Our ability to generate revenue and become profitable depends upon our ability to obtain marketing approval and successfully commercialize QR-010, QR-110 or other product candidates that we may develop, in-license or acquire in the future.

Even if we are able to successfully achieve regulatory approval for these product candidates, we do not know when any of these product candidates will generate revenue for us, if at all. We have not generated, and do not expect to generate, any product revenue for the foreseeable future, and we expect to continue to incur significant operating losses for the foreseeable future due to the cost of research and development, pre-clinical studies and clinical trials and the regulatory approval process for product candidates. The amount of future losses is uncertain. Our ability to achieve profitability, if ever, will depend on, among other things, us or any future collaborators successfully developing product candidates, obtaining regulatory approvals to market and commercialize product candidates, manufacturing any approved products on commercially reasonable terms, establishing a sales and marketing organization or suitable third party alternatives for any approved product and raising sufficient funds to finance business activities. If we or any future collaborators are unable to develop and commercialize one or more of our product candidates or if sales revenue from any product candidate that receives approval is insufficient, we will not achieve profitability,

which could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our ability to generate revenue from QR-010, QR-110 or other product candidates also depends on a number of additional factors, including our ability to:

- successfully complete development activities, including the planned pre-clinical and clinical studies for our product candidates;
- complete and submit New Drug Applications, or NDAs, to the U.S. Food and Drug Administration, or FDA, and Marketing Authorization Applications, or MAAs, to the European Medicines Agency, or EMA, and obtain regulatory approval for indications for which there is a commercial market;
- complete and submit applications to, and obtain regulatory approval from, other foreign regulatory authorities;
- set a commercially viable price for any products for which we may receive approval;
- obtain commercial quantities of our products at acceptable cost levels;
- develop a commercial organization capable of sales, marketing and distribution for the products we intend to sell ourselves in the markets in which we have retained commercialization rights;
- find suitable partners to help us market, sell and distribute our approved products in other markets;
- achieve acceptance among patients, clinicians and advocacy groups for any products we develop; and
- obtain coverage and adequate reimbursement from third-party, including government, payors.

In addition, because of the numerous risks and uncertainties associated with product development, including the risk that our product candidates may not advance through development or be shown to be safe and effective for their intended uses, the FDA, the EMA or other regulatory agencies may require additional clinical trials or pre-clinical studies or impose post-approval requirements.

We are unable to predict the timing or amount of increased expenses, or when or if we will be able to achieve or maintain profitability. Even if we are able to complete the processes described above, we anticipate incurring significant costs associated with commercializing our product candidates. Moreover, our first commercial sale of QR-010, if ever, will trigger a milestone payment to Cystic Fibrosis Foundation Therapeutics, Inc., or CFFT, of approximately $ 80 million pursuant to our agreement with CFFT, and we may not have sufficient funds to support this payment obligation. See “Item 5. Operating and Financial Review and Prospects—Clinical support agreement” and the notes to the financial statements included elsewhere in this annual report for more details on this transaction.

Even if we are able to generate revenues from the sale of QR-010, QR-110 or any other product candidate, we may not become profitable and may need to obtain additional funding to continue operations. If we fail to become profitable or are unable to sustain profitability on a continuing basis, then we may be unable to continue our operations at planned levels and be forced to reduce our operations.

We will require additional capital to fund our operations and if we fail to obtain necessary financing, we will not be able to complete the development and commercialization of our product candidates.

Our operations have consumed substantial amounts of cash since inception. We expect to continue to spend substantial amounts to conduct further research and development and pre-clinical testing and clinical trials of our product candidates, to seek regulatory approvals for our product candidates and to launch and commercialize any product candidates for which we receive regulatory approval, including potentially building our own commercial organization to address the United States, the European Union and certain other markets. As at December 31, 2014, we had approximately € 112,736,000 in cash and cash equivalents. Based on our current operating plan, we believe that the existing cash, cash equivalents and short-term investments will be sufficient to fund our anticipated level of operations for at least through mid 2017. However, our future capital requirements and the period for which our existing resources will support our operations may vary significantly from what we expect. Our monthly spending levels will vary based on new and ongoing development and corporate activities. Because the length of time and activities associated with successful development of our product candidates is highly uncertain, we are unable to estimate the actual funds we will require for development and any approved marketing and commercialization activities. Our future funding requirements, both near and long-term, will depend on many factors, including, but not limited to:

- the initiation, progress, timing, costs and results of pre-clinical studies and clinical trials for our product candidates;
- the clinical development plans we establish for these product candidates;
- the number and characteristics of product candidates that we develop or may in-license;
- the terms of any collaboration agreements we may choose to conclude;
- the outcome, timing and cost of meeting regulatory requirements established by the FDA, the EMA and other comparable foreign regulatory authorities;
- the cost of filing, prosecuting, defending and enforcing our patent claims and other intellectual property rights;
- the cost of defending intellectual property disputes, including patent infringement actions brought by third parties against us or our product candidates;
- the effect of competing technological and market developments;
- the cost and timing of completion of commercial-scale outsourced manufacturing activities; and
- the cost of establishing sales, marketing and distribution capabilities for any product candidates for which we may receive regulatory approval in regions where we choose to commercialize our products on our own.

We cannot be certain that additional funding will be available on acceptable terms, or at all. If we are unable to raise additional capital in sufficient amounts or on terms acceptable to us, we may have to significantly delay, scale back or discontinue the development or commercialization of one or more of our products or product candidates or one or more of our other research and development initiatives. We also could be required to seek collaborators for one or more of our current or future product candidates at an earlier stage than otherwise would be desirable or on terms that are less

favorable than might otherwise be available or relinquish or license on unfavorable terms our rights to technologies or product candidates that we otherwise would seek to develop or commercialize ourselves.

Raising additional capital may cause dilution to our existing shareholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

We may seek additional capital through a combination of private and public equity offerings, debt financings, strategic partnerships and alliances and licensing arrangements. To the extent that we raise additional capital through the sale of equity or convertible debt securities, existing ownership interests will be diluted and the terms of such financings may include liquidation or other preferences that adversely affect the rights of existing shareholders. Debt financings may be coupled with an equity component, such as warrants to purchase shares, which could also result in dilution of our existing shareholders' ownership. The incurrence of indebtedness would result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur additional debt, limitations on our ability to acquire or license intellectual property rights and other operating restrictions that could adversely impact our ability to conduct our business and may result in liens being placed on our assets and intellectual property. If we were to default on such indebtedness, we could lose such assets and intellectual property. If we raise additional funds through strategic partnerships and alliances and licensing arrangements with third parties, we may have to relinquish valuable rights to our product candidates, or grant licenses on terms that are not favorable to us.

We have a limited operating history, which may make it difficult for you to evaluate the success of our business to date and to assess our future viability.

We were founded in February 2012 and began operations in May 2012. Our operations to date have been limited to organizing and staffing our company, acquiring and developing product and technology rights, and conducting development activities for our product candidates, QR-010 and QR-110. Consequently, any predictions about our future success, performance or viability may not be as accurate as they could be if we had a longer operating history, more experience with clinical development or approved products on the market.

Risks Related to the Development and Regulatory Approval of our Product Candidates

We depend on the success of our product candidates, which are still in an early phase of development. We cannot be certain that we will be able to successfully complete the clinical development of, obtain regulatory approval for, or successfully commercialize our product candidates.

We currently have no products on the market, and our most advanced product candidate, QR-010, is currently entering clinical development. Our business depends on the successful clinical development, regulatory approval and commercialization of our product candidates, and will require additional pre-clinical testing and substantial additional clinical development and regulatory approval efforts before we are permitted to commence its commercialization, if ever. It will be several years before

we can commence and complete a pivotal study for our product candidates, if ever. The clinical trials and manufacturing and marketing of QR-010, QR-110 and any other product candidates will be subject to extensive and rigorous review and regulation by numerous government authorities in the United States, the European Union and other jurisdictions where we intend to test and, if approved, market our product candidates. Before obtaining regulatory approvals for the commercial sale of any product candidate, we must demonstrate through pre-clinical testing and clinical trials that the product candidate is safe and effective for use in each target indication, and potentially in specific patient populations, including the pediatric population. This process can take many years and may include post-marketing studies and surveillance, which would require the expenditure of substantial resources beyond our existing funds. Of the large number of drugs in development for approval in the United States and the European Union, only a small percentage successfully complete the FDA or EMA regulatory approval processes, as applicable, and are commercialized. Accordingly, even if we are able to obtain the requisite financing to continue to fund our research, development and clinical programs, we cannot assure you that any of our product candidates will be successfully developed or commercialized.

The regulatory approval processes of the FDA, the EMA and comparable foreign regulatory authorities are lengthy, time-consuming and inherently unpredictable, and if we are ultimately unable to obtain regulatory approval for our product candidates, our business will be substantially harmed.

We are not permitted to market our product candidates in the United States or the European Union until we receive approval of an NDA from the FDA or an MAA from the European Commission, respectively, or in any other foreign countries until we receive the requisite approval from such countries. Prior to submitting an NDA to the FDA or an MAA to the EMA for approval of our product candidates, we will need to complete our ongoing pre-clinical and toxicology studies, as well as a proof-of-concept study and Phase 1, Phase 2 and Phase 3 clinical trials. Successfully initiating and completing our clinical program and obtaining approval of an NDA or a MAA is a complex, lengthy, expensive and uncertain process, and the FDA, the EMA or other comparable foreign regulatory authorities may delay, limit or deny approval of our product candidates for many reasons, including, among others:

- we may not be able to demonstrate that our product candidates are safe and effective in treating patients to the satisfaction of the FDA or the EMA;
- the results of our clinical trials may not meet the level of statistical or clinical significance required by the FDA or the EMA for marketing approval;
- the FDA or the EMA may disagree with the number, design, size, conduct or implementation of our clinical trials;
- the FDA or the EMA may require that we conduct additional clinical trials;
- the FDA or the EMA or other applicable foreign regulatory agencies may not approve the formulation, labeling or specifications of our product candidates;
- the clinical research organizations, or CROs, that we retain to conduct our clinical trials may take actions outside of our control that materially adversely impact our clinical trials;
- the FDA or the EMA may find the data from pre-clinical studies and clinical trials insufficient to demonstrate that the clinical and other benefits of our products outweigh their safety risks;
- the FDA or the EMA may disagree with our interpretation of data from our pre-clinical studies and clinical trials;
- the FDA or the EMA may not accept data generated at our clinical trial sites;
- if our NDAs or MAAs, if and when submitted, are reviewed by the FDA or the EMA, as applicable, the regulatory agency may have difficulties scheduling the necessary review meetings in a timely manner, may recommend against approval of our application or may recommend that the FDA or the EMA, as applicable, require, as a condition of approval, additional pre-clinical studies or clinical trials, limitations on approved labeling or distribution and use restrictions;
- the FDA may require development of a Risk Evaluation and Mitigation Strategy as a condition of approval or post-approval, and the EMA may grant only conditional approval or impose specific obligations as a condition for marketing authorization, or may require us to conduct post-authorization safety studies;
- the FDA, the EMA or other applicable foreign regulatory agencies may not approve the manufacturing processes or facilities of third-party manufacturers with which we contract; or
- the FDA or the EMA may change their approval policies or adopt new regulations.

Any of these factors, many of which are beyond our control, could jeopardize our ability to obtain regulatory approval for and successfully market our product candidates. Any such setback in our pursuit of regulatory approval would have a material adverse effect on our business and prospects.

Failures or delays in the commencement or completion of our pre-clinical studies or planned clinical trials of our product candidates could result in increased costs to us and could delay, prevent or limit our ability to generate revenue and continue our business.

Successful completion of clinical trials is a prerequisite to submitting an NDA to the FDA or a MAA to the EMA and, consequently, the ultimate approval and commercial marketing of our product candidates. Clinical trials are expensive, difficult to design and implement, can take many years to complete and are uncertain as to outcome. A product candidate can unexpectedly fail at any stage of clinical development. The historical failure rate for product candidates is high due to scientific feasibility, safety, efficacy, changing standards of medical care and other variables. We do not know whether our clinical trials will begin or be completed on schedule, if at all, as the commencement and completion of clinical trials can be delayed or prevented for a number of reasons, including, among others:

- delays in reaching or failing to reach agreement on acceptable terms with prospective CROs and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- inadequate quantity or quality of a product candidate or other materials necessary to conduct clinical trials;
- difficulties obtaining institutional review board, or IRB, or ethics committee approval to conduct a clinical trial at a prospective site or sites;
- challenges in recruiting and enrolling patients to participate in clinical trials, including the size and nature of the patient population, the proximity of patients to clinical sites, eligibility criteria for the clinical trial, the nature of the clinical trial protocol, the availability of approved effective treatments for the relevant disease

and competition from other clinical trial programs for similar indications;
- severe or unexpected drug-related side effects experienced by patients in our clinical trials or by individuals using drugs similar to our product candidates;
- reports from pre-clinical or clinical testing of other RNA therapies that raise safety or efficacy concerns; or
- difficulties retaining patients who have enrolled in a clinical trial but may be prone to withdraw due to lack of efficacy, side effects, personal issues or loss of interest.

Clinical trials may also be delayed or terminated as a result of ambiguous or negative interim results. In addition, a clinical trial may be suspended or terminated by us, the FDA, or the IRBs at the sites where the IRBs are overseeing a clinical trial, a data safety monitoring board, or DSMB, overseeing the clinical trial at issue or other regulatory authorities due to a number of factors, including, among others:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or trial sites by the FDA, the EMA or other regulatory authorities that reveals deficiencies or violations that require us to undertake corrective action, including the imposition of a clinical hold;
- unforeseen safety issues, including any that could be identified in our ongoing toxicology studies, adverse side effects or lack of effectiveness;
- changes in government regulations or administrative actions;
- problems with clinical supply materials; and
- lack of adequate funding to continue the clinical trial.

Positive results from pre-clinical testing of our product candidates are not necessarily predictive of the results of our planned clinical trials of QR-010, QR-110 or any other product candidate. If we cannot achieve positive results in our clinical trials for our product candidates, we may be unable to successfully develop, obtain regulatory approval for and commercialize them.

Positive results from our pre-clinical testing of QR-010, QR-110, or any of our other product candidates *in vitro* and *in vivo* may not necessarily be predictive of the results from our planned clinical trials in humans. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in clinical trials after achieving positive results in pre-clinical development, and we cannot be certain that we will not face similar setbacks. These setbacks have been caused by, among other things, pre-clinical findings made while clinical trials were underway or safety or efficacy observations made in clinical trials, including adverse events. Moreover, pre-clinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that believed their product candidates performed satisfactorily in pre-clinical studies and clinical trials nonetheless failed to obtain FDA or EMA approval. If we fail to produce positive results in our clinical trials of QR-010, the development timeline and regulatory approval and commercialization prospects for our leading product candidate, and, correspondingly, our business and financial prospects would be materially adversely affected.

Our RNA repair technologies are unproven and may not result in marketable products.

We plan to develop a pipeline of product candidates using our proprietary RNA repair technologies for severe genetic disorders. We believe that targeting the mRNA to restore the production of normal protein is a unique approach that offers advantages versus small molecule, gene therapy and other therapeutic approaches. However, the scientific research that forms the basis of our efforts to develop product candidates is both preliminary and limited.

We believe that we are the only company currently pursuing RNA repair technologies for the treatment of severe genetic disorders. We may discover that the molecules we develop to repair RNA do not possess certain properties required for a drug to be effective, such as the ability to remain stable in the human body for the period of time required for the drug to reach the target tissue or the ability to cross the cell wall and enter into cells within the target tissue for effective delivery. We may spend substantial funds attempting to introduce these properties and may never succeed in doing so. In addition, product candidates based on RNA repair may demonstrate different chemical and pharmacological properties in humans than they do in laboratory studies or animals. Even if our product candidates, such as QR-010 and QR-110, have successful results in animal studies, they may not demonstrate the same chemical and pharmacological properties in humans and may interact with human biological systems or other existing treatments in unforeseen, ineffective or harmful ways. Our RNA repair technologies may provoke an unwanted immune response, or immunogenicity, which may neutralize the therapeutic effects of our product candidates and could result in harmful outcomes for patients. As a result, we may never succeed in developing a marketable product, we may not become profitable and the value of our ordinary shares would decline.

Furthermore, the FDA and the EMA have relatively limited experience with therapeutics based on RNA repair. To our knowledge, no regulatory authority has granted approval to any person or entity, including us, to market and commercialize therapeutics using RNA repair technology, which may increase the complexity, uncertainty and length of the regulatory approval process for our product candidates. Neither we nor any future collaborator may receive approval to market and commercialize any product candidate. Even if we or a collaborator were to obtain regulatory approval, the approval may be for disease indications or patient populations that are not as broad as we intended or may require labeling that includes significant use or distribution restrictions or safety warnings. We or a collaborator may be required to perform additional or unanticipated clinical trials to obtain approval or be subject to post-marketing testing requirements to maintain regulatory approval. If our RNA repair technology proves to be ineffective, unsafe or commercially unviable, our entire platform and pipeline would have little, if any, value, which would have a material adverse effect on our business, financial condition, results of operations and prospects.

Failure to obtain regulatory approval in jurisdictions outside the United States and the European Union would prevent our product candidates from being marketed in those jurisdictions.

In order to market and sell our products in jurisdictions other than the United States and the European Union, we must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The regulatory approval process outside the United States and the European Union generally includes all of the risks associated with obtaining FDA and EMA approval, but can involve additional testing. We may need to partner with third parties in order to obtain approvals outside the United States and the European Union. In addition, in many countries worldwide, it is required

that the product be approved for reimbursement before the product can be approved for sale in that country. We may not obtain approvals from regulatory authorities outside the United States and the European Union on a timely basis, if at all. Even if we were to receive approval in the United States or the European Union, approval by the FDA or the EMA does not ensure approval by regulatory authorities in other countries or jurisdictions. Similarly, approval by one regulatory authority outside the United States and the European Union would not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA or the EMA. We may not be able to file for marketing approvals and may not receive necessary approvals to commercialize our products in any market. If we are unable to obtain approval of QR-010, QR-110 or any of our other product candidates by regulatory authorities in other foreign jurisdictions, the commercial prospects of those product candidates may be significantly diminished and our business prospects could decline.

If we are not able to maintain orphan product exclusivity for QR-010 or obtain such status for future product candidates for which we seek this status, or if our competitors are able to obtain orphan product exclusivity before we do, we may not be able to obtain approval for our competing products for a significant period of time.

Regulatory authorities in some jurisdictions, including the United States and the European Union, may designate drugs for relatively small patient populations as orphan drugs. Under the Orphan Drug Act, the FDA may designate a product as an orphan drug if it is a drug intended to treat a rare disease or condition, which is generally defined as a patient population of fewer than 200,000 individuals in the United States who have been diagnosed as having the disease or condition at the time of the submission of the request for orphan drug designation. Under Regulation No. (EC) 141/2000 on Orphan Medicinal Products, a medicinal product may be designated as an orphan medicinal product if, among other things, it is intended for the diagnosis, prevention or treatment of a life-threatening or chronically debilitating condition affecting not more than five in 10,000 people in the European Union when the application is made. Generally, if a product with an orphan drug designation subsequently receives the first marketing approval for the indication for which it has such designation, the product is entitled to a period of market exclusivity. This exclusivity precludes the EMA or the FDA, as applicable, from approving another marketing application for the same or, in the EU, a similar drug for the same indication for that time period, unless, among other things, the later product is clinically superior. The applicable period is seven years in the United States and ten years in the European Union following marketing approval. The EU exclusivity period can be reduced to six years if a drug no longer meets the criteria for orphan drug designation, for example if the drug is sufficiently profitable so that market exclusivity is no longer justified.

Orphan drug exclusivity may be lost if the FDA or EMA determines that the request for designation was materially defective, or if the manufacturer is unable to assure sufficient quantity of the drug to meet the needs of patients with the rare disease or condition or if the incidence and prevalence of patients who are eligible to receive the drug in these markets materially increase. Although we have obtained orphan designation for QR-010 in the European Union and the United States, even after an orphan drug is approved, the same or, in the EU, a similar drug can subsequently be approved for the same condition if

the competent regulatory agency concludes that the later drug is safer, more effective or otherwise clinically superior.

If we lose orphan drug exclusivity or if our competitors obtain orphan drug exclusivity for other rare diseases or conditions we are targeting before we do, we may be precluded from obtaining marketing authorization or we may lose out on the potential benefits of market exclusivity.

We intend to seek Orphan Drug designation for QR-110 and may do so for our other product candidates, for which we may not obtain such designation.

A breakthrough therapy designation by the FDA for our product candidates may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that our product candidates will receive marketing approval.

We intend to seek a breakthrough therapy designation for QR-010 and QR-110, and we may do so for other product candidates as well. A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints. For product candidates that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Product candidates designated as breakthrough therapies by the FDA are also eligible for accelerated approval.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe QR-010, QR-110 or another of our product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. The availability of breakthrough therapy designation was established with the passage of the Food and Drug Administration Safety and Innovation Act of 2012, and while the FDA has released guidance as to the criteria it uses in designating drugs as breakthrough therapies, we cannot be sure that our product candidates will meet the FDA's qualifying criteria for such designation. In any event, the receipt of a breakthrough therapy designation for a product candidate may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualify as breakthrough therapies, the FDA may later decide that the products no longer meet the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

A fast track designation by the FDA may not actually lead to a faster development, regulatory review or approval process.

We intend to seek fast track designation for QR-010 and QR-110, and we may do so for other product candidates as well. If a drug is intended for the treatment of a serious or

life-threatening condition and the drug demonstrates the potential to address unmet medical needs for this condition, the sponsor may apply for FDA fast track designation. The FDA has broad discretion whether or not to grant this designation, and even if we believe QR-010, QR-110 or another of our product candidates is eligible for this designation, we cannot be sure that the FDA would decide to grant it. Even if we do receive fast track designation, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program.

Risks Related to Our Dependence on Third Parties

Our development and commercialization strategy for our product candidates relies in part upon certain patent rights that we license from third parties, and termination of such license could have a materially adverse effect on our business, financial condition, results of operations and prospects.

Some of our RNA repair technologies rely in part upon certain patent rights that we license from third parties. Pursuant to our license agreements, we are obligated to use commercially reasonable efforts to develop and make available to the public products or processes as well as to achieve certain specified development, regulatory and commercial milestones. If we do not meet the specified milestones the third party may be able to terminate the license agreement. They may also terminate the license agreement if we are in breach of certain financial obligations or we are otherwise in default of certain obligations under the license agreement. If a license agreement were terminated, it could have a materially adverse effect on our business, financial condition, results of operations and prospects.

If third parties on which we depend to conduct our pre-clinical studies or any clinical trials do not perform as contractually required, fail to satisfy regulatory or legal requirements or miss expected deadlines, our development program could be delayed with materially adverse effects on our business, financial condition, results of operations and prospects.

We rely on CROs, clinical data management organizations and consultants to design, conduct, supervise and monitor pre-clinical studies of our product candidates and will do the same for our planned clinical trials for any of our product candidates. We and our CROs are required to comply with various regulations, including Good Clinical Practices, or GCP, which are enforced by the FDA, and guidelines of the Competent Authorities of the Member States of the European Economic Area, or EEA, and comparable foreign regulatory authorities to ensure that the health, safety and rights of patients are protected in clinical development and clinical trials, and that trial data integrity is assured. Regulatory authorities ensure compliance with these requirements through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of our CROs fail to comply with applicable requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA, the EMA or other comparable foreign regulatory authorities may require us to perform additional clinical trials before approving our marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical trials comply with such requirements. In addition, our clinical trials must be

conducted with products produced under current Good Manufacturing Practice, or cGMP, requirements, which mandate the methods, facilities and controls used in manufacturing, processing and packaging of a drug product to ensure its safety and identity. Failure to comply with these regulations may require us to repeat pre-clinical and clinical trials, which would delay the regulatory approval process.

Our CROs are not our employees, and except for remedies available to us under our agreements with such CROs, we cannot control whether or not they devote sufficient time and resources to our ongoing clinical and pre-clinical programs. If CROs do not successfully carry out their contractual duties or obligations or meet expected deadlines or if the quality or accuracy of the clinical data they obtain is compromised due to the failure to adhere to our clinical protocols, regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for or successfully commercialize our product candidates. As a result, our operations and the commercial prospects for our product candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed. Additionally, any significant delays could cause us to miss diligence milestones under our license agreements and could cause licensors to terminate the agreements, which would further harm our business, financial condition, results of operations and prospects.

Because we have relied on third parties, our internal capacity to perform these functions is limited. Outsourcing these functions involves risk that third parties may not perform to our standards, may not produce results in a timely manner or may fail to perform at all. In addition, the use of third-party service providers requires us to disclose our proprietary information to these parties, which could increase the risk that this information will be misappropriated. We currently have a small number of employees, which limits the internal resources we have available to identify and monitor our third-party providers. To the extent we are unable to identify and successfully manage the performance of third-party service providers in the future, our business may be adversely affected. Though we carefully manage our relationships with our CROs, there can be no assurance that we will not encounter similar challenges or delays in the future or that these delays or challenges will not have a material adverse impact on our business, financial condition and prospects.

If we cannot contract with acceptable third parties on commercially reasonable terms, or at all, or if these third parties do not carry out their contractual duties, satisfy legal and regulatory requirements for the conduct of pre-clinical studies or clinical trials or meet expected deadlines, our clinical development programs could be delayed and otherwise adversely affected. In all events, we are responsible for ensuring that each of our pre-clinical studies and clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. The FDA and the EMA require clinical trials to be conducted in accordance with GCP, including for conducting, recording and reporting the results of pre-clinical studies and clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of clinical trial participants are protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. Any such event could have a material adverse effect on our business, financial condition, results of operations and prospects.

We rely on third-party manufacturers and suppliers and we intend to rely on third parties to produce pre-clinical, clinical and commercial supplies our product candidates.

We rely on third parties to supply the materials and components for, and manufacture, our research and development, pre-clinical and clinical trial supplies. We also intend to rely on third-party manufacturers to manufacture the aerosol delivery device that we intend to use to deliver QR-010 to CF patients. We do not own manufacturing facilities or supply sources for such components and materials. There can be no assurance that our supply of research and development, pre-clinical and clinical development drugs and other materials will not be limited, interrupted, restricted in certain geographic regions or of satisfactory quality or continue to be available at acceptable prices. In particular, any replacement of our drug product formulation manufacturer could require significant effort and expertise because there may be a limited number of qualified replacements.

The manufacturing process for a product candidate is subject to FDA, EMA and other foreign regulatory authority review. Suppliers and manufacturers must meet applicable manufacturing requirements and undergo rigorous facility and process validation tests required by regulatory authorities in order to comply with regulatory standards such as cGMP. In the event that any of our suppliers or manufacturers fails to comply with such requirements or to perform its obligations to us in relation to quality, timing or otherwise, or if our supply of components or other materials becomes limited or interrupted for other reasons, we may be forced to manufacture the materials ourselves, for which we currently do not have the capabilities or resources, or enter into an agreement with another third party, which we may not be able to do on reasonable terms, if at all. In some cases, the technical skills or technology required to manufacture our product candidates may be unique or proprietary to the original manufacturer and we may have difficulty, or there may be contractual restrictions prohibiting us from, transferring such skills or technology to another third party and a feasible alternative may not exist. These factors would increase our reliance on such manufacturer or require us to obtain a license from such manufacturer in order to have another third party manufacture our product candidates. If we are required to change manufacturers for any reason, we will be required to verify that the new manufacturer maintains facilities and procedures that comply with quality standards and with all applicable regulations and guidelines. The delays associated with the verification of a new manufacturer could negatively affect our ability to develop product candidates in a timely manner or within budget.

We expect to continue to rely on third party manufacturers if we receive regulatory approval for any product candidate. To the extent that we have existing, or enter into future, manufacturing arrangements with third parties, we will depend on these third parties to perform their obligations in a timely manner consistent with contractual and regulatory requirements, including those related to quality control and assurance. If we are unable to obtain or maintain third-party manufacturing for product candidates, or to do so on commercially reasonable terms, we may not be able to develop and commercialize our product candidates successfully. Our or a third party's failure to execute on our manufacturing requirements could adversely affect our business in a number of ways, including:

- an inability to initiate or continue pre-clinical studies or clinical trials of product candidates under development;

- delay in submitting regulatory applications, or receiving regulatory approvals, for product candidates;
- loss of the cooperation of a collaborator;
- subjecting our product candidates to additional inspections by regulatory authorities;
- requirements to cease distribution or to recall batches of our product candidates; and
- in the event of approval to market and commercialize a product candidate, an inability to meet commercial demands for our products.

If a collaborative partner terminates or fails to perform its obligations under an agreement with us, the commercialization of our product candidates, if approved, could be delayed or terminated.

We are not currently party to any collaborative arrangements for the commercialization of any of our product candidates, although we may pursue such arrangements before any commercialization of our product candidates, if approved. If we entered into future collaborative arrangements for the commercialization of our product candidates or similar arrangements and any of our collaborative partners does not devote sufficient time and resources to a collaboration arrangement with us, we may not realize the potential commercial benefits of the arrangement, and our results of operations may be materially adversely affected. In addition, if any such future collaboration partner were to breach or terminate its arrangements with us, the commercialization of our product candidates could be delayed, curtailed or terminated.

Much of the potential revenue from future collaborations may consist of contingent payments, such as payments for achieving regulatory milestones or royalties payable on sales of drugs. The milestone and royalty revenue that we may receive under these collaborations will depend upon our collaborators' ability to successfully develop, introduce, market and sell new products. In addition, collaborators may decide to enter into arrangements with third parties to commercialize products developed under collaborations using our technologies, which could reduce the milestone and royalty revenue that we may receive, if any. Future collaboration partners may fail to develop or effectively commercialize products using our products or technologies because they:

- decide not to devote the necessary resources due to internal constraints, such as limited personnel with the requisite expertise, limited cash resources or specialized equipment limitations, or the belief that other drug development programs may have a higher likelihood of obtaining marketing approval or may potentially generate a greater return on investment;
- decide to pursue other technologies or develop other product candidates, either on their own or in collaboration with others, including our competitors, to treat the same diseases targeted by our own collaborative programs;
- do not have sufficient resources necessary to carry the product candidate through clinical development, marketing approval and commercialization; or
- cannot obtain the necessary marketing approvals.

Competition may negatively impact a partner's focus on and commitment to our product candidates and, as a result, could delay or otherwise negatively affect the commercialization of such product candidate. If any future collaboration partners fail to

develop or effectively commercialize our product candidates for any of these reasons, our sales, if approved, may be limited, which would have a material adverse effect on our operating results and financial condition.

Our relationships with customers and third-party payors will be subject to applicable anti-kickback, fraud and abuse and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third-party payors play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our future arrangements with third-party payors and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute our products for which we obtain marketing approval. As a biopharmaceutical company, even though we do not and will not control referrals of healthcare services or bill directly to Medicare, Medicaid or other third-party payors, certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights are and will be applicable to our business. Restrictions under applicable federal and state healthcare laws and regulations that may affect our ability to operate include the following:

- the U.S. federal healthcare Anti-Kickback Statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid;
- federal civil and criminal false claims laws and civil monetary penalty laws impose criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement or record to avoid, decrease or conceal an obligation to pay money to the federal government;
- the U.S. federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program, and also created federal criminal laws that prohibit knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statements or using or making any false or fraudulent document in connection with the delivery of or payment for healthcare benefits, items or services;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, or HITECH, also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the U.S. federal physician payment transparency requirements under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, collectively, the Healthcare Reform Law, require applicable manufacturers of covered drugs, devices, biologics and medical supplies to report annually to HHS information related to payments and other transfers of value to physicians, certain other healthcare providers, and teaching hospitals, and ownership and investment interests held by physicians and certain other healthcare providers and their immediate family members and applicable group purchasing organizations; and
- analogous state and foreign laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, including private insurers. Some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government and may require drug manufacturers to report information related to payments and other transfers of value to physicians and certain other healthcare providers or marketing expenditures. Additionally, state and foreign laws govern the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Comparable laws and regulations exist in the countries within the European Economic Area, or EEA. Although such laws are partially based upon European Union law, they may vary from country to country. Both healthcare and industry specific, as well as general EU and national laws, regulations and industry codes constrain, for example, our interactions with government officials and healthcare practitioners, and the handling of healthcare data. Non-compliance with any of these laws or regulations could lead to criminal or civil liability.

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, imprisonment, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any physicians or other healthcare providers or entities with whom we expect to do business are found to not be in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could have a material adverse effect on our business.

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA or EMA regulations or similar regulations of other foreign regulatory authorities, to provide accurate information to the FDA, the EMA or other foreign regulatory authorities, to comply with certain manufacturing standards, to comply with U.S. federal and state healthcare

fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable foreign regulatory authorities, to report financial information or data accurately or to disclose unauthorized activities to us. In particular, sales, marketing and business arrangements in the healthcare industry are subject to extensive laws and regulations intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws and regulations may restrict or prohibit a wide range of pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. Effective as of September 2014, we have adopted and implemented a Code of Business Conduct and Ethics, but it is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity, such as employee training on enforcement of the Code of Business Conduct and Ethics, may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

Risks Related to Our Intellectual Property

We license patent rights from third-party owners or licensees and if we fail to comply with our obligations in our intellectual property licenses, we could lose rights that are fundamental to our business.

We rely, and will continue to rely, on intellectual property rights licensed from third parties to protect our technology. We are a party to licenses that give us rights to third-party intellectual property that are necessary or useful for our business. For instance, we have a license from MGH to certain patent rights that relate to certain RNA repair technologies. Pursuant to this agreement, we have an exclusive, sublicensable and royalty-bearing license from MGH for the exploitation of the in-licensed intellectual property rights in all therapeutic indications in the field of cystic fibrosis. See Item 4.B: “Business overview - Intellectual Property”. We also intend to license additional third-party intellectual property in the future.

Our licensing arrangements impose diligence, development, regulatory and commercialization milestones, and royalty, insurance and other obligations on us. If we fail to comply with these obligations, licensors may have the right to terminate these agreements, in which case we might not be able to develop, manufacture or market any product that is covered by these agreements or may face other penalties under the agreements. Such an occurrence could materially adversely affect the value of the product candidate being developed under any such agreement. Termination of this agreement or reduction or elimination of our rights under this agreement may result in our having to negotiate new or amended agreements with less favorable terms, or cause us to lose our rights under this agreement, including our rights to important intellectual property and technologies that form the basis of our RNA repair technology, which may then be in-licensed by one or more of our competitors.

If the third parties from whom we license patent rights do not properly or successfully obtain, maintain or enforce the patents underlying such licenses, or if they retain or license to others any competing rights, our competitive position and business prospects may be adversely affected.

Our success will further depend in part on the ability of our licensors to obtain, maintain and enforce patent protection for our licensed intellectual property, in particular, those patents to which we have secured exclusive rights. MGH, as well as our other licensors, may not successfully prosecute the patent applications licensed to us. Even if patents issue or are granted, MGH or our other licensors may fail to maintain these patents, may determine not to pursue litigation against other companies that are infringing these patents, or may pursue litigation less aggressively than we would. Further, we may not obtain exclusive rights, which would allow for third parties to develop competing products. Without protection for, or exclusive right to, the intellectual property we license, other companies might be able to offer substantially identical products for sale, which could adversely affect our competitive business position and harm our business prospects.

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

Periodic maintenance fees on any issued patent are due to be paid to the United States Patent and Trademark Office, or U.S. PTO, the European Patent Office, or EPO, and other foreign patent agencies in several stages over the lifetime of the patent. The U.S. PTO and various foreign national or international patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of patent rights include, but are not limited to, failure to timely file national and regional stage patent applications based on our international patent application, failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors fail to maintain the patents and patent applications covering our product candidates, our competitors might be able to enter the market, which would have a material adverse effect on our business.

We or our licensors or any future collaborators or strategic partners may become subject to third party claims or litigation alleging infringement of patents or other proprietary rights or seeking to invalidate patents or other proprietary rights, and we may need to resort to litigation to protect or enforce our patents or other proprietary rights, all of which could be costly, time consuming, delay or prevent the development and commercialization of our product candidates, or put our patents and other proprietary rights at risk.

We or our licensors or any future collaborators or strategic partners may be subject to third-party claims for infringement or misappropriation of patent or other proprietary rights. We are generally obligated under our license or collaboration agreements to

indemnify and hold harmless our licensors or collaborators for damages arising from intellectual property infringement by us. If we or our licensors, or any future collaborators or strategic partners are found to infringe a third party patent or other intellectual property rights, we could be required to pay damages, potentially including treble damages, if we are found to have willfully infringed. In addition, we or our licensors, or any future collaborators or strategic partners may choose to seek, or be required to seek, a license from a third party, which may not be available on acceptable terms, if at all. Even if a license can be obtained on acceptable terms, the rights may be non-exclusive, which could give our competitors access to the same technology or intellectual property rights licensed to us. If we fail to obtain a required license, we or any future collaborator may be unable to effectively market product candidates based on our technology, which could limit our ability to generate revenue or achieve profitability and possibly prevent us from generating revenue sufficient to sustain our operations. In addition, we may find it necessary to pursue claims or initiate lawsuits to protect or enforce our patent or other intellectual property rights. Pursuant to our license with MGH, MGH has the initial right to prosecute infringers when, in its sole judgment, such action may be reasonably necessary, proper and justified. In the event that MGH notifies us that it does not intend to prosecute an infringement, we may, after providing notice to MGH, initiate an infringement action against the infringer. The cost to us in defending or initiating any litigation or other proceeding relating to patent or other proprietary rights, even if resolved in our favor, could be substantial, and litigation would divert our management's attention. Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could delay our research and development efforts and limit our ability to continue our operations.

If we were to initiate legal proceedings against a third party to enforce a patent covering one of our products or our technology, the defendant could counterclaim that our patent is invalid or unenforceable. In patent litigation in the U.S. and in most European countries, defendant counterclaims alleging invalidity or unenforceability are commonplace. Grounds for a validity challenge could be an alleged failure to meet any of several statutory requirements, for example, lack of novelty, obviousness or non-enablement. Grounds for an unenforceability assertion could be an allegation that someone connected with prosecution of the patent withheld relevant information from the U.S. PTO, or made a misleading statement, during prosecution. The outcome following legal assertions of invalidity and unenforceability during patent litigation is unpredictable. With respect to the validity question, for example, we cannot be certain that there is no invalidating prior art, of which we and the patent examiner were unaware during prosecution. If a defendant were to prevail on a legal assertion of invalidity or unenforceability, we would lose at least part, and perhaps all, of the patent protection on one or more of our products or certain aspects of our platform technology. Such a loss of patent protection could have a material adverse impact on our business. Patents and other intellectual property rights also will not protect our technology if competitors design around our protected technology without legally infringing our patents or other intellectual property rights.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability to develop, manufacture, market and sell our product candidates, and to use our proprietary technologies without infringing the proprietary rights of third parties. We cannot guarantee that QR-010, QR-110 or any of our product candidates, their manufacture, use, sale, offer for sale, or importation into the United States or into any country of the EEA will not be held to infringe a third party patent. As a result, we may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology, including litigation in a Federal District court, or an interference or a post grant proceeding before the U.S. PTO or litigation in foreign courts or proceedings before foreign patent offices. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future. We are aware of an issued U.S. patent with claims directed to purified DNA and RNA molecules encoding a CFTR protein or a mutant CFTR protein containing a ΔF508 mutation. Although we believe that the claims of this patent are not valid or infringed, particularly in light of a recent U.S. Supreme Court decision regarding the patentability of naturally-occurring nucleic acids, the patent owner may nonetheless initiate litigation. Any such litigation would cause us to incur substantial expenses, which would be costly and divert our management's attention, and there is no assurance that a court would find in our favor on questions of infringement or validity.

Furthermore, in the event a third party were to assert an infringement claim against us and we were ultimately found to infringe the third party's intellectual property rights, we could be required to obtain a license from such third party to continue developing and commercializing our products and technology. However, we may not be able to obtain an appropriate license on commercially reasonable terms or at all. Even if we are able to obtain a license, it may be non-exclusive, thereby giving our competitors access to the same technologies licensed to us. We could be forced, including by court order, to cease commercializing the infringing technology or product. In addition, in any such proceeding or litigation, we could be found liable for monetary damages. A finding of infringement could prevent us from commercializing our product candidates or force us to cease some of our business operations, which could materially harm our business. Any claims by third parties that we have misappropriated their confidential information or trade secrets could have a similar negative impact on our business.

If we are not able to adequately prevent disclosure of trade secrets and other proprietary information, the value of our technology and products could be significantly diminished.

We rely on trade secrets to protect our proprietary technologies, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. We rely in part on confidentiality agreements with our employees, consultants, outside scientific collaborators, sponsored researchers, contract manufacturers, vendors and other advisors to protect our trade secrets and other proprietary information. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, we cannot guarantee that we have executed these agreements with each party that may have or have had access to our trade secrets.

Any party with whom we or they have executed such an agreement may breach that agreement and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they disclose such trade secrets, from using that technology or information to compete with us. If any of our trade secrets were to be disclosed to or independently developed by a competitor or other third-party, our competitive position would be harmed.

We may be subject to claims that we or our employees or consultants have wrongfully used or disclosed alleged trade secrets of our employees' or consultants' former employers or their clients. These claims may be costly to defend and if we do not successfully do so, we may be required to pay monetary damages and may lose valuable intellectual property rights or personnel.

Many of our employees were previously employed at universities or biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although no claims against us are currently pending, we may be subject to claims that these employees or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers. Litigation may be necessary to defend against these claims. If we fail in defending such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. A loss of key research personnel or their work product could compromise our ability to commercialize, or prevent us from commercializing, our product candidates, which could severely harm our business. Even if we are successful in defending against these claims, litigation could result in substantial costs and be a distraction to management.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on all of our product candidates throughout the world would be prohibitively expensive. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may be able to export otherwise infringing products to territories where we have patent protection but where enforcement is not as strong as that in the United States. These products may compete with our products in jurisdictions where we do not have any issued patents and our patent claims or other intellectual property rights may not be effective or sufficient to prevent them from so competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in certain foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to biopharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. For example, an April 2014 report from the Office of the United States Trade Representative identified a number of countries, including India and China, where challenges to the procurement and enforcement of patent rights have been reported.

Several countries, including India and China, have been listed in the report every year since 1989. As a result, proceedings to enforce our patent rights in certain foreign jurisdictions could result in substantial cost and divert our efforts and attention from other aspects of our business.

Risks Related to the Commercialization of Our Product Candidates

We face competition from entities that have developed or may develop product candidates for our target indications, including companies developing novel treatments for CF patients. If these companies develop technologies or product candidates more rapidly than we do or their technologies, including delivery technologies, are more effective, our ability to develop and successfully commercialize our product candidates may be adversely affected.

The development and commercialization of drugs is highly competitive. We compete with a variety of multinational pharmaceutical companies and specialized biotechnology companies, as well as technology being developed at universities and other research institutions. Our competitors have developed, are developing or will develop product candidates and processes competitive with our product candidates. Competitive therapeutic treatments include those that have already been approved and accepted by the medical community and any new treatments that enter the market. We believe that a significant number of products are currently under development, and may become commercially available in the future, for the treatment of conditions for which we may try to develop product candidates. We are aware of multiple companies that are working in the field of CF therapeutics, including major pharmaceutical companies such as Vertex Pharmaceuticals Inc., F. Hoffmann-LaRoche Ltd., Novartis International AG, Gilead Sciences, Inc., Genzyme (a Sanofi Company), AbbVie Laboratories, Shire, Pfizer Inc., Bayer AG, and emerging companies, including AmpliPhi, Insmed, Galapagos, Nivalis and Proteostasis.

If our lead product candidate, QR-010, is approved for the indications we are currently pursuing, it will compete with a range of therapeutic treatments that are either in development or currently marketed. For example, Vertex's Kalydeco is approved for use by the FDA and EMA and works to improve the function of the defective CFTR protein in CF patients with the G551D mutation and certain other gating mutations. Vertex is also developing lumacaftor (VX-809) used in combination with ivacaftor for CF patients who are homozygous for the ΔF508 mutation. The Vertex Phase 3 studies showed statistically significant reductions in pulmonary exacerbations in the pooled analysis of both studies. Other signs of clinical improvement were either limited or not statistically different from placebo. We believe these studies validate that ΔF508 CFTR is a treatable target and indicate there is need for more efficacious therapies and therapies for patients with CF who are compound heterozygotes for the ΔF508 mutation. Vertex is seeking marketing approval in the U.S. and Europe for lumacaftor in combination with ivacaftor for people with cystic fibrosis who have two copies of the ΔF508 mutation with an FDA Advisory Panel scheduled for May 12, 2015 and a U.S. PDUFA date of July 5, 2015.

Clinical trial results are considered statistically significant when the probability of the results occurring by chance, rather than from the efficacy of the drug candidate, is sufficiently low. When that probability is less than 5%, or $p<0.05$, the result is considered statistically significant. There are also a number of products that are marketed or in

clinical development for the treatment of co-morbidity and symptoms in CF patients. These treatments include inhaled antibiotics, mucus thinners, pancreatic enzymes and anti-inflammatory drugs.

We have not been able to identify any competitors for our QR-110 program in the c.2991+1655A>G mutation in the CEP290 gene.

Many of our competitors possess significantly greater financial, technical, manufacturing, marketing, sales and supply resources or experience than us. If we successfully obtain approval for any product candidate, we will face competition based on many different factors, including the safety and effectiveness of our products, the ease with which our products can be administered and the extent to which patients accept relatively new routes of administration, the timing and scope of regulatory approvals for these products, the availability and cost of manufacturing, marketing and sales capabilities, price, reimbursement coverage and patent position. Competing products could present superior treatment alternatives, including being more effective, safer, less expensive or marketed and sold more effectively than any products we may develop. Competitive products may make any products we develop obsolete or noncompetitive before we recover the expense of developing and commercializing our product candidates. Such competitors could also recruit our employees, which could negatively impact our level of expertise and our ability to execute our business plan.

If any of our product candidates is approved for marketing and commercialization and we are unable to develop sales, marketing and distribution capabilities on our own or enter into agreements with third parties to perform these functions on acceptable terms, we will be unable to successfully commercialize any such future products.

Although we currently intend to develop and commercialize our product candidates on our own, we have no sales, marketing or distribution capabilities or experience. If any of our product candidates is approved, we will need to develop internal sales, marketing and distribution capabilities to commercialize such products, which would be expensive and time-consuming, or enter into collaborations with third parties to perform these services. If we decide to market our products directly, as we currently plan, we will need to commit significant financial and managerial resources to develop a marketing and sales force with technical expertise and supporting distribution, administration and compliance capabilities. If we rely on third parties with such capabilities to market our products or decide to co-promote products with collaborators, we will need to establish and maintain marketing and distribution arrangements with third parties, and there can be no assurance that we will be able to enter into such arrangements on acceptable terms or at all. In entering into third-party marketing or distribution arrangements, any revenue we receive will depend upon the efforts of the third parties and there can be no assurance that such third parties will establish adequate sales and distribution capabilities or be successful in gaining market acceptance of any approved product. If we are not successful in commercializing any product approved in the future, either on our own or through third parties, our business, financial condition, results of operations and prospects could be materially adversely affected.

Even if we receive marketing approval for any of our product candidates, it may not achieve broad market acceptance, which would limit the revenue that we generate from its sales.

The commercial success of any of our product candidates, if approved by the FDA, the EMA or other regulatory authorities, will depend upon the awareness and acceptance of the product among the medical community, including physicians, patients, patient advocacy groups and healthcare payors. Market acceptance of any of our product candidates, if approved, will depend on a number of factors, including, among others:

- our product candidates' demonstrated ability to treat patients and to provide patients with incremental therapeutic benefits, as compared with other available treatments;
- the relative convenience and ease of administration of our product candidates, including as compared with other treatments for patients;
- the prevalence and severity of any adverse side effects;
- limitations or warnings contained in the labeling approved for our product candidates by the FDA or the EMA;
- availability of alternative treatments, including therapies that improve the function of the defective CFTR protein already approved or expected to be commercially launched in the near future;
- pricing and cost effectiveness;
- the effectiveness of our sales and marketing strategies;
- our ability to increase awareness of our product candidates through marketing efforts;
- our ability to obtain sufficient third-party coverage or reimbursement; and
- the willingness of patients to pay out-of-pocket in the absence of third-party coverage.

Moreover, our first commercial sale of QR-010, if ever, will trigger a milestone payment to CFFT of approximately $ 80 million pursuant to our agreement with CFFT. We may not have sufficient funds to support our milestone payment obligations to CFFT, which could have a material adverse effect on our business and prospects.

Even if we are able to commercialize QR-010, QR-110, or another of our product candidates, the products may not receive coverage and adequate reimbursement from third-party payors, which could harm our business.

The availability of reimbursement by governmental and private payors is essential for most patients to be able to afford expensive treatments. Sales of any of product candidates, if approved, will depend substantially on the extent to which the costs of these product candidates will be paid by health maintenance, managed care, pharmacy benefit and similar healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payors. If reimbursement is not available, or is available only to limited levels, we may not be able to successfully commercialize any product candidate. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us to establish or maintain pricing sufficient to realize a sufficient return on our investment.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, the principal decisions about reimbursement for new medicines are typically made by the Centers for Medicare & Medicaid Services, or CMS, an agency within the U.S. Department of Health and Human Services, as CMS decides whether and to what extent a new medicine will be covered and reimbursed under Medicare. Private payors tend to follow CMS to a substantial degree. It is difficult to predict what CMS will decide with respect to reimbursement for fundamentally novel products such as ours, as there is no body of established practices and precedents for these new products. Reimbursement agencies in Europe may be more conservative than CMS. For example, a number of cancer drugs have been approved for reimbursement in the United States and have not been approved for reimbursement in certain European countries.

The intended use of a drug product by a physician can also affect pricing. For example, CMS could initiate a National Coverage Determination administrative procedure, by which the agency determines which uses of a therapeutic product would and would not be reimbursable under Medicare. This determination process can be lengthy, thereby creating a long period during which the future reimbursement for a particular product may be uncertain.

Outside the United States, particularly in member states of the European Union, the pricing of prescription drugs is subject to governmental control. In these countries, pricing negotiations or the successful completion of health technology assessment procedures with governmental authorities can take considerable time after receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Certain countries allow companies to fix their own prices for medicines, but monitor and control company profits. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after reimbursement has been obtained. Reference pricing used by various European Union member states and parallel distribution, or arbitrage between low-priced and high-priced member states, can further reduce prices. In some countries, we or our collaborators may be required to conduct a clinical trial or other studies that compare the cost-effectiveness of our RNA repair candidates to other available therapies in order to obtain or maintain reimbursement or pricing approval. Publication of discounts by third-party payors or authorities may lead to further pressure on the prices or reimbursement levels within the country of publication and other countries. If reimbursement of any product candidate approved for marketing is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business, financial condition, results of operations or prospects could be adversely affected.

Recently enacted and future legislation, including potentially unfavorable pricing regulations or other healthcare reform initiatives, may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and may negatively affect the prices we may obtain.

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of our product candidates, restrict or regulate post-approval activities or affect our ability to profitably sell any product candidates for which we obtain marketing approval.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the Medicare Modernization Act, established the Medicare Part D program and provided authority for limiting the number of drugs that will be covered in any therapeutic class thereunder. The Medicare Modernization Act, including its cost reduction initiatives, could decrease the coverage and reimbursement rate that we receive for any of our approved products. Furthermore, private payors often follow Medicare coverage policies and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from the Medicare Modernization Act may result in a similar reduction in payments from private payors.

The Healthcare Reform Law, among other things, imposes a significant annual fee on companies that manufacture or import branded prescription drug products. It also contains substantial new provisions intended to broaden access to health insurance, reduce or constrain the growth of health care spending, enhance remedies against healthcare fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on pharmaceutical and medical device manufacturers, and impose additional health policy reforms, any of which could negatively impact our business. A significant number of provisions are not yet, or have only recently become, effective, but the Healthcare Reform Law is likely to continue the downward pressure on pharmaceutical and medical device pricing, especially under the Medicare program, and may also increase our regulatory burdens and operating costs.

We expect that the Healthcare Reform Law, as well as other healthcare reform measures that have been and may be adopted in the future, may result in more rigorous coverage criteria and in additional downward pressure on the price that we receive for any approved product, and could seriously harm our future revenues. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payors. The implementation of cost containment measures or other healthcare reforms may compromise our ability to generate revenue, attain profitability or commercialize our products.

Even if any of our product candidates receive regulatory approval, they may still face future development and regulatory difficulties and any approved products will be subject to extensive post-approval regulatory requirements.

If we obtain regulatory approval for any of our product candidates, it would be subject to extensive ongoing requirements by the FDA, the EMA and foreign regulatory authorities governing the manufacture, quality control, further development, labeling, packaging, storage, distribution, safety surveillance, import, export, advertising, promotion, recordkeeping and reporting of safety and other post-market information. The safety profile of any product will continue to be closely monitored by the FDA, the EMA and comparable foreign regulatory authorities after approval. If the FDA, the EMA or comparable foreign regulatory authorities become aware of new safety information after approval of any of our product candidates, these regulatory authorities may require labeling changes or establishment of a risk management strategy, impose significant restrictions on a product's indicated uses or marketing, impose ongoing requirements for

potentially costly post-approval studies or post-market surveillance or impose a recall.

In addition, manufacturers of therapeutic products and their facilities are subject to continual review and periodic inspections by the FDA, the EMA and other regulatory authorities for compliance with cGMP regulations. If we or a regulatory agency discover previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where the product is manufactured, a regulatory agency may impose restrictions on that product, the manufacturing facility or us, including requiring recall or withdrawal of the product from the market or suspension of manufacturing. If we, our product candidates or the manufacturing facilities for our product candidates fail to comply with applicable regulatory requirements, a regulatory agency may, among other things:

- issue untitled letters or warning letters;
- mandate modifications to promotional materials or require us to provide corrective information to healthcare practitioners;
- require us to enter into a consent decree, which can include imposition of various fines, reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- seek an injunction or impose civil or criminal penalties or monetary fines;
- suspend or withdraw regulatory approval;
- suspend any ongoing clinical studies;
- refuse to approve pending applications or supplements to applications filed by us;
- suspend or impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products, refuse to permit the import or export of products, or require us to initiate a product recall.

The occurrence of any event or penalty described above may inhibit our ability to commercialize our products and generate revenue.

We are subject to anti-corruption laws, as well as export control laws, customs laws, sanctions laws and other laws governing our operations. If we fail to comply with these laws, we could be subject to civil or criminal penalties, other remedial measures and legal expenses, which could adversely affect our business, results of operations and financial condition.

Our operations are subject to anti-corruption laws, including the U.K. Bribery Act 2010, or Bribery Act, the U.S. Foreign Corrupt Practices Act, or FCPA, and other anti-corruption laws that apply in countries where we do business and may do business in the future. The Bribery Act, FCPA and these other laws generally prohibit us, our officers, and our employees and intermediaries from bribing, being bribed or making other prohibited payments to government officials or other persons to obtain or retain business or gain some other business advantage. We intend to operate in a number of jurisdictions that pose a high risk of potential Bribery Act or FCPA violations, and we may participate in collaborations and relationships with third parties whose actions could potentially subject us to liability under the Bribery Act, FCPA or local anti-corruption laws. In addition, we cannot predict the nature, scope or effect of future regulatory requirements to which our international operations might be subject or the manner in which existing laws might be administered or interpreted.

We are also subject to other laws and regulations governing our international operations, including regulations administered by the governments of the United Kingdom and the United States, and authorities in the European Union, including applicable export control regulations, economic sanctions on countries and persons, customs requirements and currency exchange regulations, collectively referred to as the Trade Control laws.

There is no assurance that we will be completely effective in ensuring our compliance with all applicable anti-corruption laws, including the Bribery Act, the FCPA or other legal requirements, including Trade Control laws. If we are not in compliance with the Bribery Act, the FCPA and other anti-corruption laws or Trade Control laws, we may be subject to criminal and civil penalties, disgorgement and other sanctions and remedial measures, and legal expenses, which could have an adverse impact on our business, financial condition, results of operations and liquidity. Likewise, any investigation of any potential violations of the Bribery Act, the FCPA, other anti-corruption laws or Trade Control laws by U.K., U.S. or other authorities could also have an adverse impact on our reputation, our business, results of operations and financial condition.

If we receive regulatory approvals, we intend to market our product candidates in multiple jurisdictions where we have limited or no operating experience and may be subject to increased business and economic risks that could affect our financial results.

If we receive regulatory approvals, we plan to market our product candidates in jurisdictions where we have limited or no experience in marketing, developing and distributing our products. Certain markets have substantial legal and regulatory complexities that we may not have experience navigating. We are subject to a variety of risks inherent in doing business internationally, including:

- risks related to the legal and regulatory environment in non-U.S. jurisdictions, including with respect to privacy and data security, and unexpected changes in laws, regulatory requirements and enforcement;
- burdens of complying with a variety of foreign laws in multiple jurisdictions;
- potential damage to our brand and reputation due to compliance with local laws;
- fluctuations in currency exchange rates;
- political, social or economic instability;
- difficulty of effective enforcement of contractual provisions in local jurisdictions;
- the potential need to recruit and work through local partners;
- reduced protection for or increased violation of intellectual property rights in some countries;
- inadequate data protection against unfair commercial use;
- difficulties in managing global operations and legal compliance costs associated with multiple international locations;
- compliance with the Bribery Act, the FCPA, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, and similar laws in other jurisdictions;
- natural disasters, including earthquakes, tsunamis and floods;
- inadequate local infrastructure;
- compliance with trade control laws;
- the effects of applicable foreign tax structures and potentially adverse tax consequences; and

- exposure to local banking, currency control and other financial-related risks.

If we are unable to manage our international operations successfully, our financial results could be adversely affected.

Recent federal legislation and actions by state and local governments may permit reimportation of drugs from foreign countries into the United States, including foreign countries where the drugs are sold at lower prices than in the United States, which could materially adversely affect our operating results.

We may face competition in the United States for our product candidates, if approved, from CF therapies sourced from foreign countries that have placed price controls on pharmaceutical products. In the United States, the Medicare Modernization Act contains provisions that may change U.S. importation laws and expand pharmacists' and wholesalers' ability to import cheaper versions of an approved drug and competing products from Canada, where there are government price controls. These changes to U.S. importation laws will not take effect unless and until the Secretary of the HHS certifies that the changes will pose no additional risk to the public's health and safety and will result in a significant reduction in the cost of products to consumers. The Secretary of the HHS has so far declined to approve a reimportation plan. Proponents of drug reimportation may attempt to pass legislation that would directly allow reimportation under certain circumstances. Legislation or regulations allowing the reimportation of drugs, if enacted, could decrease the price we receive for any products that we may develop, including QR-010 and QR-110, and adversely affect our future revenues and prospects for profitability.

The FDA, the EMA and other regulatory agencies actively enforce the laws and regulations prohibiting the promotion of off-label uses. If we are found to have improperly promoted off-label uses, we may become subject to significant liability.

The FDA, the EMA and other regulatory agencies strictly regulate the promotional claims that may be made about prescription products if approved. In particular, a product may not be promoted for uses that are not approved by the FDA, the EMA or such other regulatory agencies as reflected in the product's approved labeling. If we receive marketing approval for our product candidates, physicians may nevertheless prescribe them to their patients in a manner that is inconsistent with the approved label. If we are found to have promoted such off-label uses, we may become subject to significant liability.

In the United States, engaging in impermissible promotion of our products for off-label uses can also subject us to false claims litigation under federal and state statutes, which can lead to civil and criminal penalties and fines and agreements that materially restrict the manner in which we promote or distribute those products. These false claims statutes include the federal False Claims Act, which allows any individual to bring a lawsuit against a pharmaceutical or medical device company on behalf of the federal government alleging submission of false or fraudulent claims, or causing to present such false or fraudulent claims, for payment by a federal program such as Medicare or Medicaid. If the government prevails in the lawsuit, the individual will share in any fines or settlement funds. Since 2004, these False Claims Act lawsuits against pharmaceutical and medical device companies have increased significantly in volume and breadth, leading to several

substantial civil and criminal settlements based on certain sales practices promoting off-label drug uses. This growth in litigation has increased the risk that a company will have to defend a false claim action, pay settlement fines or restitution, agree to comply with burdensome reporting and compliance obligations, and be excluded from the Medicare, Medicaid, and other federal and state healthcare programs. If we do not lawfully promote our approved products, we may become subject to such litigation and, if we are not successful in defending against such actions, those actions may have a material adverse effect on our business, financial condition and results of operations.

Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our business, results of operations, financial condition and cash flows.

The tax laws and regulations in the Netherlands, the jurisdiction of our incorporation and our current resident state for tax purposes, may be subject to change and there may be changes in enforcement of tax law. Additionally, European and other tax laws and regulations are complex and subject to varying interpretations. We cannot be sure that our interpretations are accurate or that the responsible tax authority agrees with our views. If our tax positions are challenged by the tax authorities, we could incur additional tax liabilities, which could increase our costs of operations and have a material adverse effect on our business, financial condition, and results of operations.

Further changes in the tax laws of the jurisdictions in which we operate could arise as a result of the base erosion and profit shifting (BEPS) project being undertaken by the Organisation for Economic Co-operation and Development (OECD). The OECD, which represents a coalition of member countries that encompass certain of the jurisdictions in which we operate, is undertaking studies and publishing action plans that include recommendations aimed at addressing what they believe are issues within tax systems that may lead to tax avoidance by companies. It is possible that the jurisdictions in which we do business could react to the BEPS initiative or their own concerns by enacting tax legislation that could adversely affect us or our shareholders through increasing our tax liabilities.

Risks Related to Our Business and Strategy

Any inability to attract and retain qualified key management and technical personnel would impair our ability to implement our business plan.

Our success largely depends on the continued service of key management and other specialized personnel. The loss of one or more members of our management board or other key employees or advisors could delay our research and development programs and materially harm our business, financial condition, results of operations and prospects. The relationships that our key managers have cultivated within our industry make us particularly dependent upon their continued employment with us. We are dependent on the continued service of our technical personnel because of the highly technical nature of our product candidates and technologies and the specialized nature of the regulatory approval process. Because our management board and key employees are not obligated to provide us with continued service, they could terminate their employment or services with us at any time without penalty, subject to providing any

required advance notice. Our future success will depend in large part on our continued ability to attract and retain other highly qualified scientific, technical and management personnel, as well as personnel with expertise in clinical testing, manufacturing, governmental regulation and commercialization. We face competition for personnel from other companies, universities, public and private research institutions, government entities and other organizations.

We may experience difficulties in managing our growth and expanding our operations.

We have limited experience in drug development. As our product candidates enter and advance through pre-clinical studies and any clinical trials, we will need to expand our development, regulatory and manufacturing capabilities or contract with other organizations to provide these capabilities for us. In the future, we expect to have to manage additional relationships with collaborators or partners, suppliers and other organizations. Our ability to manage our operations and future growth will require us to continue to improve our operational, financial and management controls, reporting systems and procedures. We may not be able to implement improvements to our management information and control systems in an efficient or timely manner and may discover deficiencies in existing systems and controls.

Our internal computer systems, or those of our CROs or other contractors or consultants, may fail or suffer security breaches, which could result in a material disruption of our product development programs and adversely affect our business.

Despite the implementation of security measures, our information technology and other internal infrastructure systems and those of our CROs and other contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. A significant disruption in the availability of our information technology and other internal infrastructure systems could cause interruptions in our collaborations with our partners and delays in our research and development work. For instance, the loss of pre-clinical data or data from any future clinical trial involving our product candidates could result in delays in our development and regulatory filing efforts and significantly increase our costs. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the development of our product candidates could be delayed.

Our current operations are concentrated and any events affecting this location may have material adverse consequences.

Our current operations are primarily located in our facilities in Leiden, the Netherlands. Any unplanned event, such as flood, fire, explosion, earthquake, extreme weather condition, medical epidemics, power shortage, telecommunication failure or other natural or manmade accidents or incidents that result in us being unable to fully utilize the facilities may have a material adverse effect on our ability to operate our business, particularly on a daily basis, and have significant negative consequences on our financial and operating conditions. Loss of access to these facilities may result in increased costs, delays in the development of our product candidates or interruption of our business

operations. As part of our risk management policy, we maintain insurance coverage at levels that we believe are appropriate for our business. However, in the event of an accident or incident at these facilities, we cannot assure you that the amounts of insurance will be sufficient to satisfy any damages and losses. If our facilities are unable to operate because of an accident or incident or for any other reason, even for a short period of time, any or all of our research and development programs may be harmed. Additionally, the lease agreement covering our current laboratories is scheduled to expire on July 31, 2019. To the extent that we are unable to find new facilities for our current operations or we are delayed in finding new facilities, any business interruption could have a material adverse effect on our business, financial position, results of operations and prospects.

The investment of our cash, cash equivalents and fixed income marketable securities is subject to risks which may cause losses and affect the liquidity of these investments.

As at December 31, 2014, we had approximately € 112,736,000 in cash and cash equivalents. To date, our cash and cash equivalents have been deposited primarily in savings and deposit accounts with original maturities of twelve months or less. Savings and deposit accounts generate a small amount of interest income. Any future investments may include term deposits, corporate bonds, money market funds and government securities, all in accordance with our investment policy. These investments are subject to general credit, liquidity, market and interest rate risks. We may realize losses in the fair value of these investments or a complete loss of these investments, which would have a negative effect on our financial statements.

In addition, should our investments cease paying or reduce the amount of interest paid to us, our interest income would suffer. The market risks associated with our investment portfolio may have an adverse effect on our results of operations, liquidity and financial condition.

Our business entails a significant risk of product liability and our ability to obtain sufficient insurance coverage could have a material effect on our business, financial condition, results of operations or prospects.

The use of our product candidates in pre-clinical studies, in clinical trials and the sale of any of our product candidates if approved, exposes us to the risk of product liability claims. Product liability claims might be brought against us by patients, healthcare providers or others selling or otherwise coming into contact with our product candidates. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, including as a result of interactions with alcohol or other drugs, negligence, strict liability, and a breach of warranties. Claims could also be asserted under state consumer protection acts. If we become subject to product liability claims and cannot successfully defend ourselves against them, we could incur substantial liabilities. In addition, regardless of merit or eventual outcome, product liability claims may result in, among other things:

- withdrawal of patients from our clinical trials;
- substantial monetary awards to patients or other claimants;
- decreased demand for QR-010, QR-110 or any future product candidates following marketing approval, if obtained;
- damage to our reputation and exposure to adverse publicity;
- increased FDA or EMA warnings on product labels;
- litigation costs;
- distraction of management's attention from our primary business;
- loss of revenue; and
- the inability to successfully commercialize QR-010, QR-110 or any future product candidates, if approved.

We will need to maintain product liability insurance coverage for our clinical trials. We may not be able to obtain such coverage at a reasonable cost or in sufficient amounts to protect us against losses, including if insurance coverage becomes increasingly expensive. Large judgments have been awarded in class action lawsuits based on drugs that had unanticipated side effects. The cost of any product liability litigation or other proceedings, even if resolved in our favor, could be substantial, particularly in light of the size of our business and financial resources. A product liability claim or series of claims brought against us could cause our share price to decline and, if we are unsuccessful in defending such a claim or claims and the resulting judgments exceed our insurance coverage, our financial condition, business and prospects could be materially adversely affected.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

Our ability to use our net operating losses, or NOLs, in the Netherlands is currently limited and may be further limited. Under Dutch income tax law, tax loss carry-forwards are subject to a time limitation of nine years. As at December 31, 2014, we had a total of approximately € 17.0 million tax loss carry-forwards available for offset against future taxable profits. The first amount of the tax loss carry-forwards will expire in 2021. There is also a risk that due to regulatory changes such as suspensions on the use for NOLs, our existing NOLs could expire or otherwise become unavailable to offset future income tax liabilities. For these reasons, we may not be able to use a material portion of the NOLs, even if we attain profitability.

Changes in accounting rules and regulations, or interpretations thereof, could result in unfavorable accounting charges or require us to change our compensation policies.

Accounting methods and policies for biopharmaceutical companies, including policies governing revenue recognition, research and development and related expenses and accounting for share-based compensation, are subject to review, interpretation and guidance from relevant accounting authorities, including the SEC. Changes to accounting methods or policies, or interpretations thereof, may require us to reclassify, restate or otherwise change or revise our financial statements, including those contained in this annual report.

Risks Related to Ownership of our Ordinary Shares

We cannot predict what the market price of our ordinary shares will be. As a result it may be difficult for you to sell your ordinary shares at or above the price at which you purchased them.

An active trading market for our shares may not be sustained. The market value of our ordinary shares may decrease from time to time. As a result of these and other factors, you may be unable to resell your shares of our ordinary shares at or above the price at which you purchased them. The lack of an active market may impair your ability to sell your shares at the time you wish to sell them or at a price that you consider reasonable. The lack of an active market may also reduce the fair market value of your shares. Further, an inactive market may also impair our ability to raise capital by selling our ordinary shares and may impair our ability to enter into strategic partnerships or acquire companies or products by using our ordinary shares as consideration. The market price of our shares may be volatile, and you could lose all or part of your investment.

The trading price of our ordinary shares is likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this "Risk Factors" section and elsewhere in this annual report, these factors include:

- the presentation of data at industry conferences by us and/or our competitors;
- the responses to any of our IND applications with the FDA and any of our CTA applications with the EMA;
- any current pre-clinical or future clinical trials of our product candidates, including any delays in enrollment rates or timing of these trials;
- regulatory actions with respect to our products or our competitors' products;
- the recruitment or departure of key personnel;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- results of clinical trials of our competitors;
- the success of competitive products or technologies;
- actual or anticipated changes in our growth rate relative to our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights;
- the level of expenses related to any of our product candidates or pre-clinical or clinical development programs;
- actual or anticipated changes in estimates as to financial results, development timelines or recommendations by securities analysts;
- variations in our financial results or those of companies that are perceived to be similar to us;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- share price and volume fluctuations attributable to inconsistent trading volume levels of our shares;
- announcement or expectation of additional financing efforts;
- sales of our ordinary shares by us, our insiders or our other shareholders;
- changes in the structure of healthcare payment systems;

- market conditions in the pharmaceutical and biotechnology sectors; and
- general economic, industry and market conditions.

In addition, the stock market in general, and pharmaceutical and biotechnology companies in particular, have experienced extreme price and volume fluctuations that have sometimes been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our ordinary shares, regardless of our actual operating performance. The realization of any of the above risks or any of a broad range of other risks, including those described in these "Risk Factors," could have a dramatic and material adverse impact on the market price of our ordinary shares.

If securities or industry analysts publish inaccurate or unfavorable research or cease to publish research about our business, our share price and trading volume could decline.

The trading market for our ordinary shares depends in part on the research and reports that securities or industry analysts publish about us or our business. In the event securities or industry analysts, who cover us downgrade our ordinary shares, publish inaccurate or unfavorable research about our business, or cease publishing about us, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our ordinary shares could decrease, which might cause our share price and trading volume to decline.

Sales of a substantial number of our ordinary shares in the public market could cause our share price to fall.

Sales of a substantial number of our ordinary shares in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our ordinary shares. As at December 31, 2014, we have 23,338,154 outstanding ordinary shares.

Members of our management board and supervisory board and our principal shareholders and their affiliates have significant control over our company, which will limit your ability to influence corporate matters and could delay or prevent a change in corporate control.

The holdings of the members of our management board and supervisory board and our principal shareholders and their affiliates, represent significant ownership, in the aggregate, of our outstanding ordinary shares (as set out in "Item 7.A. Major Shareholders"). As a result, these shareholders, if they act together, will be able to influence our management and affairs and control the outcome of matters submitted to our shareholders for approval, including the election of directors and any sale, merger, consolidation, or sale of all or substantially all of our assets. These shareholders may have interests, with respect to their ordinary shares, that are different from other investors and the concentration of voting power among these shareholders may have an adverse effect on the price of our ordinary shares. In addition, this concentration of ownership might adversely affect the market price of our ordinary shares by:

- delaying, deferring or preventing a change of control of us;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of us.

Please see "Item 7.A. Major Shareholders" for more information regarding the ownership of our outstanding ordinary shares by our management board and supervisory board and our principal shareholders and their affiliates.

Because we do not anticipate paying any cash dividends on our ordinary shares in the foreseeable future, capital appreciation, if any, will be your sole source of potential gain.

We have never declared or paid cash dividends on our ordinary shares. We currently intend to retain all of our future earnings, if any, to finance the growth and development of our business. In addition, the terms of any future debt agreements may preclude us from paying dividends. As a result, capital appreciation, if any, of our ordinary shares will be your sole source of gain for the foreseeable future.

We are an "emerging growth company" and we intend to take advantage of reduced disclosure and governance requirements applicable to emerging growth companies, which could result in our ordinary shares being less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we are taking advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. We do not know if investors will find our ordinary shares less attractive because we are relying on these exemptions. We may take advantage of these reporting exemptions until we are no longer an emerging growth company, which could be for up to five years.

If investors find our ordinary shares less attractive as a result of our reduced reporting requirements, there may be a less active trading market for our ordinary shares and our share price may be more volatile. We may also be unable to raise additional capital as and when we need it.

Prior to our initial public offering in September 2014, we operated as a private company and therefore, have little experience operating as a public company and complying with public company obligations. Complying with these requirements will increase our costs, require additional management resources and qualified accounting and financial personnel, and we may fail to meet all of these obligations.

We face increased legal, accounting, administrative and other costs and expenses as a public company. Compliance with the Sarbanes-Oxley Act of 2002, the Dodd-Frank Act of 2010, the Dutch Financial Supervision Act and the rules promulgated thereunder,

as well as rules of the SEC and NASDAQ and the Dutch Corporate Governance Code, or DCGC, for example, are expected to result in significant initial cost to us as well as ongoing increases in our legal, audit and financial compliance costs, particularly after we are no longer an "emerging growth company." The Securities Exchange Act of 1934, as amended, or the Exchange Act, requires, among other things, that we file certain periodic reports with respect to our business and financial condition. Our management board, officers and other personnel need to devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations make it more difficult and more expensive for us to obtain director and officer liability insurance, and require us to incur substantial costs to maintain the same or similar coverage. We expect to incur significant expense and devote substantial management effort toward ensuring compliance with Section 404 of the Sarbanes-Oxley Act of 2002 in preparation for and once we lose our status as an "emerging growth company." We currently do not have an internal audit group, and we will need to continue to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge, and it may be difficult to recruit and maintain such personnel. Implementing any appropriate changes to our internal controls may require specific compliance training for our directors, officers and employees, entail substantial costs to modify our existing accounting systems, and take a significant period of time to complete. Such changes may not, however, be effective in maintaining the adequacy of our internal controls, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements or other reports on a timely basis, could increase our operating costs and could materially impair our ability to operate our business.

If we fail to establish and maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, shareholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our ordinary shares.

Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing by us conducted in connection with Section 404 of the Sarbanes-Oxley Act of 2002, or any subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our ordinary shares.

We will be required to disclose changes made in our internal controls and procedures on a quarterly basis and our management board will be required to assess the effectiveness of these controls annually. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal controls over financial reporting pursuant to Section 404. We could be an "emerging growth company" for up to five years. An independent assessment of the effectiveness of our internal controls could

detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

Our disclosure controls and procedures may not prevent or detect all errors or acts of fraud.

We are subject to certain reporting requirements of the Exchange Act. Our disclosure controls and procedures are designed to reasonably assure that information required to be disclosed by us in reports we file or submit under the Exchange Act is accumulated and communicated to management, recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. We believe that any disclosure controls and procedures or internal controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by an unauthorized override of the controls. Accordingly, because of the inherent limitations in our control system, misstatements or insufficient disclosures due to error or fraud may occur and not be detected.

Risks Related to Investing in a Foreign Private Issuer or a Dutch Company

We are a foreign private issuer and, as a result, we are not subject to U.S. proxy rules and are subject to Exchange Act reporting obligations that, to some extent, are more lenient and less frequent than those of a U.S. domestic public company.

We report under the Exchange Act as a non-U.S. company with foreign private issuer status. Because we qualify as a foreign private issuer under the Exchange Act and although we are subject to Dutch laws and regulations with regard to such matters and intend to furnish quarterly financial information to the SEC, we are exempt from certain provisions of the Exchange Act that are applicable to U.S. domestic public companies, including:

- the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a security registered under the Exchange Act;
- the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time; and
- the rules under the Exchange Act requiring the filing with the SEC of quarterly reports on Form 10-Q containing unaudited financial and other specified information, or current reports on Form 8-K, upon the occurrence of specified significant events.

In addition, foreign private issuers are not required to file their annual report on Form 20-F until 120 days after the end of each fiscal year, while U.S. domestic issuers that are accelerated filers are required to file their annual report on Form 10-K within 75 days after the end of each fiscal year. Foreign private issuers are also exempt from the Regulation Fair Disclosure, aimed at preventing issuers from making selective disclosures

of material information. As a result of the above, you may not have the same protections afforded to shareholders of companies that are not foreign private issuers.

We may lose our foreign private issuer status which would then require us to comply with the Exchange Act's domestic reporting regime and cause us to incur significant legal, accounting and other expenses.

We are a foreign private issuer and therefore we are not required to comply with all of the periodic disclosure and current reporting requirements of the Exchange Act applicable to U.S. domestic issuers. In order to maintain our current status as a foreign private issuer, either:

- a majority of our ordinary shares must be either directly or indirectly owned of record by non-residents of the United States; or
- a majority of our "executive officers" or directors may not be U.S. citizens or residents, more than 50% of our assets cannot be located in the United States and our business must be administered principally outside the United States.

If we lose this status, we would be required to comply with the Exchange Act reporting and other requirements applicable to U.S. domestic issuers, which are more detailed and extensive than the requirements for foreign private issuers.

We may also be required to make changes in our corporate governance practices in accordance with various SEC and NASDAQ rules. The regulatory and compliance costs to us under U.S. securities laws if we are required to comply with the reporting requirements applicable to a U.S. domestic issuer may be significantly higher than the costs we would incur as a foreign private issuer. As a result, we expect that a loss of foreign private issuer status would increase our legal and financial compliance costs and would make some activities more time consuming and costly. We also expect that if we were required to comply with the rules and regulations applicable to U.S. domestic issuers, it would make it more difficult and expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These rules and regulations could also make it more difficult for us to attract and retain qualified members of our supervisory board.

We currently report our financial results under IFRS, which differ in certain significant respect from U.S. GAAP.

Currently we report our financial statements under IFRS. There have been and there may in the future be certain significant differences between IFRS and U.S. GAAP, including differences related to revenue recognition, share-based compensation expense, income tax and earnings per share. As a result, our financial information and reported earnings for historical or future periods could be significantly different if they were prepared in accordance with U.S. GAAP. In addition, we do not intend to provide a reconciliation between IFRS and U.S. GAAP unless it is required under applicable law. As a result, you may not be able to meaningfully compare our financial statements under IFRS with those companies that prepare financial statements under U.S. GAAP.

Provisions of our articles of association or Dutch corporate law might deter acquisition bids for us that might be considered favorable and prevent or frustrate any attempt to replace or remove the management board and supervisory board.

Certain provisions of our articles of association may make it more difficult for a third party to acquire control of us or effect a change in our management board or supervisory board. These provisions include:

- the authorization of a class of preferred shares that may be issued against payment of 25% of the nominal value thereof to a protection foundation, for which we have granted a perpetual and repeatedly exercisable call option to such protection foundation, for up to such number of preferred shares as equals, at the time of exercise of the call option, the lesser of: (i) the total number of shares equal to our issued share capital at that time minus the number of preferred shares already held by the protection foundation at that time (if any) or (ii) the maximum number of preferred shares that may be issued under our authorized share capital under our articles of association from time to time;
- the staggered four-year terms of our supervisory board members, as a result of which only approximately one-fourth of our supervisory board members will be subject to election in any one year;
- a provision that our management board members and supervisory board members may only be appointed upon a binding nomination by our supervisory board, which can be set aside by a two-thirds majority of our shareholders representing more than half of our issued share capital;
- a provision that our management board members and supervisory board members may only be removed by our general meeting of shareholders by a two-thirds majority of votes cast representing more than 50% of our issued share capital (unless the removal was proposed by the supervisory board); and
- a requirement that certain matters, including an amendment of our articles of association, may only be brought to our shareholders for a vote upon a proposal by our management board that has been approved by our supervisory board.

As indicated above, we have adopted an anti-takeover measure by granting a perpetual and repeatedly exercisable call option to the protection foundation, which confers upon the protection foundation the right to acquire, under certain conditions, the number of preferred shares described above. The issuance of such preferred shares will occur upon the protection foundation's exercise of the call option and will not require shareholder consent. Such a measure has the effect of making a takeover of us more difficult or less attractive and as a result, our shareholders may be unable to benefit from a change of control and realize any potential change of control premium which may materially and adversely affect the market price of our ordinary shares.

We are not obligated to and do not comply with all the best practice provisions of the Dutch Corporate Governance Code. This may affect your rights as a shareholder.

As a Dutch company we are subject to the DCGC. The DCGC contains both principles and best practice provisions that regulate relations between the management board, the supervisory board and the shareholders (i.e. the general meeting of shareholders). The DCGC is based on a "comply or explain" principle. Accordingly, companies are required

to disclose in their annual reports, filed in the Netherlands, whether they comply with the provisions of the DCGC. If they do not comply with those provisions (e.g., because of a conflicting NASDAQ requirement), we are required to give the reasons for such non-compliance.

The DCGC applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, including NASDAQ. We do not comply with all the best practice provisions of the DCGC. This may affect your rights as a shareholder and you may not have the same level of protection as a shareholder in a Dutch company that fully complies with the DCGC.

We intend to rely in certain cases on NASDAQ Stock Market rules that permit us to comply with applicable Dutch corporate governance practices, rather than the corresponding domestic U.S. corporate governance practices, and therefore your rights as a shareholder will differ from the rights you would have as a shareholder of a domestic U.S. issuer.

As a foreign private issuer whose ordinary shares are listed on The NASDAQ Global Market, we are permitted in certain cases to follow Dutch corporate governance practices instead of the corresponding requirements of the NASDAQ Marketplace Rules. A foreign private issuer that elects to follow a home country practice instead of NASDAQ requirements must submit to NASDAQ in advance a written statement from an independent counsel in such issuer's home country certifying that the issuer's practices are not prohibited by the home country's laws. In addition, a foreign private issuer must disclose in its annual reports filed with the SEC each such requirement that it does not follow and describe the home country practice followed instead of any such requirement. We intend to follow Dutch corporate governance practices with regard to the quorum requirements applicable to meetings of shareholders and the provision of proxy statements for general meetings of shareholders, rather than the corresponding domestic U.S. corporate governance practices. In accordance with Dutch law and generally accepted business practices, our articles of association do not provide quorum requirements generally applicable to general meetings of shareholders. Although we do intend to provide shareholders with an agenda and other relevant documents for the general meeting of shareholders, Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a generally accepted business practice in the Netherlands. Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ's corporate governance rules.

We cannot assure you that we will not be classified as a passive foreign investment company for our 2014 taxable year, which may result in adverse U.S. federal income tax consequence to certain U.S. holders of our ordinary shares.

Generally, if, for any taxable year, at least 75% of our gross income is passive income, or at least 50% of the value of our assets is attributable to assets that produce passive income or are held for the production of passive income, including cash, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. For purposes of these tests, passive income includes dividends, interest, and gains from the sale or exchange of investment property and rents and royalties other than rents and royalties which are received from unrelated parties in connection

with the active conduct of a trade or business. If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. holders, and having interest charges apply to distributions by us and the proceeds of share sales. See Item 10.E: "Taxation" for more information.

Since PFIC status depends on the composition of our income and the composition and value of our assets (which, if we are not a "controlled foreign corporation" under Section 957(a) of the Code or we are publicly traded for the entire year being tested, may be determined in large part by reference to the market value of our ordinary shares, which may be volatile) from time to time, there can be no assurance that we will not be considered a PFIC for any taxable year. Although the matter is not free from doubt, we believe that we were not a PFIC during our 2014 taxable year.

Any U.S. or other foreign judgments you may obtain against us may be difficult to enforce against us in the Netherlands.

We are incorporated under the laws of the Netherlands. We currently have only limited operations in the United States. Most of our assets are currently located in the Netherlands. The majority of our management board, supervisory board and officers reside outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or to enforce against them or us in U.S. courts, including judgments predicated upon the civil liability provisions of the federal securities laws of the United States. In addition, it is not clear whether a Dutch court would impose civil liability on us or any of our managing directors or supervisory directors in an original action based solely upon the federal securities laws of the United States brought in a court of competent jurisdiction in the Netherlands.

The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not automatically be recognized or enforceable in the Netherlands. In order to obtain a judgment which is enforceable in the Netherlands, the party in whose favor a final and conclusive judgment of the U.S. court has been rendered will be required to file its claim with a court of competent jurisdiction in the Netherlands. Such party may submit to the Dutch court the final judgment rendered by the U.S. court. If and to the extent that the Dutch court finds that the jurisdiction of the U.S. court has been based on grounds which are internationally acceptable and that proper legal procedures have been observed, the Dutch court will, in principle, give binding effect to the judgment of the U.S. court, unless such judgment contravenes principles of public policy of the Netherlands. Dutch courts may deny the recognition and enforcement of punitive damages or other awards. Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of judgments of U.S. courts in the Netherlands are solely governed by the provisions of the Dutch Code of Civil Procedure.

Based on the lack of a treaty as described above, U.S. investors may not be able to enforce against us or our management board or supervisory board members, representatives or certain experts named herein who are residents of the Netherlands or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

The rights and responsibilities of our shareholders are governed by Dutch law and differ in some important respects from the rights and responsibilities of shareholders under U.S. law.

Our corporate affairs are governed by our articles of association, our internal rules and by the laws governing companies incorporated in the Netherlands. The rights of our shareholders and the responsibilities of members of our supervisory board under Dutch law are different than under the laws of some U.S. jurisdictions. In the performance of their duties, our management board and our supervisory board are required by Dutch law to consider the interests of ProQR Therapeutics, its shareholders, its employees and other stakeholders and not only those of our shareholders. Also, as a Dutch company, we are not required to solicit proxies or prepare proxy statements for general meetings of shareholders. Dutch law does not have a regulatory regime for U.S.- style proxy solicitations and, even though Dutch law accommodates voting by proxy, the solicitation of proxies is not a widely used business practice in the Netherlands. In addition, the rights of holders of shares and many of the rights of shareholders as they relate to, for example, the exercise of shareholder rights, are governed by Dutch law and our articles of association and differ from the rights of shareholders under U.S. law. For example, Dutch law does not grant appraisal rights to a company's shareholders who wish to challenge the consideration to be paid upon a merger or consolidation of the company.

Financial statements 2014

Statement of financial position at December 31, 2014

	Note	December 31, 2014	December 31, 2013
		€ 1,000	*€ 1,000*
ASSETS			
Non-current assets			
Intangible assets	7	163	39
Property, plant and equipment	8	1,187	204
		1,350	**243**
Current assets			
Social security and other taxes	9	426	73
Prepayments and other receivables	10	735	59
Cash and cash equivalents	11	112,736	4,129
		113,897	**4,261**
TOTAL ASSETS		**115,247**	**4,504**
EQUITY			
Share capital		934	59
Share premium reserve		123,581	3,482
Equity settled employee benefits reserve		687	41
Accumulated deficit		(15,798)	(3,671)
Total shareholders' equity	**12**	**109,404**	**(89)**
LIABILITIES			
Non-current liabilities	13		
Borrowings		2,814	943
Finance lease liabilities		15	48
		2,829	**991**
Current liabilities	14		
Convertible loan		—	2,514
Finance lease liabilities		34	35
Trade payables		1,247	745
Social security and other taxes		341	29
Pension premiums		127	17
Other current liabilities		1,265	262
		3,014	**3,602**
TOTAL EQUITY AND LIABILITIES		**115,247**	**4,504**

The accompanying notes are an integral part of these financial statements.

Statement of profit or loss for the year ended December 31, 2014

	Note	2014	2013
		€ 1,000	*€ 1,000*
Other income	15	**313**	**116**
Research and development costs	16	(10,267)	2,569
General and administrative costs		(6,507)	786
Total operating costs		**(16,774)**	**3,355**
Operating result		**(16,461)**	**(3,239)**
Financial income and expense	18	4,334	(14)
Result before corporate income taxes		**(12,127)**	**(3,253)**
Corporate income taxes	19	—	—
Result for the year		**(12,127)**	**(3,253)**
Attributable to:			
Equity holders of the Company		**(12,127)**	**(3,253)**
Share information			
Weighted average number of shares outstanding	20	11,082,801	5,517,588
Earnings per share for result attributable to the equity holders of the Company during the period (expressed in Euro per share)			
Basic (and diluted)[1]	20	**€ (1.09)**	**€ (0.59)**

1 — Basic and diluted earnings are equal due to the anti-dilutive nature of the options outstanding since the Company is loss-making.

The accompanying notes are an integral part of these financial statements.

Statement of comprehensive income for the year ended December 31, 2014

	Note	2014	2013
		€ 1,000	*€ 1,000*
Result for the year		(12,127)	(3,253)
Other comprehensive income		—	—
Total comprehensive income for the year		**(12,127)**	**(3,253)**

The accompanying notes are an integral part of these financial statements.

Statement of changes in equity for the year ended December 31, 2014

	Note	Number of shares	Share capital	Share premium reserve	Equity settled employee benefits reserve	Accumulated deficit	Total equity
			€ 1,000	€ 1,000	€ 1,000	€ 1,000	€ 1,000
Balance at January 1, 2013		**3,413,292**	**33**	**484**	**—**	**(418)**	**99**
Result for the year		**—**	**—**	**—**	**—**	**(3,253)**	**(3,253)**
Recognition of share-based payments		—	—	—	41	—	41
Shares issued in the period		3,592,773	35	2,998	—	—	3,033
Treasury shares issued		(897,913)	(9)	—	—	—	(9)
Balance at December 31, 2013	**12**	**6,108,152**	**59**	**3,482**	**41**	**(3,671)**	**(89)**
Result for the year		**—**	**—**	**—**	**—**	**(12,127)**	**(12,127)**
Recognition of share-based payments		—	—	—	646	—	646
Shares issued in the period		17,755,515	880	122,291	—	—	123,171
Treasury shares issued		(525,513)	(5)	(2,192)	—	—	(2,197)
Balance at December 31, 2014	**12**	**23,338,154**	**934**	**123,581**	**687**	**(15,798)**	**109,404**

The accompanying notes are an integral part of these financial statements.

Statement of cash flows for the year ended December 31, 2014

	Note	2014	2013
		€ 1,000	*€ 1,000*
Cash flows from operating activities			
Result before corporate income taxes		(12,127)	(3,253)
Adjustments for:			
- Depreciation	7, 8	126	24
- Share based compensation	12	646	41
- Financial income and expenses	18	(4,334)	14
Changes in working capital		1,090	829
Cash used in operations		**(14,599)**	**(2,345)**
Corporate income tax paid		—	—
Interest received		142	13
Net cash used in operating activities		**(14,457)**	**(2,332)**
Purchases of intangible assets	7	(124)	—
Purchases of property, plant and equipment	8	(1,109)	(137)
Net cash used in investing activities		**(1,233)**	**(137)**
Net proceeds from issuance of shares	12	118,250	3,023
Proceeds from borrowings	13	1,667	3,326
Redemption of financial lease	13	(34)	—
Net cash generated by financing activities		**119,883**	**6,349**
Net (decrease)/increase in cash and cash equivalents		**104,193**	**3,880**
Currency effect cash and cash equivalents		4,414	—
Cash and cash equivalents at the beginning of the year	11	4,129	249
Cash and cash equivalents at the end of the year	11	**112,736**	**4,129**

The accompanying notes are an integral part of these financial statements.

Notes to the financial statements for the year ended December 31, 2014

1 General information

ProQR Therapeutics N.V., or "ProQR" or the "Company", is a development stage Company that primarily focuses on the development and commercialization of novel therapeutic medicines.

Since September 18, 2014, the Company's ordinary shares are listed on the NASDAQ Global Market under ticker symbol PRQR.

The Company was incorporated in the Netherlands, on February 21, 2012 and has been reorganized from a private Company with limited liability to a public company with limited liability on September 23, 2014. The Company has its statutory seat in Leiden, the Netherlands. The address of its headquarters and registered office is Darwinweg 24, 2333 CR Leiden, the Netherlands.

Going concern
The management board of ProQR has, upon preparing and finalizing the 2014 financial statements, assessed the Company's ability to fund its operations for a period of at least one year after the date of signing these financial statements.

The management board of the Company is confident about the continuity of the Company based on its existing funding, taking into account the funding resulting from the Company's initial public offering on September 18, 2014 and the projected cash flows based on the activities under execution on the basis of ProQR's business plan, which includes, amongst other activities, production of QR-010 compound, conduct of toxicology studies with QR-010 and clinical studies using QR-010 in patients suffering from cystic fibrosis.

2 Adoption of new and revised International Financial Reporting Standards

The financial statements have been prepared on the basis of International Financial Reporting Standards ("IFRS") as adopted by the European Union ("EU"). New Standards and Interpretations, which became effective as of January 1, 2014, did not have a material impact on our financial statements.

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

IFRS 9	Financial Instruments[2]
IFRS 14	Regulatory Deferral Accounts[2]
IFRS 15	Revenue from Contracts with Customers[2]
Amendments to IFRS 1	First Time Adoption[1]
Amendments to IFRS 2	Share-based Payment[1]
Amendments to IFRS 3	Business Combinations[1]
Amendments to IFRS 5	Non-current Assets Held for Sale and Discontinued Operations[2]
Amendments to IFRS 7	Financial Instruments: Disclosures[2]
Amendments to IFRS 8	Operating Segments[1]
Amendments to IFRS 10/IFRS 12/IAS 28	Investment Entities: Applying the Consolidation Exception[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations[2]
Amendments to IFRS 13	Fair Value Measurement[1]
Amendments to IAS 1	Disclosure Initiative[2]
Amendments to IAS 16	Clarification of Acceptable Methods of Depreciation[1]
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisatio[2]
Amendments to IAS 16 and IAS 41	Bearer Plants[2]
Amendments to IAS 19	Defined Benefits Plans: Employee Contributions[1]
Amendments to IAS 19	Employee Benefits[2]
Amendments to IAS 24	Related Party Disclosure[1]
Amendments to IAS 27	Equity Method in Separate Financial Statements [2]
Amendments to IAS 34	Interim Financial Reporting[2]
Amendments to IAS 40	Intangible Assets[1]

1 — Effective for annual periods beginning on or after July 1, 2014, with earlier adoption allowed.

2 — Effective for annual periods beginning on or after January 1, 2016.

The adoption of these Standards and Interpretations are not expected to have a material effect on the financial statements.

3 Significant accounting policies

3.1 Statement of compliance

The financial statements of ProQR Therapeutics B.V. (“the Company”) have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”).

3.2 Basis of preparation

The financial statements have been prepared on the historical cost basis except for financial instruments and share-based payment obligations which have been based on fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company’s accounting policies. The areas involving a higher degree of judgment or complexity or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

3.3 Recognition of other income

Other income includes amounts earned from third parties and are recognized when earned in accordance with the substance and under the terms of the related agreements and when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the income can be measured reliably. Other income relates to grants received from patient organization the Cystic Fibrosis Foundation, or CFF, and Cystic Fibrosis Foundation Therapeutics Inc., or CFFT. The grants are recognized in other income in the same period in which the related R&D costs are recognized.

3.4 Government grants - WBSO

The WBSO (“afdrachtvermindering speur- en ontwikkelingswerk”) is a Dutch fiscal facility that provides subsidies to companies, knowledge centers and self-employed people who perform research and development activities (as defined in the WBSO Act). Under this Act, a contribution is paid towards the labor costs of employees directly involved in research and development. The contribution is in the form of a reduction of payroll taxes and social security contributions. Subsidies relating to labor costs are deferred and recognized in the income statement as negative labor costs over the period necessary to match them with the labor costs that they are intended to compensate.

3.5 Foreign currencies

Items included in the Company’s financial statements are measured using the currency of the primary economic environment it operates in (“the functional currency”). The financial statements are presented in Euros, which is the Company’s functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

3.6 Classes of financial instruments

Financial instruments are both primary financial instruments, such as receivables and payables, and financial derivatives. For primary financial instruments, reference is made to the treatment per the corresponding balance sheet item.

Financial derivatives are valued at fair value. Upon first recognition, financial derivatives are recognized at fair value and then revalued as at balance sheet date.

3.7 Pension obligations

The Company operates a defined contribution pension plan for all employees funded through payments to an insurance company. The Company has no legal or constructive obligation to pay further contributions once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

3.8 Share-based payments

The Company operates an equity-settled, share-based compensation plan. The costs of employee share option plans are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed, based on the Company's estimate of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

3.9 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax
Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Since the Company does not expect to be profitable in the foreseeable future, its deferred tax assets are valued at nil.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3.10 Intangible assets

Licenses
Acquired patents have a finite useful life and are carried at cost less accumulated amortization and impairment losses. Amortization is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives (generally 10 years unless a patent expires prior to that date). Amortization begins when an asset is available for its intended use.

Research and development
Research expenditures are recognized as expenses as incurred. Costs incurred on development projects are recognized as intangible assets of the date that it can be established that it is probable that future economic benefits that are attributable to the asset will flow to the Company considering its commercial and technological feasibility, generally when filed for regulatory approval for commercial production, and when costs can be measured reliably. Given the current stage of the development of the Company's products no development expenditures have yet been capitalized.

Registration costs for patents are part of the expenditures for the research and development project. Therefore, registration costs for patents are expensed as incurred as long as the research and development project concerned does not yet meet the criteria for capitalization.

Other intangible assets
Other intangible assets, including software, that are acquired by the Company and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

Amortization
Amortization is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss.

The estimated useful lives for current and comparative periods are as follows:

- Software : 5 years.

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.11 Property, plant and equipment

Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

Depreciation
Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is recognized in profit or loss. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Company will obtain ownership by the end of the lease term.

The estimated useful lives of property, plant and equipment for current and comparative periods are as follows:

- Leasehold improvements : 5 - 10 years.
- Laboratory equipment : 5 years.
- Other : 3 - 5 years.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3.12 Impairment of tangible and intangible assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.13 Financial assets

All financial assets are recognized and derecognized on the trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Loans and receivables
Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as “loans and receivables”. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

An allowance for doubtful accounts is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the trade receivable is impaired. Loans and receivables are included in ‘current assets’, except for maturities greater than 12 months after the balance sheet date, which are classified as ‘non-current assets’.

For all financial assets, the fair value approximates its carrying value.

3.14 Cash and cash equivalents

Cash and cash equivalents include cash on hand and all highly liquid investments with original maturities of three months or less that are convertible to a known amount of cash and bear an insignificant risk of change in value.

3.15 Financial liabilities and equity instruments

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognized at the proceeds received, net of direct issue costs.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs incurred, and are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Borrowings and other financial liabilities are classified as 'non-current liabilities,' other than liabilities with maturities up to one year, which are classified as "current liabilities".

The Company derecognizes financial liabilities when the liability is discharged, cancelled or expired. For all financial liabilities, the fair value approximates its carrying amount.

3.16 Leases

Determining whether an arrangement contains a lease
At inception of an arrangement, the Company determines whether such an arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Company separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Company concludes for a finance lease that it is impracticable to separate the payments reliably, then an asset and a liability are recognized at an amount equal to the fair value of the underlying asset. Subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognized using the Company's incremental borrowing rate.

Leased assets
Assets held by the Company under leases that transfer to the Company substantially all

of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

Lease payments
Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

4 Financial risk management

4.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Company's overall financial risk management seeks to minimize potential adverse effects resulting from unpredictability of financial markets on the Company's financial performance.

Risk management is carried out by the finance department. The finance department identifies and evaluates financial risks and proposes mitigating actions if deemed appropriate.

(a) Market risk

Foreign exchange risk
Foreign exchange risk arises from future commercial transactions and recognized assets and liabilities in foreign currencies, primarily with respect to the U.S. Dollar. The Company has an exposure associated with the time delay between entering into a contract, budget or forecast and the realization thereof. The Company operates a foreign exchange policy to manage the foreign exchange risk against the functional currency based on the Company's cash balances and the projected future spend per major currency.

At December 31, 2014 there was a net liability in U.S. Dollars of € 0.7 million. Foreign currency denominated trade receivables and trade payables are short term in nature (generally 30 to 45 days). As a result foreign exchange rate movements on receivables and trade payables, during the years presented had an immaterial effect on the financial statements.

At year-end, a substantial amount of our cash balances are denominated in U.S. Dollars. This amount reflects our current expectation of future expenditure in U.S. dollars.

Price risk
The market prices for the production of preclinical and clinical materials and services as well as external contracted research may vary over time. Currently, the commercial prices of any of the Company's product candidates is uncertain. When the development products near the regulatory approval date or potential regulatory approval date, the uncertainty of the potential sales price decreases. The Company is not exposed to commodity price risk.

Furthermore the Company does not hold investments classified as available-for-sale or at fair value through profit or loss, therefore are not exposed to equity securities price risk.

Cash flow and fair value Interest rate risk
The Company's exposure to interest rate risks is limited due to the use of loans with fixed rates. The Company has one loan and a financial lease with a fixed interest, totaling € 2,863,000 at December 31, 2014 (2013: € 3,540,000). Details on the interest rates and maturities of these loans are provided in Note 13.

(b) Credit risk

Credit risk represents the risk of financial loss caused by default of the counterparty. The Company has no large receivables balances with external parties. The Company's principal financial assets are cash and cash equivalents which are placed at ABN Amro and Rabobank. Our cash management policy is focused on preserving capital, providing liquidity for operations and optimizing yield while accepting limited risk (Short-term credit ratings must be rated A-1/P-1/F1 at a minimum by at least one of the Nationally Recognized Statistical Rating Organizations (NRSROs) specifically Moody's, Standard & Poor's or Fitch. Long-term credit rating must be rated A- or A3 at a minimum by at least one NRSRO).

As of December 31, 2014 and December 31, 2013, substantially all of our cash and cash equivalents were placed at two large institutions, Rabobank and ABN Amro. Both institutions are highly rated (ratings of Aa2 and A2 respectively) with sufficient capital adequacy and liquidity metrics.

There are no financial assets past due date or impaired. No credit limits were exceeded during the reporting period.

(c) Liquidity risk

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management implies ensuring sufficient availability of cash resources for funding of operations and planning to raise cash if and when needed, either through issue of shares or through credit facilities. Management monitors rolling forecasts of the Company's liquidity reserve on the basis of expected cash flow.

The table below analyzes ProQR's undiscounted liabilities into relevant maturity groupings based on the remaining period at year-end until the contractual maturity date:

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
At December 31, 2014				
Borrowings	—	—	2,814	—
Finance lease liabilities	34	15	—	—
Trade payables and other payables	2,980	—	—	—
Total	**3,014**	**15**	**2,814**	**—**

4.2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders, benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders (although at this time the Company does not have retained earnings and is therefore currently unable to pay dividends), return capital to shareholders, issue new shares or sell assets to reduce debt.

The total amount of equity as recorded on the balance sheet is managed as capital by the Company.

4.3 Fair value measurement

For financial instruments that are measured on the balance sheet at fair value, IFRS 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company has no assets and liabilities that are measured at fair value at December 31, 2014 and 2013.

The carrying amount of all financial assets and financial liabilities is a reasonable approximation of the fair value and therefore information about the fair values of each class has not been disclosed.

5 Critical accounting estimates and judgements

In the application of the Company's accounting policies, which are described in note 3, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Share-based payments

Share options granted to employees and consultants are measured at the fair value of the equity instruments granted. Fair value is determined through the use of an option-pricing model considering, among others, the following variables:

- The exercise price of the option;
- The expected life of the option;
- The current value of the underlying shares;
- The expected volatility of the share price;
- The employee turnover rate;
- The dividends expected on the shares; and
- The risk-free interest rate for the life of the option.

For the Company's share option plans, management's judgment is that the Black-Scholes valuation method is the most appropriate for determining the fair value of the Company's share options.

Initially, the Company's ordinary shares were not publicly traded and consequently the Company needed to estimate the fair value of its share and the expected volatility of that value. The expected volatility of all options granted was therefore based on the average historical volatility of the Company's peers over a period that agrees with the period of maturity. All assumptions and estimates are further discussed in note 12(d) to the financial statements. The value of the underlying shares was determined on the basis of the prior sale of company stock method. As such, the Company has benchmarked the value per share to external transactions of Company shares and external financing rounds.

For options granted from the moment of listing, the Company uses the closing price of the ordinary shares on the previous business day as exercise price of the options granted.

The result of the share option valuations and the related compensation expense is dependent on the model and input parameters used. Even though Management considers the fair values reasonable and defensible based on the methodologies applied and the information available, others might derive a different fair value for the Company's share options.

(b) Corporate income taxes

The Company recognizes deferred tax assets arising from unused tax losses or tax credits only to the extent that the Company has sufficient taxable temporary differences or there is convincing evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilized. Management's judgment is that such convincing evidence is currently not sufficiently available and a deferred tax asset is therefore only recognized to the extent that the Company has sufficient taxable temporary differences.

(c) Research and development expenditures

Research expenditures are currently not capitalized but are reflected in the income statement because the criteria for capitalization are not met. At each balance sheet date, the Company estimates the level of service performed by the vendors and the associated costs incurred for the services performed.

Although we do not expect the estimates to be materially different from amounts actually incurred, the understanding of the status and timing of services performed relative to the actual status and timing of services performed may vary and could result in reporting amounts that are too high or too low in any particular period.

(d) Equity

All expenses related to the IPO were recorded in the statement of comprehensive income until the date at which it became probable that the IPO would occur. The Management Board determined that August 1, 2014 is considered to be the date at which the IPO became probable. Expenses related to the IPO incurred subsequent to August 1, 2014 were deducted from the proceeds of the share issuance.

6 Segment Information

The Company operates in one reportable segment, which comprises the discovery and development of innovative, RNA based therapeutics. The management board is identified as the chief operating decision maker. The management board reviews the operating results regularly to make decisions about resources and to assess overall performance.

The Company has not generated any sales revenues since inception.

The amounts provided to the management board with respect to total assets and liabilities are measured in a manner consistent with that of the financial statements.

7 Intangible assets

	Licenses	Software	Total
	€ 1,000	*€ 1,000*	*€ 1,000*
Balance at January 1, 2013 and December 31, 2013			
Cost	39	—	39
Accumulated depreciation	—	—	—
Carrying amount	**39**	**—**	**39**
Additions	—	124	124
Movement for the period	**—**	**124**	**124**
Balance at December 31, 2014			
Cost	39	124	163
Accumulated depreciation	—	—	—
Carrying amount	**39**	**124**	**163**

In 2012, the Company acquired an exclusive license from the Massachusetts General Hospital. The initial payment in respect of the license, in the amount of € 39,000, will be amortized over the commercial life of products based on the license during the patent-life.

8 Property, plant and equipment ('PP&E')

	Leasehold improvements	Laboratory equipment	Other	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Balance at January 1, 2013				
Cost	—	—	—	—
Accumulated depreciation	—	—	—	—
Carrying amount	**—**	**—**	**—**	**—**
Additions	5	190	33	228
Depreciation	(1)	(19)	(4)	(24)
Disposals	—	—	—	—
Movement for the period	**4**	**171**	**29**	**204**
Balance at December 31, 2013				
Cost	5	190	33	228
Accumulated depreciation	(1)	(19)	(4)	(24)
Carrying amount	**4**	**171**	**29**	**204**
Additions	321	579	209	1,109
Depreciation	(16)	(85)	(25)	(126)
Disposals	—	—	—	—
Movement for the period	**305**	**494**	**184**	**983**
Balance at December 31, 2014				
Cost	326	769	242	1,337
Accumulated depreciation	(17)	(104)	(29)	(150)
Carrying amount	**309**	**665**	**213**	**1,187**

The depreciation charge is included in the research and development costs for an amount of € 119,000 (2013: € 24,000) and in the general and administrative costs for an amount of € 7,000 (2013: € nil).

9 Social security and other taxes

	December 31, 2014	December 31, 2013
	€ 1,000	*€ 1,000*
Value added tax	426	73
	426	**73**

All receivables are considered short-term and due within one year.

10 Prepayments and other receivables

	December 31, 2014	December 31, 2013
	€ 1,000	*€ 1,000*
Prepayments	408	2
Other receivables	327	57
	735	**59**

All receivables are considered short-term and due within one year.

11 Cash and cash equivalents

	December 31, 2014	December 31, 2013
	€ 1,000	*€ 1,000*
Cash at banks	83,084	4,129
Bank deposits	29,652	—
	112,736	**4,129**

The cash at banks is at full disposal of the Company. Bank deposits are convertible into cash upon request of the Company.

12 Shareholders' equity

(a) Issued capital

	December 31, 2014	December 31, 2013
	€ 1,000	*€ 1,000*
Share capital	934	59
Share premium	123,581	3,482
	124,515	**3,541**

The authorized share capital of the Company amounting to € 934,000 consists of 23,338,154 ordinary shares with a par value of € 0.04 per share. All issued shares have been fully paid in cash.

On April 17, 2014, the Company authorized and issued a total of 8,265,179 preferred shares, of which 619,682 preferred shares were issued as a result of the conversion of the outstanding convertible loan. In addition, on the same date, 444,884 ordinary shares were issued to the Foundation "Stichting ProQR Therapeutics Participation". The gross proceeds from this share issuance (excluding the shares issued to the Foundation) amounted to € 41,998,000 while the transaction costs amounted to € 1,632,000, resulting in net proceeds of € 40,366,000. The net proceeds received in cash amounted to € 37,806,000, while non-cash proceeds as a result of the conversion of the convertible loan amounted to € 2,560,000.

The preferred shares carried a one-time liquidation preference and anti-dilution protection. The liquidation preference applied exclusively upon the occurrence of any of the following events, other than an IPO raising gross proceeds of at least $ 35 million or a bona fide capital raising transaction in accordance with our articles of association: (i) bankruptcy, liquidation, dissolution or winding up of the Company, (ii) a transaction or series of transactions leading to a change of control over the Company, (iii) a consolidation, merger, demerger, or reverse merger of the Company or any subsidiary in which the shareholders immediately after such event will not own at least 50% of the issued and outstanding share capital of the surviving or acquiring Company in that consolidation, merger, demerger, or reverse merger, as the case may be, or (iv) the sale, lease, transfer, exclusive license, liquidation or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of all or substantially all of the assets of the Company and its subsidiaries taken as a whole. The anti-dilution protection was applicable in situations where the post-completion share price of any share issue (excluding certain permitted transactions) was lower than the per share purchase price of the April 2014 financing, in which case the preferred shareholders would be granted additional preferred shares. This right did not apply in the event of a public offering of the Company's ordinary shares in connection with which all the outstanding preferred shares would be converted into ordinary shares.

On September 15, 2014, the general meeting of shareholders of the Company resolved to approve and effect a capital reorganization, including a share split and bonus share issuance. The combined effect of the share split and bonus share issuance was a

101.804232-for-1 share split of the outstanding ordinary and preferred shares held by the Company's shareholders. This share split became effective on September 15, 2014.

All share, per-share and related information presented in the comparative figures of these financial statements and accompanying footnotes have been retroactively adjusted, where applicable, to reflect the impact of the share split.

On September 18, 2014, the Company was listed at the NASDAQ Global Market under ticker symbol PRQR. In connection with this listing, the Company issued a total of 8,625,000 ordinary shares against the initial public offering price of $ 13.00, resulting in gross proceeds of $ 112,125,000 (€ 87,202,000). The number of shares issued includes the exercise of the overallotment option granted to the underwriters. The net proceeds raised in the offering amounted to € 80,376,000, net of € 8,589,000 of underwriting discounts and offering expenses, of which € 6,826,000 was processed through share premium and € 1,763,000 was included in the statement of comprehensive loss as general and administrative costs.

All of the issued preferred shares were converted into the Company's ordinary shares. The conversion rate for the preferred shares was one-to-one, adjusted for the stock splits.

(b) Treasury shares

All treasury shares presented in the statement of changes in equity relate to ordinary shares that have legally been issued, but that are within control of the Company. These shares were initially held by the Foundation ProQR Participation but were transferred to the Company upon termination of the Foundation. Therefore, these shares are presented as treasury shares. The total number of treasury shares within control of the Company amounts to 1,182,660 at December 31, 2014.

(c) Equity settled employee benefit reserve

The costs of share options for employees, members of the supervisory board and members of the management board are recognized in the income statement, together with a corresponding increase in equity during the vesting period, taking into account (deferral of) corporate income taxes. The accumulated expense of share options recognized in the income statement is shown separately in the equity category 'equity settled employee benefit reserve' in the 'statement of changes in equity'.

(d) Share options

The Company operates an equity-settled share-based compensation plan which was introduced in 2013. The supervisory board may grant options to employees, members of the supervisory board, members of the management board and consultants. The compensation expenses included in operating costs for this plan were € 646,000 in 2014 (2013: € 41,000), of which € 242,000 (2013: € 22,000) was recorded in general and administrative costs and € 404,000 (2013: € 19,000) was recorded in research and development costs.

Options granted under this stock option plan are exercisable once vested. Any vesting schedule may be attached to the granted options, however the typical vesting period is four years (25% after every year). The options expire ten years after date of grant. Options granted under the stock option plan are granted at exercise prices which equal the fair value of the ordinary shares of the Company at the date of the grant.

The Company accounts for its employee stock options under the fair value method. The fair value of the options is estimated at the date of grant using the Black-Scholes option-pricing model, with on average the following assumptions:

	Options granted in 2014	Options granted in 2013
Risk-free interest rate	0.616%	0.942%
Expected dividend yield	0%	0%
Expected volatility	88.6%	93.8%
Expected life in years	5 years	5 years

The resulting weighted average grant date fair value of the options amounted to € 2.58 in 2014 (2013: € 0.79). The stock options granted have a 10 year life following the grant date.

Movements in the number of options outstanding and their related weighted average exercise prices are as follows:

	2014		2013	
	Number of options	Average exercise price	Number of options	Average exercise price
Balance at January 1	**379,323**	**€ 1.11**	—	—
Granted	691,722	€ 3.52	380,341	€ 1.11
Forfeited	(11,095)	€ 1.20	(1,018)	€ 1.11
Exercised	(61,185)	€ 1.11	—	—
Lapsed	—	—	—	—
Balance at December 31	**998,765**	**€ 2.78**	**379,323**	**€ 1.11**
Exercisable	94,729		—	

The options outstanding at December 31, 2014 had an exercise price in the range of € 1.11 to € 12.15 (2013: € 1.11) and a weighted-average contractual life of 9.2 years (2013: 9.7 years).

The weighted-average share price at the date of exercise for share options exercised in 2014 was € 3.04 (2013: no options exercised).

Please refer to note 22 for options of key management personnel.

13 Non-current liabilities

(a) Borrowings

	December 31, 2014	December 31, 2013
	€ 1,000	*€ 1,000*
Innovation credit	2,588	922
Accrued interest on innovation credit	226	21
	2,814	**943**

Innovation credit ("Innovatiekrediet")

On June 1, 2012, ProQR was awarded an Innovation credit by the Dutch government, through its agency RVO (previously: "AgentschapNL") of the Ministry of Economic Affairs, for the Company's cystic fibrosis program. The credit was increased in the course of 2013 and 2014. The credit covers 35% of the costs incurred in respect of the program up to an initial maximum of € 5.0 million through November 30, 2015.

The credit is interest-bearing at a rate of 10% per annum. The credit, including accrued interest, is repayable in three instalments on January 31, 2017, January 31, 2018 and January 31, 2019, depending on the technical success of the program.

The assets which are co-financed with the granted innovation credit are subject to a right of pledge for the benefit of RVO.

(b) Finance lease liabilities

	December 31, 2014	December 31, 2013
	€ 1,000	*€ 1,000*
Balance at January 1	83	—
Initial recognition new finance leases	—	91
Interest expense accrued	—	11
Payment of finance lease liabilities	(34)	(19)
Balance at December 31	**49**	**83**
Current portion at December 31	(34)	(35)
	15	**48**

Certain of the Company's property, plant and equipment items are subject to finance leases. These leases relate to laboratory equipment. The net carrying amount of leased assets amounts to € 64,000 (2013: € 114,500).

Future minimum lease payments under finance leases as at December 31, 2014 are as follows:

	2014		2013	
	Minimum payments	Present value of payments	Minimum payments	Present value of payments
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Less than 1 year	34	34	35	34
Between 1 and 5 years	15	15	48	46
More than 5 years	—	—	—	—

The interest used for the present value of payments is 2%.

14 Current liabilities

	December 31, 2014	December 31, 2013
	€ 1,000	*€ 1,000*
Convertible loan	—	2,514
Current portion finance lease liabilities	34	35
Trade payables	1,247	745
Social securities and other taxes	341	29
Pension premiums	127	17
Accrued expenses and other liabilities	1,265	262
	3,014	**3,602**

(a) Convertible loan

	2014	2013
	€ 1,000	*€ 1,000*
Balance at January 1	2,514	—
Initial recognition new convertible loan	—	2,500
Accrued interest	45	14
Conversion to preferred shares	(2,559)	—
Balance at December 31	**—**	**2,514**

On November 15, 2013, the Company issued a convertible loan equaling € 2,500,000 to a number of existing shareholders. The loan carried an interest of 6% per annum and was converted into preferred shares in the April 2014 financing. The participants in the convertible loan received an agreed-upon discount to the per share purchase price of newly issued preferred shares.

The majority of the Company's current liabilities are denominated in euros.

15 Other income

In August 2014, the Company entered into an agreement with Cystic Fibrosis Foundation Therapeutics, Inc., or CFFT, a subsidiary of the Cystic Fibrosis Foundation, pursuant to which CFFT agreed to provide the Company with up to $ 3 million to support the clinical development of QR-010. The grant is recognized in other income in the same period in which the related R&D costs are recognized.

16 Research and development costs

Research and development costs amounted to € 10,267,000 in 2014 (2013: € 2,569,000) and comprise allocated employee costs, the costs of materials and laboratory consumables, the costs of external studies and external research, license- and IP-costs and allocated other costs.

17 Employee benefits

	2014	2013
	€ 1,000	*€ 1,000*
Wages and salaries	3,845	677
Social security costs	320	112
Pension costs – defined contribution plans	217	49
Equity-settled share based payments	646	41
	5,028	**879**
Average number of employees for the period	37.8	13.4

Employees per activity at December 31 (converted to FTE):

	2014	2013
Research and development	40.1	12.0
General and administrative	18.7	5.2
Total number of employees at December 31 *(converted to FTE)*	**58.8**	**17.2**

Of all employees 54.8 FTE are employed in the Netherlands.

Included in the wages and salaries for 2014 is a credit of € 301,000 (2013: € 150,000) with respect to WBSO subsidies.

18 Financial income and expense

	2014	2013
	€ 1,000	*€ 1,000*
Interest income		
Current accounts and deposits	183	24
Interest costs		
Interest on loans and borrowings	(265)	(38)
Foreign exchange result		
Net foreign exchange benefit/(loss)	4,416	—
	4,334	**(14)**

19 Income tax

The calculation of the tax charge is as follows:

	2014	2013
	€ 1,000	*€ 1,000*
Income tax provision based on domestic rate (25%)	3,032	813
Less: Valuation allowance	(3,032)	(813)
Income tax charge	—	—
Effective tax rate	**0%**	**0%**

Due to the operating losses incurred since inception the Company has no tax provisions as of the balance sheet date. Furthermore, no significant temporary differences exist between accounting and tax results.

Realization of deferred tax assets is dependent on future earnings, if any, the timing and amount of which are uncertain. Accordingly, the Company has not yet recognized any deferred tax asset related to operating losses. As per December 31, 2014, the Company has a total amount of € 17.0 million (2013: € 3.9 million) tax loss carry-forwards available for offset against future taxable profits. According to current tax regulations the first amount of the tax loss carry-forwards will expire in 2021.

20 Earnings per share

Basic and diluted earnings per share
Basic earnings per share are calculated by dividing the result attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

	2014	2013
Result attributable to equity holders of the Company *(€ 1,000)*	(12,127)	(3,253)
Weighted average number of shares	11,082,801	5,517,688
Basic (and diluted) earnings per share *(€ per share)*	**€ (1.09)**	**€ (0.59)**

Diluted earnings per share
For the periods included in these financial statements, the share options are not included in the diluted earnings per share calculation as the Company was loss-making in all periods. Due to the anti-dilutive nature of the outstanding options, basic and diluted earnings per share are equal.

Dividends per share
The Company did not declare dividends for any of the years presented in these financial statements.

21 Commitments and contingencies

(a) Claims

There are no claims known to Management related to the activities of the Company.

(b) Rent

Since 2012, the Company is domiciled in Leiden. It currently has concluded rental agreements for laboratory space and offices at two locations.

The lease expenditure charged to the income statement in 2014 amounts to € 258,000 (2013: € 113,000, 2012: € 13,000). The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	December 31, 2014	December 31, 2013
	€ 1,000	*€ 1,000*
Less than 1 year	509	194
Between 1 and 5 years	277	—
More than 5 years	—	—
	786	**194**

(c) Patent license agreement

The Company and the General Hospital Corporation (MGH) have entered into a Patent License Agreement under which the Company may have certain royalty obligations. The Company is also obligated to pay MGH up to $ 800,000 in milestone payments upon the achievement of certain development and regulatory milestones and, beginning after its first commercial sale of a product covered by the licensed patent rights, a $ 10,000 annual license fee which is creditable against royalties due to MGH in the same calendar year. In addition, the Company is obligated to pay MGH 2% of any net sales by the Company, its affiliates or sublicensees on licensed products made or sold in the United States, as well as a low double-digit percentage of any payments the Company may receive from any sublicensee anywhere in the world.

The Company and the Radboud University Medical Center have entered into a Patent License Agreement under which the Company is granted a world-wide exclusive license and under which the Company may have certain royalty obligations in relation to its product QR-110 for Leber's congenital amaurosis. Pursuant to the terms the Company has made an upfront payment and has to make sales-based royalty payments after market authorization. The Company has the option to make a one-time payment in case the Company terminates the agreement before or after regulatory approval of the product. The Company may terminate the agreement for any reason.

On October 8, 2014 the Company entered in an agreement with PARI Pharma GmbH, pursuant to which the Company is granted an exclusive license to the use of PARI's eflow technology for the administration of oligonucleotide-based drugs in the ΔF508 mutation in cystic fibrosis, with the option to expand this exclusivity to the use in other CF mutations. Pursuant to the terms of the agreement, we have made an upfront payment, fees for development work and are obligated to make sales-based royalty payments after market authorization.

(d) Clinical support agreement

In August 2014, the Company entered into an agreement with Cystic Fibrosis Foundation Therapeutics, Inc., or CFFT, a subsidiary of the Cystic Fibrosis Foundation, pursuant to which CFFT agreed to provide the Company with up to $ 3 million to support the clinical development of QR-010.

Pursuant to the terms of the agreement, the Company is obligated to make a one-time milestone payment to CFFT of up to approximately $ 80 million, payable in three equal annual installments following the first commercial sale of QR-010, the first of which is due within 90 days following the first commercial sale. The Company is also obligated to make a one-time milestone payment to CFFT of up to $ 3 million if net sales of QR-010 exceed $ 500 million in a calendar year. Lastly, the Company is obligated to make a payment to CFFT of up to approximately $ 6 million if it transfers, sells or licenses QR-010 other than for certain clinical or development purposes, or if the Company enters into a change of control transaction. Either CFFT or the Company may terminate the agreement for cause, which includes the Company's material failure to achieve certain commercialization and development milestones. The Company's payment obligations survive the termination of the agreement.

(e) Research and development commitments

The Company has committed itself to a number of obligations amounting to € 1,758,000 at December 31, 2014 (2013: € 953,000). Of these obligations an amount of € 1,584,000 is due in 2015, the remainder is due in 2016.

22 Related-party transactions

Details of transactions between the Company and related parties are disclosed below.

(a) Compensation of the Supervisory Board

On January 1, 2014, three new members, Mr. Dinko Valerio (chairman), Mr. Henri Termeer and Mr. Antoine Papiernik, were appointed to our supervisory board. Ms. Alison Lawton was appointed on September 17, 2014.

Mr. Gerard Platenburg resigned from the supervisory board on December 1, 2013. His remuneration for 2013 amounted to € 34,000 (2012: € 8,000), of which € 22,000 was attributable to advisory fees paid to Progress Therapeutics B.V., a company owned and controlled by Mr. Platenburg, and € 12,000 was attributable to share-based payments to Mr. Platenburg.

The 2013 remuneration comprised only short-term employee benefits as set out in the table below:

	Advisory fees	Share-based payments	Total
	€ 1,000	*€ 1,000*	*€ 1,000*
G.J. Platenburg	22	12	34
	22	**12**	**34**

As at December 31, 2013, Progress Therapeutics B.V., a company owned and controlled by Mr. Platenburg, held 934,257 ordinary shares in the Company and Mr. Platenburg held 107,811 options.

The remuneration of the supervisory board members in 2014 is set out in the table below:

	Short term employee benefits	Post employment benefits	Share-based payments	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Mr. Dinko Valerio	33	—	65	98
Mr. Henri Termeer	33	—	57	90
Mr. Antoine Papiernik	—	—	—	—
Ms. Alison Lawton	10	—	8	18
	76	**—**	**130**	**206**

As at December 31, 2014:

- Mr. Valerio holds 943,420 ordinary shares in the Company, as well as 32,272 options. In 2014, Mr. Valerio was granted 64,646 options under the Option Plan to acquire depositary receipts issued for ordinary shares at an exercise price of € 1.11 per option. Under this option grant, 32,374 options are exercisable immediately, while the remaining 32,272 options vest in four annual equal tranches of 25% starting for the first time as of the first anniversary of the date of grant. Mr. Valerio exercised 32,374 options on June 30, 2014, for which he received 32,374 depositary receipts issued for ordinary shares after payment of the exercise price. These depositary receipts have been included in his total number of ordinary shares held.
- Mr. Termeer holds 1,730,714 ordinary shares in the Company as well as 28,709 options. In 2014, Mr. Termeer was granted 57,520 options under the Option Plan to acquire depositary receipts issued for ordinary shares at an exercise price of € 1.11 per option. Under this option grant 28,811 options are exercisable immediately, while the remaining 28,709 options vest in four annual equal tranches of 25% starting for the first time as of the first anniversary of the date of grant. Mr. Termeer exercised 28,811 options on June 30, 2014, for which he received 28,811 depositary receipts issued for ordinary shares after payment of the total exercise price. These depositary receipts have been included in his total number of ordinary shares.
- Mr. Antoine Papiernik does not hold any shares or options in the Company.
- Ms. Lawton holds 7,850 options. In 2014, Ms. Lawton was granted 7,850 options under the Option Plan to acquire depositary receipts issued for ordinary shares at an exercise price of € 10.03 per option. Under this option grant options vest in four annual equal tranches of 25% starting for the first time as of the first anniversary of the date of grant.

(b) Compensation of key management personnel

The total remuneration of the management board and senior management in 2014 amounted to € 1,818,000 with the details set out in the table below:

	Short term employee benefits	Post employment benefits	Share-based payments	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Mr. D.A. de Boer[1]	696	10	195	901
Mr. R.K. Beukema[2]	154	17	55	226
Management Board	850	27	250	1,127
Senior Management	448	41	202	691
	1,298	**68**	**452**	**1,818**

1 — Short-term employee benefits in 2014 includes a bonus for our chief executive officer, Mr. Daniel de Boer, of € 500,000. Share-based payments includes € 165,000 of employee benefits resulting from the repayment of the loan by Mr. De Boer (see Note 22(c) below).

2 — Mr. René Beukema joined the Company on September 1, 2013 and was appointed to the management board on April 17, 2014. The table includes his remuneration received since January 1, 2014.

The total remuneration of the management board and senior management in 2013 amounted to € 355,000 with the details set out in the table below:

	Short term employee benefits	Post employment benefits	Share-based payments	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Mr. D.A. de Boer	180	8	7	195
Senior Management	134	11	15	160
	314	**19**	**22**	**355**

As at December 31, 2014:

- Mr. de Boer holds 1,213,201 ordinary shares in the Company as well as 55,992 options. In 2014, Mr. de Boer was awarded a total number of 55,992 options to acquire ordinary shares at € 3.04 per option. These options vest over four years in equal annual installments and had a remaining weighted-average contractual life of 9.5 years at December 31, 2014.
- Mr. Beukema holds 284,720 ordinary shares in the Company as well as 138,352 options. In 2014, Mr. Beukema was awarded 30,541 options to acquire ordinary shares at € 3.04 per option. These options vest over four years in equal annual installments and had a remaining weighted-average contractual life of 8.9 years at December 31, 2014.

(c) Repayment of loan to Mr.Daniel de Boer

On November 15, 2013, we provided a loan in the principal amount of € 400,000 at an annual interest of 4% to Appel B.V., an entity owned and controlled by Daniel de Boer, our chief executive officer, for the purpose of acquiring 359,267 ordinary shares from Stichting ProQR Therapeutics Participation at a price of € 1.11 per ordinary share. On June 20, 2014, Appel B.V. repaid the loan by transferring 80,629 ordinary shares to Stichting ProQR Therapeutics Participation at a price of € 5.08 per share. The fair value of these ordinary shares amounted to € 3.04 per share. The difference between the price paid to Mr. de Boer and the fair value, totaling € 165,000, has been included in employee benefits.

(d) Other related party transactions

The Company had loan agreements with the Foundation "Stichting ProQR Therapeutics Participation", which was a related party, because Daniel de Boer, our chief executive officer and member of the Company's management board, was also chairman of the Foundation. On September 23, 2014, the loan was terminated against transfer of the treasury shares to the Company. The Foundation "Stichting ProQR Therapeutics Participation" was dissolved on December 29, 2014.

23 Auditor fees and services

The fees for services provided by our external auditor, Deloitte Accountants B.V., are specified below for each of the financial years indicated:

	2014	2013
	€ 1,000	*€ 1,000*
Audit fees	390	30
Audit-related fees	—	—
Tax fees	—	—
	390	**30**

24 Subsequent events

Material subsequent events have not been identified.

Signing of the Annual Report

Leiden, April 22, 2015

D.A. de Boer

D. Valerio

R.K. Beukema (as of April 17, 2014)

H.A. Termeer

A.B. Papiernik

A. Lawton (as of September 17, 2014)

Other information

Independent auditor's report

Reference is made to the independent auditor's report as included hereinafter.

Statutory arrangement concerning the appropriation of the result

In Article 21 of the Company statutory regulations the following has been presented concerning the appropriation of result:

1. The profit is at the free disposal of the General Meeting of Shareholders.
2. The Company may only distribute profits to shareholders and other recipients to distributable profits to the extent that the equity exceeds the paidup capital plus the reserves required by law.
3. Distribution of profits shall take place after adoption of the annual accounts from which it becomes clear that distribution is permissible.
4. When calculating the distribution of profits shares held by the Company shall be disregarded, unless this shares has been encumbered with usufruct or right of pledge or certificates thereof are issued as a result of which the entitlement to profits accrue to the usufructuary, pledgee or holder of the certificates.
5. Certificates held by the Company or whereon the Company holds limited rights as a result of which the Company is entitled to distribution of profits shall also be disregarded when calculating the distribution of profits.
6. The Company may make interim distributions, only if the requirements in paragraph 2 are met.

Proposed result appropriation for the financial year 2014

The Company proposes the general meeting of shareholders to add the loss for the year ended December 31, 2014 of € 12,127,000 to the accumulated deficit. The financial statements reflect this proposal.

Subsequent events

Material subsequent events have not been identified.

Independent auditor's report

To: The shareholders and Supervisory Board of ProQR Therapeutics N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of ProQR Therapeutics N.V. ("ProQR" or "the Company"), based in Leiden, the Netherlands.

In our opinion:

- the financial statements give a true and fair view of the financial position of ProQR Therapeutics N.V. as at December 31, 2014 and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS – EU) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the statement of financial position as at December 31, 2014;
2. the following statements for 2014: statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended; and
3. the notes comprising a summary of the significant 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 ProQR Therapeutics N.V in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

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

Materiality

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.

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 900,000. The materiality is based on 7.5% of the operating result in 2014. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

We agreed with the Supervisory Board that misstatements in excess of EUR 45,000, 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

ProQR is a single entity located in the Netherlands, therefore a group audit is not applicable. All audit procedures are performed by the audit team in the Netherlands, as such we have been able to obtain sufficient and appropriate audit evidence about the financial information to provide an opinion about the financial statements directly.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Research and development expenses
The total research and development expenses for the year 2014 amounts to EUR 10.3 million. These research and development expenses consists of payroll costs of employees as well as outsourced research and development activities with third party suppliers. The research and development activities with these suppliers are concluded in master service agreements and statements of work. These outsourced research and development activities are typically performed over a period of time and allocation of expenses in each reporting period based on the progress of the work involves judgment. Our audit procedures included, amongst others, the review of the agreements with suppliers and the related accounting evaluation as well as the timing of expenses recognized.

Significant contracts
In 2014, ProQR concluded several significant contracts such as, amongst others, the agreements with Cystic Fibrosis Foundation Therapeutics, Inc., PARI Pharma GmbH and the above mentioned research and development agreements. These contracts contain terms and conditions that require complex accounting and/or significant long-term commitments that require disclosure in the financial statements. Our audit procedures included, amongst others, the review of the contractregister, review of the contract terms and related accounting evaluation of the impact on the financial statements including disclosures of the commitments.

Cash and cash equivalents

The total cash and cash equivalents as per December 31, 2014 amounts to EUR 112.7 million. We focused on this area as the cash and cash equivalents are material to the financial statements. We reconciled the bank balances to bank confirmations, recalculated the foreign exchange result on these balances and reviewed the bank confirmations and underlying agreements for deposit balances to assess the presentation and disclosure in 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 IFRS-EU and Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with 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 errors and fraud.

For our responsibilities we refer to the attached appendix: "Our responsibilities for the audit of the financial statements".

Report on other legal and regulatory requirements

Report on the management board report and the other information

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch Civil Code has been annexed.
- We report that the management board report, to the extent we can assess, is consistent with the financial statements.

Engagement

- We were engaged by the Supervisory Board as auditor of ProQR Therapeutics N.V., as of the audit for the year 2012 and have operated as statutory auditor ever since that date.

P.J. van de Goor

Deloitte Accountants B.V.

Amsterdam, the Netherlands

April 22, 2015

Appendix: Our responsibilities for the audit of the financial statements

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, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company ceasing to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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, in extremely rare circumstances, when non-mentioning is in the public interest.