ProQR®

ANNUAL REPORT 2019

Pioneering Retinal RNA Therapies

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Message from the CEO

Dear fellow shareholders,

2019 was a transformational year for ProQR. The first investigational RNA therapy we developed for an inherited retinal disease led to an improvement in vision in patients in a Phase 1/2 clinical trial. And recently we reported positive interim results from a Phase 1/2 clinical trial in a second retinal disease. These promising clinical results support the belief that our RNA platform based on intravitreal delivery is well suited to repair defective RNA in the retina in order to stop progression or reverse the vision loss associated with retinal diseases. The vast majority of the 300 known genetic eye diseases do not currently have a treatment, representing a significant unmet medical need. These clinical results also allowed us to start a pivotal Phase 2/3 study for our lead program sepofarsen for Leber's congenital amaurosis 10. With the initiation of this study we are on the path to potentially have our first approved medicine.

Beyond the sepofarsen program for LCA10 and the QR-421a program for Usher syndrome and non-syndromic retinitis pigmentosa, we have a broad pipeline of programs targeting genetic eye diseases. In 2019, we started a clinical trial for an additional program, QR-1123 for autosomal dominant retinitis pigmentosa.

Although the COVID-19 pandemic has caused a delay in enrollment in our trials, we are well capitalized to fund operations into the second half of 2022 and through the potential approval of sepofarsen. We remain focused on delivering on the 'ProQR Vision 2023' strategy. In this vision we aim to become a fully integrated inherited retinal disease company by the end of 2023, with the goal to commercialize products in the Western world, have multiple programs in late-stage development and in earlier stages of development.

In 2019, we expanded the company's leadership team and supervisory board to further position the company to deliver on our mission to help patients with inherited retinal diseases. In the booming field of RNA therapies, we believe ProQR is at the forefront of delivering effective treatments to the communities we serve.

I want to offer a special thanks to our employees, our scientific and clinical collaborators, and our shareholders for their support. In closing, on behalf of the entire ProQR team, I want to express how grateful we are to the patients, their caregivers, and to the investigators and their teams, who participate in our studies as we work to deliver these therapies. We remain as committed as ever to making a meaningful impact on the lives of those living with severe, rare genetic diseases.

Daniel A. de Boer

Key Figures

	2019	2018
Result from continued operations (in € 1,000)		
Net revenue	--	--
Other income	1,933	5,761
Research and development costs	(46,491)	(29,514)
General and administrative costs	(12,887)	(12,540)
Operating result	(57,445)	(36,293)
Net result	(56,746)	(37,086)
Balance sheet information (in € 1,000)		
Non-current assets	2,869	1,864
Current assets	114,666	108,367
Total assets	117,535	110,231
Total equity	93,833	92,685
Non-current liabilities	12,709	9,386
Current liabilities	10,993	8,160
Cash flows (in € 1,000)		
Net cash used in operating activities	(43,970)	(28,493)
Net cash used in investing activities	(580)	(312)
Net cash generated by financing activities	50,199	86,457
Ratio's		
Current ratio	10.4	13.3
Solvency (%)	79.8	84.1
Figures per share		
Weighted average number of shares outstanding	41,037,244	34,052,520
Basic and diluted earnings per share (in €)	(1.38)	(1.08)
Cash flow per share (in €)	0.14	1.69
Employees		
Average number of staff for the period	139.8	127.7

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 our Management Board member, his respective age and his position at the Company as of the date of this annual report.

Name	Gender	Date of Birth	Position	Date of Appointment	Term expires
Daniel de Boer	Male	April 12, 1983	Chief Executive Officer	February 21, 2012	2022

The following sets forth biographical information regarding our Management Board members.

Daniel de Boer is our founding Chief Executive Officer since our incorporation in 2012. Daniel is a serial-entrepreneur and passionate advocate for rare disease patients. He assembled a group of successful biotech executives as co-founders and built a team of a 150 experienced scientists and drug developers, devoted to creating RNA therapies for patients in need. Under Daniel's leadership ProQR initiated clinical trials in multiple development programs for rare diseases, and raised over € 300M in funding, including an IPO on Nasdaq. Daniel is responsible for the overall strategy and general business in the company. Before founding ProQR, Daniel was founder and Chief Executive Officer of RNA Systems, PC Basic and Running IT, companies he led through phases of growth, developing and launching several products in multiple European countries. Daniel was also a co-founder of Amylon Therapeutics, a company developing therapies for genetic brain diseases. In 2018 Daniel was named "Emerging Entrepreneur of the Year" by EY. In 2019 Daniel was selected for the Young Global Leaders program at the World Economic forum.

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 dates of birth. 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 all of whom, with the exception of Mr. Dinko Valerio, are independent under the Dutch Corporate Governance Code (DCGC):

Name	Gender	Nationality	Date of Birth	Position	Date of Appointment	Term expires
Dinko Valerio	Male	NL	August 3, 1956	Chairman	January 1, 2014	2020
Alison Lawton	Female	US	September 26, 1961	Member	September 17, 2014	2022
Antoine Papiernik	Male	FR	July 21, 1966	Member	January 1, 2014	2021
James Shannon	Male	GB	June 5, 1956	Member	June 21, 2016	2020
Bart Filius	Male	NL	July 5, 1970	Member	May 21, 2019	2023
Theresa Heggie	Female	GB	November 17, 1960	Member	July 1, 2019	2023

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 former 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. In 2017 Mr. Valerio became a board member of Amylon Therapeutics B.V., an 80% owned affiliate of ProQR Therapeutics N.V. Adding to his corporate experience, Mr. Valerio was appointed professor in the field of gene therapy of the hematopoietic system at the University of Leiden in 1992. 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.

Alison Lawton has served on our supervisory board since September 2014. Ms. Lawton is currently Chief Executive Officer, President and Director of Kaleido Biosciences where she was previously President and Chief Operating Officer since Dec 2017. Previously, Ms. Lawton was Chief Operating Officer at Aura Biosciences, Inc, from 2015 to 2017, Ms. Lawton served as Chief Operating Officer at OvaScience Inc., a life sciences company, from January 2013 to January 2014. In addition, from 2014 to 2017, Ms. Lawton served as a biotech consultant for various companies, including as Chief Operating Officer consultant at X4 Pharmaceuticals. 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 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.

Antoine Papiernik has served on our supervisory board since January 2014. Mr. Papiernik is managing partner at Sofinnova Partners, which he joined in 1997, and was appointed chairman in 2017. Mr. Papiernik has been an initial investor and active board member in public companies like Actelion, Addex, Auris Medical, Shockwave Medical Inc., Orexo, NovusPharma (then sold to CTI), Movetis (then sold to Shire), Mainstay Medical, Pixium Vision and Stentys, which went public respectively on the Zurich 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), Core Valve (sold to Medtronic), Fovea (sold to Sanofi Aventis) Ethical Oncology Science (EOS, sold to ClovisOncology) and Recor Medical (sold to Otsuka). Mr. Papiernik is also a board member of private companies MedDay Pharmaceuticals, MD Start II, Reflexion Medical, Tissium (previously named Gecko Biomedical), SafeHeal, Highlife, Rgenix and Ablacare. Mr. Papiernik has an MBA degree from the Wharton School of Business, University of Pennsylvania.

James Shannon, MD has served on our Supervisory Board since June 2016. Mr. Shannon has had an extensive career in drug development and pharma. From 2012 until his retirement in 2015, Mr. Shannon was Chief Medical Officer at GlaxoSmithKline. Prior to that he was Global Head of Pharma Development at Novartis and Senior Vice-President, Clinical Development at Sterling Winthrop Pharmaceuticals. He held board positions at companies including Biotie, Circassia, Crucell, Endocyte, MannKind and Cerimon Pharmaceuticals. In 2017 he joined the board of directors of Horizon Pharma. He received his undergraduate and postgraduate degrees at Queen's University of Belfast and is a Member of the Royal College of Physicians (UK). Mr. Shannon currently is Chairman of the Board at myTomonows (NL) and Kyowa Kirin NA (USA) and holds board positions at Mannkind Corp (USA), Horizon Pharma (Ire) and Immodulon (UK).

Bart Filius is Chief Operating Officer (COO) and Chief Financial Officer (CFO) at Galapagos NV. He joined Galapagos in 2014 as CFO and added the role of COO in 2017. Prior to joining Galapagos, Mr. Filius held a variety of executive positions at Sanofi, where he was Vice President, CFO Europe, Country manager for The Netherlands and Vice President for Mergers & Acquisitions. Prior to joining Sanofi, Mr. Filius was a strategy consultant at Arthur D. Little. Mr. Filius has an MBA degree from INSEAD and a bachelor's degree in business from Nyenrode University.

Theresa Heggie currently serves as Senior Vice President, Head of CEMA at Alnylam Pharmaceuticals. She previously served in senior commercial and operating roles at Shire where she built the EMEA rare disease business and led the Global Commercial Operations and, following Shire's acquisition of Jerini, served as its CEO. Earlier in her career, Ms. Heggie held increasingly senior positions in the commercial organizations at Janssen Pharmaceuticals and Baxter Healthcare. Ms. Heggie has also been a board member at SOBI (Swedish Orphan Biovitrum) and currently serves on the board of BioCryst. She received a BSc from Cornell University.

Management Board Report

The Company
ProQR Therapeutics N.V., or "ProQR" or the "Company", is dedicated to changing lives through the creation of transformative RNA therapies for the treatment of severe genetic rare diseases with a focus on inherited retinal diseases such as Leber's congenital amaurosis 10, Usher syndrome type 2, and autosomal dominant retinitis pigmentosa. Based on our unique proprietary RNA platform technologies, we are growing our pipeline with patients and loved ones in mind.

ProQR was founded in 2012 by Daniel de Boer, Gerard Platenburg, the late Henri Termeer and Dinko Valerio. Since September 18, 2014, our ordinary shares have been listed on the NASDAQ Global Market under the ticker symbol PRQR. As of December 31, 2019, we had raised € 303 million in gross proceeds from our public offerings of shares and private placements of equity securities. In addition, we have received grants, loans and other funding from patient organizations and government institutions supporting our programs, including from Foundation Fighting Blindness and the Dutch government under the innovation credit program.

Our legal name is ProQR Therapeutics N.V. and we were incorporated in the Netherlands, on February 21, 2012. We reorganized from a private company with limited liability to a public company with limited liability on September 23, 2014. Our company has its statutory seat in Leiden, the Netherlands. The address of its headquarters and registered office is Zernikedreef 9, 2333 CK Leiden, the Netherlands, telephone number +31 88 166 7000. Our US office is located at 245 Main Street, Cambridge, MA 02142, USA. The name and address of our agent for service in the United States is CT Corporation System, 111 Eighth Avenue, New York, NY 10011.

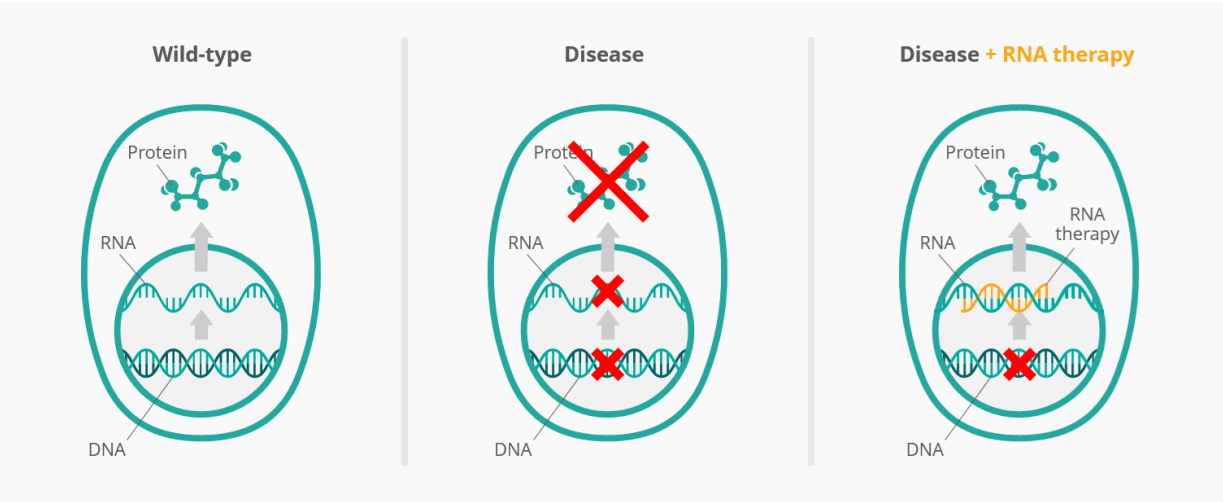
Operations
We are developing a broad pipeline of potentially life changing RNA therapies for inherited retinal diseases, a group of rare debilitating eye diseases, affecting over two million people in the world, for which there are currently no treatment options available. We believe our RNA platform based on intravitreal delivery may be suitable to repair defective RNA in the retina and stop progression or even reverse vision loss associated with the diseases. As we deepen our relationships with the community of people living with inherited retinal diseases, we believe we are well positioned to bring these medicines to patients independently, and are therefore preparing for commercialization, particularly in the Western world.

Beyond our clinical portfolio, we discovered and developed a novel proprietary RNA editing platform technology called Axiomer®. Axiomer's editing oligonucleotides, or EONs, are designed to recruit endogenous Adenosine Deaminases Acting on RNA, or ADAR, enzymes to make single nucleotide changes in the RNA in a highly specific and targeted manner at a desired location. We believe our Axiomer platform may be applicable to more than 20,000 disease-causing mutations.

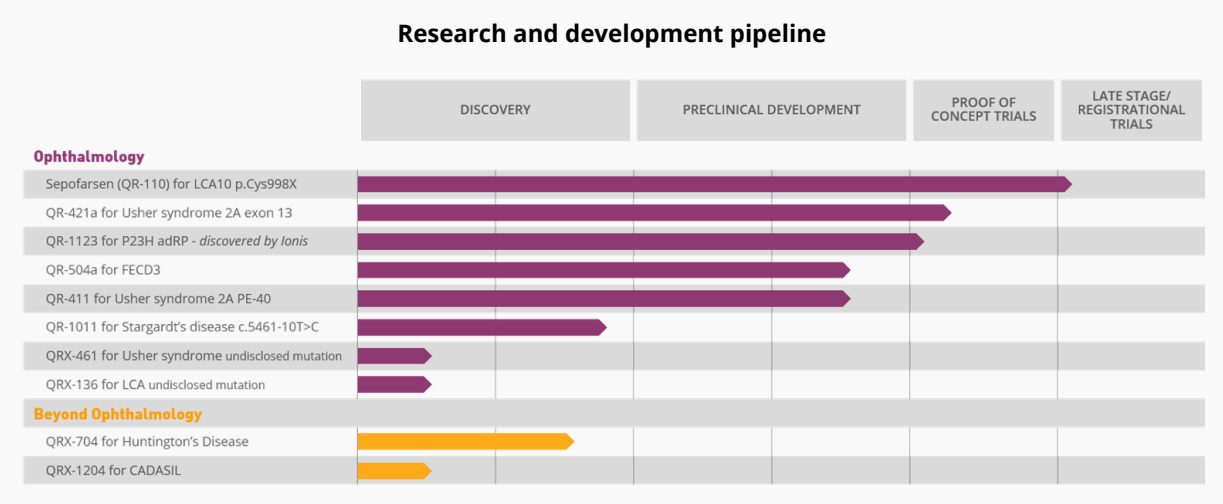
We continuously evaluate opportunities for beneficial collaborations or partnerships to efficiently bring our medicines to patients. In addition, using our discovery engine that is designed to generate a broad pipeline of product candidates, we seek to enter into strategic partnerships for programs that we believe will benefit from such a partnership.

Our RNA Therapies
Our investigational RNA therapies aim to repair defective RNA to stop or reverse genetic diseases. Genetic diseases are caused by mutations in genes in the DNA. The mutation is copied into the RNA that serves as a

blueprint for protein production. By designing our RNA therapies to repair the specific mutation in the RNA, the function of the protein can be restored. This approach allows us to take away the underlying cause of the disease without having to make permanent changes to a patient's DNA.



Our investigational RNA therapies are single-stranded RNA oligonucleotides chemically modified to enhance stability and cellular uptake. While all our compounds are RNA-based, a variety of mechanisms of actions are used, depending on the type of mutation causing the disease. Each RNA therapy is designed to repair a specific RNA mutation and we believe this targeted approach may offer several advantages compared to other therapeutic approaches in the treatment of the rare genetic diseases we target. Our primary focus is on our ophthalmology pipeline that we intend to develop and commercialize. However, given the potential broad applicability of RNA therapies in several other diseases, we also have a discovery effort that seeks to identify molecules for other rare genetic diseases.



Sepofarsen for Leber's Congenital Amaurosis 10

Leber's Congenital Amaurosis (LCA) is the most common genetic cause of childhood blindness, with LCA10 being one of the most severe forms. People with LCA10 typically become blind within the first few years of life and currently there are no approved therapies. The most common mutation is p.Cys998X (also known as

c.2991+1655A>G) in the *CEP290* gene. Although prevalence rates vary, we estimate this mutation occurs in approximately 2,000 patients in the Western world.

We are developing sepofarsen (formerly named QR-110) for patients who have LCA10 due to the p.Cys998X mutation. Sepofarsen aims to repair the underlying cause in the RNA by splice correction. This RNA splice correction allows the production of a normal (wild-type) CEP290 protein which can restore vision in patients with LCA10. Sepofarsen is administered through intravitreal injections in the eye. Beyond sepofarsen we have an additional discovery-stage program, QRX-136, for another mutation in *CEP290*.

A Phase 1/2 clinical trial of sepofarsen in adults and children with LCA10 due to the p.Cys998X mutation has been completed. Data from the trial were reported in September 2018, where we demonstrated clinical proof-of-concept as shown by a significant, rapid and sustained improvement in vision in the majority of patients. In January 2019, we reached agreement with the U.S. Food and Drug Administration (FDA) on the design of a proposed Phase 2/3 clinical trial for sepofarsen. This study (*Illuminate*) was initiated in April 2019 and could serve as the sole registration trial for the program.

Sepofarsen has been granted orphan drug designation by the FDA and European Medicines Agency (EMA) for LCA and received fast track designation by the FDA for LCA10. In 2019, we also received PRIME designation from the EMA for LCA due to the *CEP290* p. Cyc998X mutation as well as rare pediatric disease designation from the FDA for LCA10.

QR-421a for Usher Syndrome Type 2 and Non-Syndromic Retinitis Pigmentosa

Usher syndrome is the leading cause of combined hearing loss and blindness. Patients are usually born with moderate to severe hearing loss that may worsen over time. The retinal phenotype, known as retinitis pigmentosa, or RP, starts with night blindness followed by progressive loss of peripheral visual fields (tunnel vision) until no vision is left. The retinal phenotype can exist without the hearing loss, this disease is called non-syndromic RP, or nsRP. Both Usher syndrome and non-syndromic nsRP can be caused by mutations in the *USH2A* gene, which encodes a protein called usherin. To date, there are no therapies approved or product candidates in clinical development that treat the vision loss associated with *USH2A* mutations.

We are developing QR-421a for patients with *USH2A* exon 13 mutations. In the Western world, approximately 16,000 patients have vision loss due to mutations in exon 13 of the *USH2A* gene.

QR-421a is an RNA therapy aimed at modulating the RNA that then results in the expression of functional usherin protein in the eye to maintain and potentially restore vision. This candidate is intended to be administered by intravitreal injections. Beyond QR-421a, we have additional early-stage programs QR-411 for the *USH2A* PE40 mutation and QRX-461, for another mutation in *USH2A*.

A Phase 1/2 clinical trial of QR-421a, named *Stellar*, is ongoing in adults with Usher syndrome or nsRP due to exon 13 *USH2A* mutations. Three-month interim results were reported in March 2020, QR-421a given as a single intravitreal injection was observed to be generally well tolerated with no serious adverse events noted. In the six sham treated subjects, outcome measures demonstrated no consistent pattern of response above the “noise” level. In contrast, two of eight QR 421a-treated patients demonstrated benefit across multiple concordant outcome measures. Based on these early positive findings we will continue the trial as designed with two additional study groups testing different dose levels of QR-421a.

QR-421a and QR-411 received orphan drug designation for the treatment of RP from the FDA and EMA. QR-421a was also granted fast track designation for Usher syndrome type 2 and rare pediatric disease designation for RP caused by *USH2A* exon 13 mutations by the FDA.

QR-1123 for Autosomal Dominant Retinitis Pigmentosa

Autosomal-dominant retinitis pigmentosa (adRP) is characterized by progressive loss of vision. Symptoms typically start in early teenage years and include night blindness and reduction of peripheral vision, which leads to tunnel vision. Eventually patients lose their central vision and become completely blind during adulthood. In the United States, the P23H mutation in the *RHO* gene is the most common mutation causing adRP and affects approximately 2,500 patients.

QR-1123 was discovered by Ionis Pharmaceuticals and we in-licensed this candidate in October 2018 to further develop it. QR-1123 is designed for the treatment of P23H adRP by suppressing the formation of the toxic mutant protein. By mutant-specific knockdown, QR-1123 selectively targets the mutant P23H RNA for destruction by RNase H1 cleavage without affecting the wild-type RNA. By reducing the mutant RNA, the resulting toxicity (induced loss of photoreceptors and subsequent loss of vision) can potentially be stopped or reversed.

Currently, a Phase 1/2 clinical trial, named *Aurora*, is ongoing in adults with adRP due to the P23H mutation. QR-1123 has been granted orphan drug designation for RP due to the P23H mutation and fast track designation by the FDA for adRP.

QR-504a for Fuchs Endothelial Corneal Dystrophy

Fuchs endothelial corneal dystrophy (FECD) is a common age-related, degenerative disorder of the corneal endothelium. FECD can lead to corneal edema, scarring, corneal clouding, and consequential vision loss. Corneal blisters can cause pain in end-stage disease. Current treatment consists of corneal transplant for late-stage disease, an invasive procedure with limitations and associated complications, and therefore a high unmet medical need still remains. The most common genetic cause for FECD are trinuclear repeat (TNR) expansions in the *TCF4* gene causing FECD type 3 (FECD3).

We are developing QR-504a as an RNA therapy for the treatment of FECD3. The primary goal of the development plan for QR-504a is to provide a therapy to prevent or slow down the corneal degeneration in patients with FECD3.

We plan to advance the QR-504a program into a first clinical trial in late-stage disease patients. Study PQ-504a-001 is an open label, single-dose, dose escalation, exploratory study to evaluate safety, tolerability, and molecular biomarker(s) in corneal endothelium following a single intravitreal injection in patients with FECD3 scheduled for corneal transplant.

QR-1011 for Stargardt's Disease

Stargardt's disease is the most common inherited macular dystrophy causing progressive loss of central vision, for which there are no treatments currently available. It is associated with mutations in the *ABCA4* gene resulting in the loss of photoreceptor cells in the retina. The c.5461-10T>C mutation affects about 7,000 patients in the Western world and leads to aberrant splicing of ABCA4 mRNA. QR-1011 aims to restore normal splicing, leading to the production of wild-type mRNA and protein, thereby stopping or potentially reversing the disease. QR-1011 is currently in the advanced lead optimization phase.

Deep pipeline in Ophthalmology

More than two million people in the World have vision loss due to an Inherited Retinal Disease (IRD), caused by a mutation in the approximately 300 genes that are associated with IRDs. Only a small fraction of those two million patients currently has a treatment available. At ProQR we believe that our RNA therapy platform technology has the potential to treat a large number of the mutations that cause IRDs. Therefore we have set up a dedicated effort to discover potential new treatments for IRDs that currently have no treatment. Although the total IRD population is fragmented in many mutations that cause the disease, we believe our

RNA therapies have a set of common characteristics that makes them applicable across many IRD mutations. Today we have novel treatments in various stages of preclinical discovery and development for over 25 different IRD causing mutations. This preclinical pipeline includes molecules for other mutations in Leber's congenital amaurosis, Usher syndrome, Stargardt's disease and beyond. In the coming years we are working to bring several of these molecules into clinical development with the ultimate goal to create transformative RNA therapies where currently no treatment options exist.

Axiomer® RNA Editing Technology

The Axiomer® platform is a novel, proprietary RNA editing technology invented at ProQR. The technology is based on editing oligonucleotides, or EONs, designed to recruit ADAR enzymes (Adenosine Deaminases Acting on RNA) to make single nucleotide changes in the RNA in a highly specific and targeted manner at a desired location. The approach allows the recruitment of endogenous ADARs by using EONs as the sole drug modality, doing away with the need for overexpression of (artificial) ADAR proteins, guide RNAs or other large, complex components. We continue to build our patent portfolio around this technology.

Recruitment of endogenous RNA-editing enzymes by EONs represents a significant therapeutic opportunity for a new type of drugs that can treat genetic diseases by reversing the underlying mutations. ADARs are present in most human cells and naturally make adenosine-to-inosine (A-to-I) changes in RNA. Since an inosine is interpreted by the cell as a guanosine, an EON-mediated, targeted editing reaction has the potential to effectively modify any chosen adenosine (A) in any RNA to a guanosine (G). This can either restore the original sequence, or bring about an intended de novo A to G change, in order to treat genetic disease. Current estimations point to more than 20,000 G to A mutations in the human population that cause disease.

In vitro and *in vivo* work indicates that the EONs are generally applicable for the correction of mRNA G-to-A mutations. Together with the leading academic experts in RNA editing, we continue to advance our Axiomer RNA editing technology.

Our Strategy

We are dedicated to improving the lives of patients and their loved ones through the development of RNA therapies for severe genetic rare diseases. We believe the strategy as outlined below enables us to build a sustainable independent business which creates value for all stakeholders involved. Key elements of our strategy include:

- ***Develop RNA therapies for patients in need.*** Through our patient-focused approach, we work to develop best-in-class therapies and to advance the understanding of conditions that we target. As RNA therapies have become an established modality, we are translating new applications in a pipeline of product candidates for patients suffering from rare diseases.
- ***Rapidly advance our ophthalmology platform.*** The positive results of sepofarsen and QR-421a in Phase 1/2 clinical trials have built confidence in the potential opportunity for RNA therapies in treating genetic eye diseases. Therefore, we have focused our pipeline and plan to rapidly advance programs for diseases with limited or no treatment options. As part of the "ProQR Vision 2023 strategy", by 2023, we aim to obtain marketing approvals for the first two products in our pipeline for eye diseases, and further build a deep pipeline of ten or more programs beyond those two products, of which we expect three to be in late stage development.
- ***Commercialize portfolio of ophthalmic therapies independently.*** We plan to commercialize our portfolio of medicines for inherited retinal diseases (IRDs) independently in North America and Europe and seek partners for other geographic areas. While building the commercial infrastructure for a potential commercial launch of sepofarsen, we expect this same infrastructure to serve patients with other IRDs like Usher syndrome or Stargardt's disease. There are around 30 hub centers specialized in IRD care allowing for an efficient and targeted commercial infrastructure.

- ***Leverage our pipeline through strategic consideration of out-licensing, spinouts or collaborative partnerships.*** We plan to continue to advance the programs and technologies in our discovery pipeline beyond ophthalmology and selectively engage with partners for development and commercialization of programs and products that we do not intend to independently develop.
- ***Expand our Axiomer RNA-editing platform into select therapeutic areas.*** Our novel and proprietary RNA editing platform technology, Axiomer, is a new way to use oligonucleotides to edit single nucleotides in the RNA. We believe the Axiomer technology may be applicable to more than 20,000 disease-causing mutations. In 2020 and beyond, we intend to use the platform to develop novel therapies for inherited retinal diseases and continue to validate and create value for the platform through pursuing licensing, partnering and other strategic relationships outside this core therapeutic area.

Patient Focused Approach

ProQR is dedicated to developing best-in-class RNA therapies to improve the lives of patients, families and communities affected by rare and underserved conditions. In order to achieve this goal, ProQR strives to integrate the patient voice into our decision-making throughout the drug development process as we believe that a patient focused strategy is crucial to our success. Therefore, our Patient and Medical Community Engagement (PMCE) team actively collaborates with and listens to the communities we serve to ensure that the patient voice is at the heart of all the work we do here at ProQR.

A key initiative at driving this patient voice to the heart of the work we do at ProQR is the newly formed Global Patient & Caregiver Steering Committee. Launched in January 2020, the Steering Committee is a forum for direct patient input on a wide range of topics, to ensure ProQR is meeting the needs of individuals we are striving for a solution.

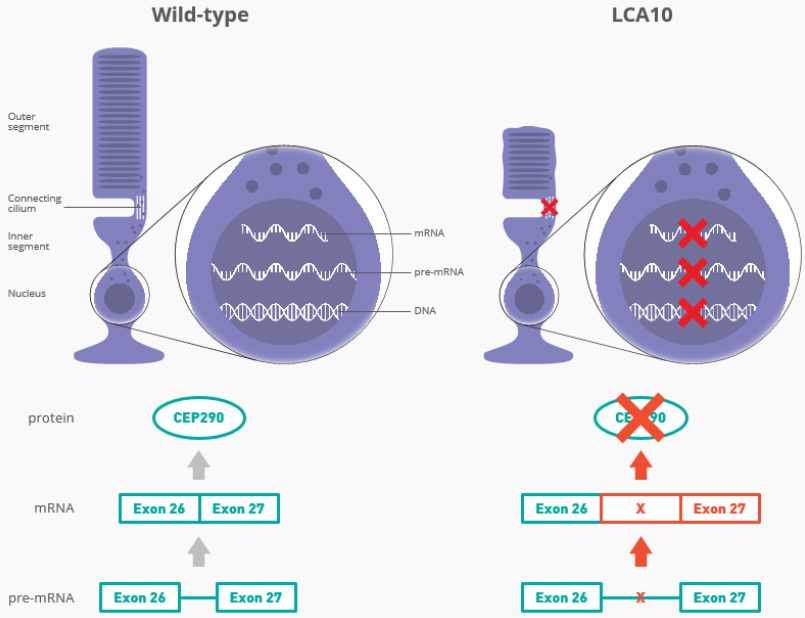
ProQR recently partnered with Foundation Fighting Blindness in the My Retina Tracker Program, a collaborative, open access program providing no-cost genetic testing and genetic counseling for individuals living in the United States with a clinical diagnosis of an IRD. Genetic testing is crucial to receiving an accurate diagnosis to then move forward with the best care. Through its participation in the program, ProQR hopes to provide IRD patients with easier access to genetic diagnostics, improve access to clinical trials and facilitate therapeutic development in IRDs associated with *CEP290*, *RHO* and *USH2A* genes.

Sepofarsen for Leber's Congenital Amaurosis 10 (LCA10)

LCA Background

Leber's Congenital Amaurosis (LCA) is the most common genetic cause of blindness in childhood. The p.Cys998X mutation (also known as c.2991+1655A>G) in the *CEP290* (centrosomal protein of 290 kDa) gene is the most prevalent mutation which generally accounts for the most severe disease phenotype (LCA10). This mutation leads to significant decrease in CEP290 protein within the photoreceptor cells in the retina. Patients affected by this mutation typically lose sight in the first years of life. Clinical features of LCA10 include loss of vision, involuntary eye movement or nystagmus, abnormalities of pupil reactions and no detectable photoreceptor electrical signals on electroretinography (ERG).

Representation of the p.Cys998X mutation causing LCA10



LCA Genetics

More than 20 genes have been associated with the genetic defect that causes LCA. The most common mutation is the p.Cys998X in the *CEP290* gene causing LCA10. The p.Cys998X mutation is a single nucleotide substitution in the *CEP290* gene that creates a new splice site, also called a cryptic splice site, between exon 26 and 27. During the splicing of the pre-mRNA this causes a part of the intron, or pseudoexon, to be included in the mRNA. The pseudoexon contains a premature stop codon, thus the mRNA is not translated into the full length CEP290 protein. CEP290 protein is involved in the formation and stability of the connecting cilium in photoreceptor cells, which facilitates the transport of proteins from the inner segment to the outer segment of the cell. When CEP290 is absent, there is a disturbance in normal protein transport to the outer segments of the photoreceptor cell, which provokes the shortening of the outer segment and its inability to perform its light transducing function.

LCA Prevalence and Diagnosis

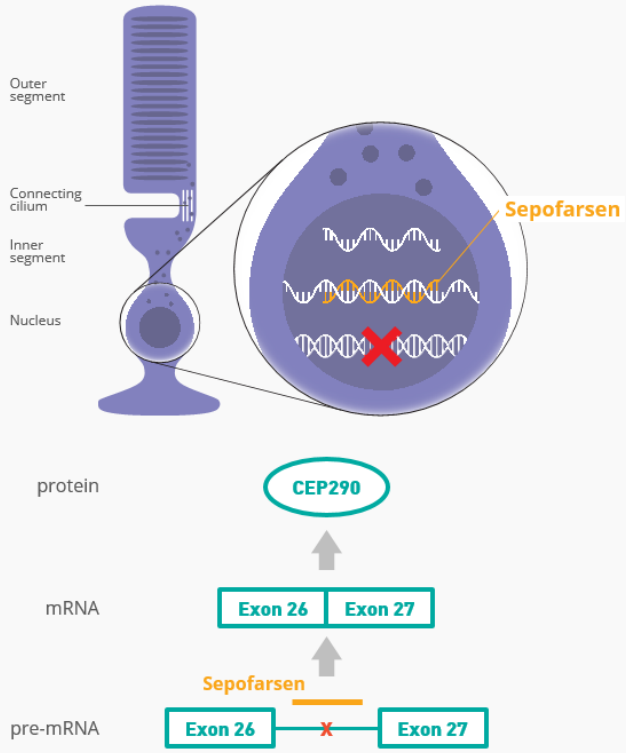
LCA affects about 15,000 patients in the Western world. Although diagnosis rates vary, our estimations indicate the most common p.Cys998X mutation occurs in approximately 2,000 patients in the Western world.

Patients are initially diagnosed through the presence of clinical symptoms. Nystagmus, rapid involuntary movements of the eyes, tends to be the first symptom visible as well as oculo-digital signs comprising eye poking, pressing, and rubbing. Vision impairment or blindness becomes obvious as age increases. After an ophthalmological examination, LCA is diagnosed. A genetic screening including all known mutations causing LCA is performed to confirm the diagnosis and determine the type of LCA in order to give the patient the most accurate prognosis possible.

Approaches for the Treatment of LCA10

There are currently no disease modifying treatments approved for patients with p.Cys998X associated LCA10 and disease management is currently supportive in nature. The eye is highly suitable for oligonucleotide therapies as it is a contained organ with physical cellular barriers. These natural barriers strongly limit the free entry and exit of cells and larger molecules in and out of the eye, therefore limiting the systemic exposure of locally administered therapies.

Sepofarsen for LCA10, splice correction for p.Cys998X *CEP290* mRNA



Sepofarsen binds to pre-mRNA and silences the cryptic splice site leading to production of normal mRNA

Sepofarsen for the Treatment of LCA10

Sepofarsen (formerly named QR-110) is designed to treat LCA10 by splice correction. By binding to the pre-mRNA ,sepofarsen aims to silence the cryptic splice site caused by the p.Cys998X mutation. The splicing machinery can thus process the pre-mRNA correctly resulting in normal mRNA and we expect the production of full-length functional wild-type CEP290 protein. Sepofarsen is administered by intravitreal injection.

Sepofarsen received orphan drug designation from the FDA and EMA for the treatment of LCA. Sepofarsen was also granted fast track designation for LCA10 and rare pediatric disease designation by the FDA for LCA10 and PRIME designation by EMA for the treatment of LCA due to the *CEP290* p. Cyc998X mutation.

Clinical Development for Sepofarsen

The activity seen in our preclinical models of LCA10 provided strong support for the clinical development and therapeutic potential of sepofarsen. The clinical development of sepofarsen began in the second half of 2017 with a Phase 1/2 open-label, multiple dose, dose escalation study to evaluate the safety and tolerability of sepofarsen, study PQ-110-001. This trial was completed in 2019 and enrolled five children (age 8 - 17 years) and six adults (≥ 18 years) who have LCA10 due to one or two copies of the p.Cys998X mutation in the *CEP290* gene. Participants received up to four intravitreal injections of sepofarsen into one eye, every three to six months. The study was conducted in three centers with significant expertise in genetic retinal disease in the U.S. and Europe.

The primary objectives of the trial were safety and tolerability. Secondary objectives included the pharmacokinetics and restoration/improvement of visual function and retinal structure through ophthalmic endpoints such as best-corrected visual acuity (BCVA), full-field stimulus testing (FST), optical coherence tomography (OCT), pupillary light reflex (PLR), mobility course and oculomotor instability (OCI).

Safety Data:

Sepofarsen was observed to be well-tolerated with manageable safety findings. In total, eight cases of lens opacities (cataract) were observed (three in the target registration dose cohort and five in high dose cohort). All six of the subjects who had lens replacement surgery regained their pre-cataract vision. Four cases (in three subjects) of retinal findings were observed in the now retired 320/160 µg dose group: two incidences of mild cystoid macular edema were resolved with topical treatment and two incidences of subclinical retinal thinning stabilized within two months of last dose without additional treatment.

Efficacy Data:

The final analysis of efficacy data from PQ-110-001 confirmed clinical proof-of-concept as shown by improvement in BCVA and supported by improvement in performance on the mobility course and mechanistic proof-of-concept was confirmed by improvement in FST. Importantly, these endpoints showed

concordant improvement (Table 1). In approximately 60% of subjects, multiple independent measures of visual function were improved in the treated eye, but not in the contralateral eye.

Table 1. Summary of Efficacy Endpoints

Endpoint	Units	Direction Showing Improvement	Responder Threshold	Change from Baseline at Month 12 Mean (SEM)	
				Treated	Untreated
Overall					
Best corrected visual acuity (ETDRS/BRVT) (n=11)	LogMAR	↓= improved	≥ -0.3	-0.55 (0.26) p<0.05 vs. CE	-0.122 (0.07)
Full field stimulus red (FST red) (n=10)	cd/m^2	↓= improved	-0.5	-0.91 (0.18) p<0.01 vs. CE	-0.16 (0.16)
Full field stimulus blue (FST blue) (n=10)	cd/m^2	↓= improved	-0.5	-0.79 (0.23) p<0.02 vs. CE	-0.02 (0.11)
Mobility course (n=10)	Level	↑= improved	≥ 2	2.5 (0.98) p=0.1 vs. CE	1.75 (0.75)

Abbreviations: BRVT=Berkeley Rudimentary Vision Test; cd/m^2=logarithm of candelas/square meter; ETDRS=Early Treatment Diabetic Retinopathy Study; LogMAR=Logarithm of the Minimum Angle of Resolution, CE=contralateral eye

Measurements of BCVA and functional vision (mobility) confirm vision improvement in these subjects. In addition, clear improvement in FST was seen at both red and blue wavelengths in the treated eye only.

BCVA is an accepted registration endpoint for treatments of retinal diseases, with a generally accepted threshold for clinically meaningful improvement of -0.3 LogMAR (15 letters on an eye chart) in the U.S and -0,2 LogMAR (10 letters) in Europe. At Month 12, this threshold was exceeded in treated, but not untreated eyes, in the overall population, both in adult and pediatric subjects.

Performance on a mobility course was also improved. Concordant improvement in the mechanistic and functional outcome measures confirm that these observations are due to on-target benefits of sepofarsen. Results from the individual endpoints are discussed in more detail below.

Best Corrected Visual Acuity (BCVA)

To assess BCVA, either the ETDRS eye charts or BRVT eye charts (tumbling "E" cards) were used. ETDRS is useful up to and including LogMAR 1.6, and BRVT extends the range to LogMAR 2.9.

Data from the Month 3 and 12 assessment of BCVA for both dose groups and pooled are presented in Table 2 and show that the BCVA improvement in treated eyes started within the first 3 months of treatment and was maintained thereafter. Expectedly, BCVA in contralateral eyes which did not receive treatment did not change appreciably.

Table 2. BCVA at Month 3 and Month 12

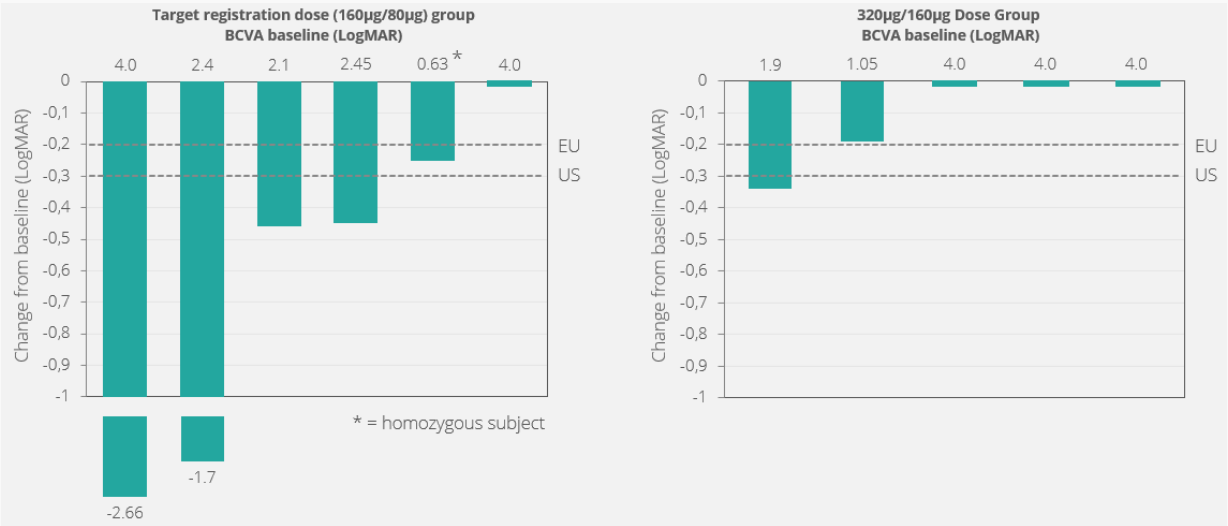
Mean ΔBCVA LogMAR	Treated eye (SEM)		Contralateral eye (SEM)	
	month 3	month 12	month 3	month 12
Pooled analysis (n=11)	-0.50 (0.24)	-0.55 (0.26)	0.0 (0.04)	-0.11 (0.07)
160µg/80µg (n=6) ***Target registration dose***	-0.81 (0.41)	-0.93 (0.43)	0.01 (0.08)	-0.22 (0.11)
320µg/160µg (n=5)	-0.13 (0.1)	-0.11 (0.07)	0.0 (0.0)	0.01 (0.04)

Abbreviations: BCVA=Best-corrected visual acuity; LogMAR=logarithm of the minimum angle of resolution; SEM=standard error of the mean

The 160µg/80µg dose was picked as the target dose for the Phase 2/3 study. This is supported by the results in Table 2.

Figure 1 shows the individual BCVA responses from baseline at Month 12. Although the largest responder was at light perception (LP) only, or LogMAR 4.0, the remaining four light perception patients did not have any changes in BCVA (these patients had their greatest responses on FST). These data support the strategy to exclude light perception patients from the Phase 2/3 study. The study population will include patients with hand motion or better vision (LogMAR 3.0 or better). Change from baseline for individual subjects in the target registration dose (160µg/80µg) and in the 320µg/160µg dose groups is depicted in Figure 1.

Figure 1. Individual BCVA Change from Baseline at 12 Months



Change from baseline for all subjects pooled and for the target registration (160µg/80µg) dose group is depicted in Figure 2.

Figure 2. BCVA Changes over Time

Clinically meaningful changes are observed in both the pooled analysis and in the target registration (160µg/80µg) dose group. In the target registration dose group, the mean for the treated eye increased beyond the clinically meaningful threshold after the loading dose and remained stable over 12 months. Clinically meaningful improvements were observed for the treated eye but not for the contralateral eye.

Full-Field Stimulus Test (FST):

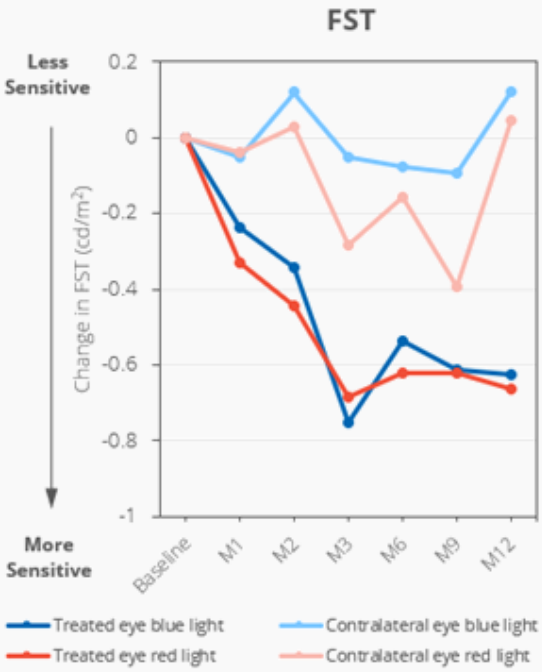
The FST is a sensitive mechanistic outcome measure. This test is similar to a hearing test, but instead of subjects pushing a button when they first hear a progressively louder tone, in FST they push a button when they detect a progressively brighter red or blue light flashed across the entire retina. As FST is a very sensitive test, it was hypothesized that improvement in FST would be the earliest and most sensitive indication that sepofarsen was engaging its target.

Improvements in visual function were supported by a meaningful increase in the ability to detect flashes of red or blue light as determined by the FST test.

In the target registration dose group, 160µg/80µg dose group, the mean change from baseline at twelve months in red light sensitivity was -0.66 log Cd/m^2 (SEM 0.14) and improvement in blue light sensitivity was -0.63 log Cd/m^2 (SEM 0.31). Three of six subjects showed an improvement of greater than -0.5 log Cd/m^2 for blue light, which can be regarded as clinically meaningful. Five of six showed a clinically meaningful improvement for red light. The mean change in the untreated contralateral eye in this group was 0.05 log Cd/m^2 (SEM 0.17) for red light and -0.12 log Cd/m^2 (SEM 0.16) for blue light.

Change over time in FST for the target registration dose group is represented in Figure 3.

Figure 3 Change over Time in FST – target registration dose (160µg/80µg) group



Mobility Course

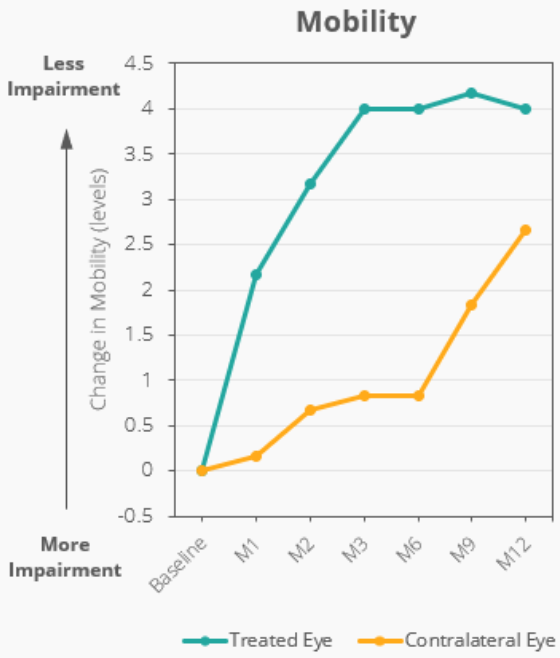
An exploratory mobility course suitable for patients with LCA10 was developed to quantify improvements in functional vision. The tool involves different layouts of increasing complexity, using multiple light levels. In total, the series of courses produces 19 levels, with level 1 being the ability to navigate a short, straight course with a single brightly-backlit obstacle; the other end of the spectrum at level 19 is the ability to navigate a very dimly-lit complex course with multiple obstacles. Improvement is measured by the number of levels a patient is able to navigate.

Most patients demonstrated improvement in functional vision, as assessed using a series of mobility courses at increasing difficulty and multiple light intensities.

In the target registration dose group, the mean change at 12 months of treatment was 4.0 levels (SEM 1.27) with five of six subjects improving by more than 2.0 levels, which can be regarded as clinically meaningful, based on recent gene therapy approval experience. The mean change in the untreated contralateral eye was 2.7 levels (SEM 1.11). We believe this increase was likely due to a training effect. An adjusted mobility course endpoint is being validated in parallel with the *Illuminate* trial (PQ-110-003).

Change over time in mobility for the 160µg/80µg target registration dose group is represented in Figure 4.

Figure 4 Change over Time in Mobility – target registration (160 µg/80 µg) group



Results from the mobility assessment support the functional significance of the best-corrected visual acuity improvement.

Conclusions from Study PQ-110-001 (Top-line Results)
Sepofarsen was observed to significantly improve vision and the response was durable up to 12 months. Concordant improvements in key secondary outcome measures supported the observed change in vision. In the target registration dose group (160µg/80µg) sepofarsen was well-tolerated with a favorable benefit/risk profile.

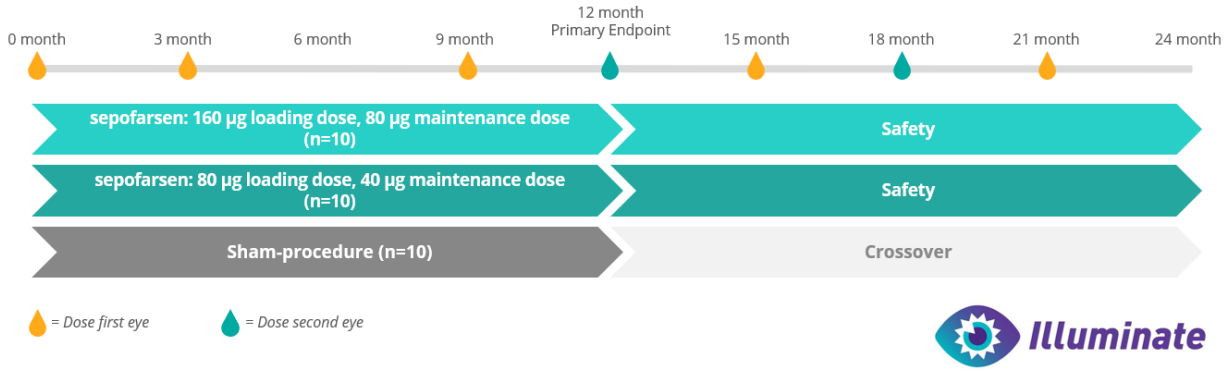
Available data from PQ-110-001 confirm clinical proof-of-concept as shown by the significant improvement in BCVA and supported by improvement in performance on the mobility course and FST. Importantly, the three endpoints analyzed showed concordant improvement.

These results support the assumptions underpinning the design of the Phase 2/3 *Illuminate* study including the target registration dose, the 6-month dosing interval and the inclusion of subjects with vision of hand motion or better.

Next Steps in Clinical Development of Sepofarsen
The *Insight* study, or PQ-110-002, is an open-label extension study to evaluate the safety, tolerability, efficacy and PK of sepofarsen in subjects who completed participation in study PQ-110-001. *Insight* will provide continued access to the investigational product in the treated eye, as well as treatment of the contralateral eye. It is envisaged that the *Insight* study will remain open for as long as the benefit-risk continues to be positive, until drug registration or provision of continued treatment by other means is available. We plan to provide an update on the study during the second half of 2020.

The next study in the clinical development plan, *Illuminate* (PQ-110-003), aims at defining safety and quantifying the treatment effect, relative to masked, sham-treated control subjects, at more than one dose level (160µg/80µg target registration dose level and 80µg/40µg). The Phase 2/3 pivotal study incorporates an blinded interim analysis after at least 18 subjects have been treated for at least three months for sample size re-estimation, to ensure a robust and efficient assessment of sepofarsen in this ultra-rare population. This study is ongoing and is planned to be the sole pivotal study in support of the eventual Marketing Authorization Application (MAA) in the European Union and the New Drug Application (NDA) in the United States. The clinical study design incorporates advice provided by the CHMP and FDA.

The primary endpoint (mean change from baseline in BCVA, based on ETDRS and/or BRVT, of treatment versus sham) will be assessed at 12 months. Thereafter, treatment of the contralateral eye or crossover to active study drug for sham-treated subjects may be considered. We will continue to follow up on subjects for 24 months to assess long-term safety and efficacy. See below a schematic of the *Illuminate* study.



We are planning to start a trial in a pediatric population in parallel to executing the *Illuminate* pivotal study in patients of over 8 years old.

Preclinical Evidence for Sepofarsen

We have conducted *in vitro* and *in vivo* preclinical studies that support the clinical development of sepofarsen.

Sepofarsen Assessment in Patient Fibroblasts

Since sepofarsen targets the splicing process, the most direct measurable outcome of activity is the profiling and quantification of *CEP290* transcripts (wild-type and mutant) and protein before and after treatment. In preclinical studies, sepofarsen demonstrated restoration of *CEP290* wild-type (correctly spliced) mRNA and protein in cultured fibroblast cells of LCA10 patients homozygous and compound heterozygous for the p.Cys998X mutation.

Sepofarsen Activity in Optic Cup Model

Optic cups are a retinal organoid model derived from fibroblasts of an LCA10 patient obtained through skin biopsies. The cells are first reprogrammed into induced pluripotent stem cells, or iPSC, and later differentiated into neural retinal cells, also known as three-dimensional optic cups.

The clinical and molecular relevance of the optic cup model, coupled with the absence of an animal model, makes the optic cup the best model in which to simulate the mechanisms of LCA10 and effectively test the potential of sepofarsen.

LCA10 patient derived optic cups were exposed to sepofarsen. First, we observed that sepofarsen can enter the cells without use of any transfection agents. Second, sepofarsen elicited a dose-dependent restoration of *CEP290* wild-type mRNA expression. And third, increased *CEP290* mRNA expression was also associated with an increase in functional measures such as percentage of ciliated cells and the length of the cilia.

Retinal Distribution of Sepofarsen

Using labelled sepofarsen administered via intravitreal injection into wild-type mice eyes, we demonstrated that sepofarsen enters the target cells of the retina, including the photoreceptor cells. Sepofarsen has a long tissue half-life based on data obtained in a non-human primate model for a closely related oligonucleotide.

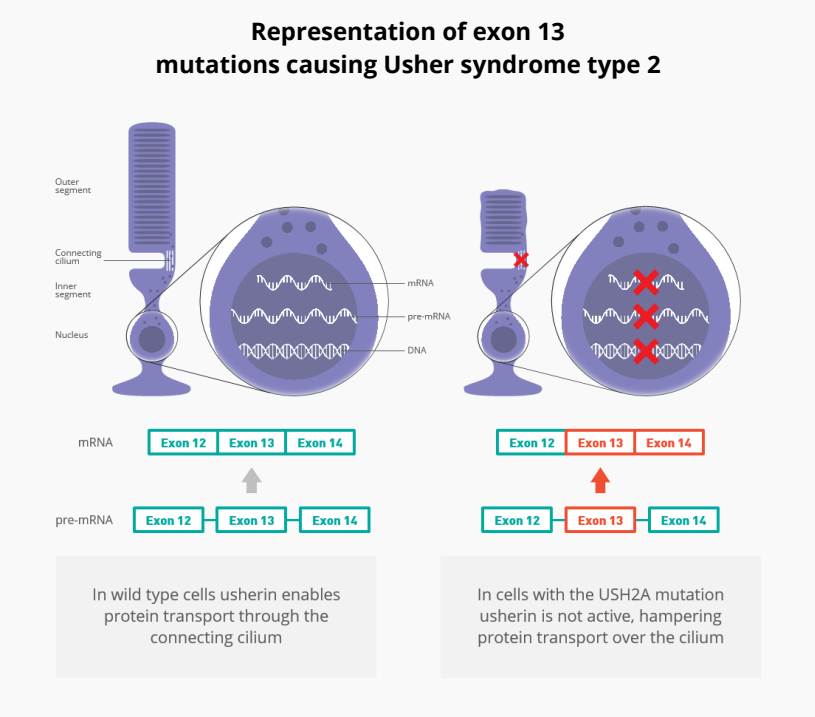
QR-421a for Usher Syndrome Type 2 and Non-syndromic Retinitis Pigmentosa (nsRP)

Usher Syndrome and nsRP Background

Usher syndrome is the leading cause of combined inherited deafness and blindness. Patients with this syndrome generally progress to a stage in which they have very limited central and peripheral vision and are divided in two subgroups. Patients that have Usher syndrome and patients that have non-syndromic retinitis pigmentosa, or nsRP, due to a mutation in the *USH2A* gene. Patients with Usher syndrome are usually born

with moderate to severe hearing loss that may worsen over time, in addition to developing the vision loss, where patients with nsRP develop only vision loss. Each subgroup is about 50% of the total population.

The retinal phenotype, known as retinitis pigmentosa, or RP, is characterized by photoreceptor degeneration that leads to progressive vision loss. The first visual symptoms typically appear during the second decade of life and start with night blindness due to the start of degeneration of rod photoreceptors. When rod degeneration progresses, patients lose their peripheral visual fields until only a residual central island of vision (tunnel vision) is left. As the disease progresses further, cone photoreceptors degenerate which eventually results in complete blindness.



Usher Syndrome and nsRP Genetics

Usher syndrome type 2 is caused by autosomal recessive mutations in the *USH2A* gene, encoding the protein usherin. Mutations in the *USH2A* gene can disrupt the production of usherin, a protein expressed in photoreceptors where it is required for their maintenance. Usherin is also expressed in the ear, where it is required for normal development of cochlear hair cells and hence, normal hearing. In the eye, defects in usherin cause RP. Mutations in *USH2A* can also cause nsRP, in which patients experience visual loss but do not suffer from hearing loss. Exon 13 mutations represent the most common mutations in the *USH2A* gene.

Disease Prevalence and Diagnosis

The diagnosis of the disease is based on clinical symptoms and ophthalmologic evaluations. A genetic screening can determine the specific mutation that is causing the disease. The number of patients with vision loss due to *USH2A* exon 13 mutations is estimated to be around 16,000 in the Western world. Lack of access to genotyping may result in significant underdiagnosis in many inherited retinal diseases.

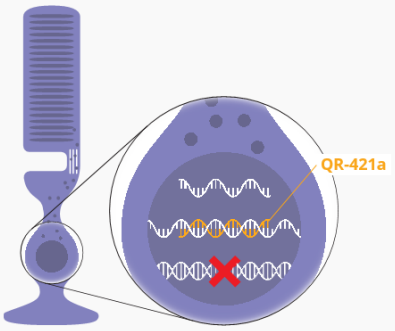
Approaches for the Treatment of Usher Syndrome and nsRP

While the hearing deficit in patients with Usher syndrome type 2 can be at least partially mitigated using hearing aids or cochlear implants, there is no approved treatment for the vision loss associated with *USH2A* mutations. Disease management is supportive in nature. Vitamin A and docosahexaenoic acid (DHA) supplementations have been proposed as pharmacological treatment options. Both therapies have shown a good safety profile but limited clinical benefit. We believe that intravitreal RNA therapy QR-421a is the only product candidates in development for the treatment of patients with RP caused by exon 13 mutations in the *USH2A* gene. Due to the size of the *USH2A* gene, this type of RP is not amenable to a gene therapy approach. Also, given the disease affects both the peripheral and central retina, current gene replacement and gene editing approaches have fundamental limitations as these therapies must be delivered with a surgical procedure to a limited subretinal area. The important deficit in peripheral vision of USH2A patients are thereby not addressed.

QR-421a for the Treatment of Usher Syndrome and nsRP

QR-421a is being developed as a treatment for RP caused by mutations in exon 13 of the *USH2A* gene. Mutations in exon 13, including the prevalent c.2299delG mutation, can disrupt the production of usherin, which is required for photoreceptor maintenance. QR-421a aims to induce excision, or skipping, of exon 13 from *USH2A* mRNA leading to an in-frame deletion in the *USH2A* mRNA. Since exon 13 encodes for a repetitive part of the usherin protein, excision of exon 13 is expected to lead to a truncated (partial), however, functional usherin protein. Because of the exon skipping approach, QR-421a is not specific to a single mutation but targets any mutation present in exon 13 of the *USH2A* gene.

QR-421a *USH2A* exon 13 exon skip



Exclusion of the exon harboring the mutation leads to restoration of functionality of usherin

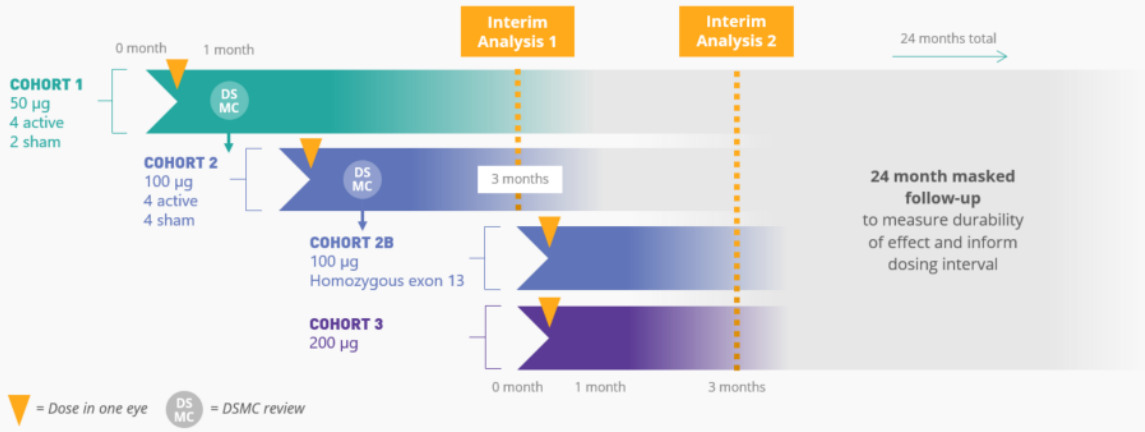
QR-421a received orphan drug designation from the FDA and EMA for the treatment of RP. QR-421a was also granted fast track designation for Usher syndrome type 2 and rare pediatric disease designation for RP caused by *USH2A* exon 13 mutations by the FDA.

Clinical Development of QR-421a

We believe that results of preclinical studies provide support for the clinical development and therapeutic potential of QR-421a. The QR-421a clinical development program has been initiated with the first-in-human *Stellar* study (PQ-421a-001), a Phase 1/2 study designed to evaluate the safety and tolerability of a single IVT injection of QR-421a in subjects with vision loss due to mutations in exon 13 of the *USH2A* gene. Changes in visual function and retinal structure are measured by several endpoints such as visual acuity (BCVA), visual field and optical coherence tomography (OCT). Changes in quality of life for trial subjects will also be evaluated. The study is being conducted at expert sites in North America and Europe.

An extension study, which would permit continued dosing of eligible subjects who complete the *Stellar* trial, is also planned.

Design of Phase 1/2 *Stellar* Study of QR-421a



In March 2020 interim findings from the *Stellar* trial were reported. The interim analysis (IA) was based on nine and three month data from the first and second dose cohorts, respectively. The *Stellar* trial is a randomized, single ascending dose, global multicenter, longitudinal, 24-month study, involving active versus sham procedure. The first two cohorts included a total of 14 subjects (ranging from 24-65 years in age), of which eight received a single dose of QR-421a and six received a single sham procedure for masking. Six subjects were enrolled in the 50µg cohort ("low dose"), of which four received treatment and two were randomized to sham; eight patients were enrolled in the 100µg cohort ("mid dose") of which four received treatment and four were randomized to sham. The population varied in disease characteristics with both Usher syndrome (n=6) and nsRP (n=8) affected subjects included, genetic background with both homozygous (n= 4) and heterozygous (n=10) subjects for *USH2A* exon 13 mutations, and visual impairment at baseline ranging from mild to severe.

Table 1. Baseline Characteristics of Trial Population

Cohort	Genotype	Phenotype	Visual impairment severity	Months of follow-up
50µg (n=4)	3 homozygous 1 heterozygous	2 Usher 2 nsRP	2 mild-moderate 2 severe	6-11
100µg (n=4)	0 homozygous 4 heterozygous	2 Usher 2 nsRP	3 mild-moderate 1 severe	3-4
Sham (n=6)	1 homozygous 5 heterozygous	2 Usher 4 nsRP	5 mild-moderate 1 severe	3-9

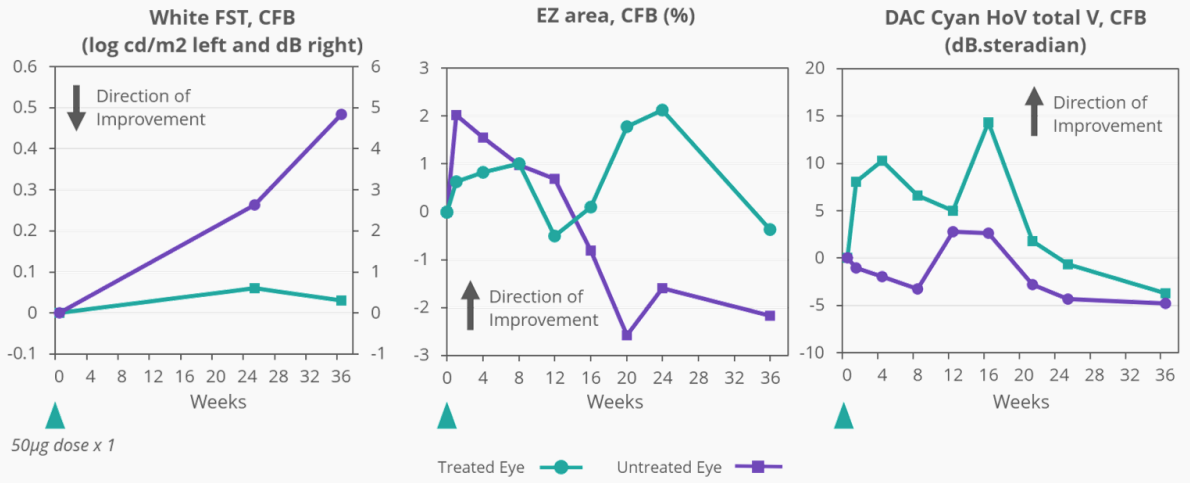
Safety Data:
Across both cohorts thus far, QR-421a was observed to be generally well tolerated with no serious adverse events noted.

Efficacy Data:
In the six sham treated subjects (two followed for 9 months and four for 3 months), outcome measures demonstrated no consistent pattern of response above the "noise" level. In contrast, two of eight QR-421a-treated patients (one each in the 50µg and 100µg dose cohorts) demonstrated benefit across multiple concordant outcome measures.

Responder 1: One of four treated patients in the low dose group was classified as a responder, with onset of action observed by the 3 month visit. Benefit was maintained for 6 months or longer, which is consistent with

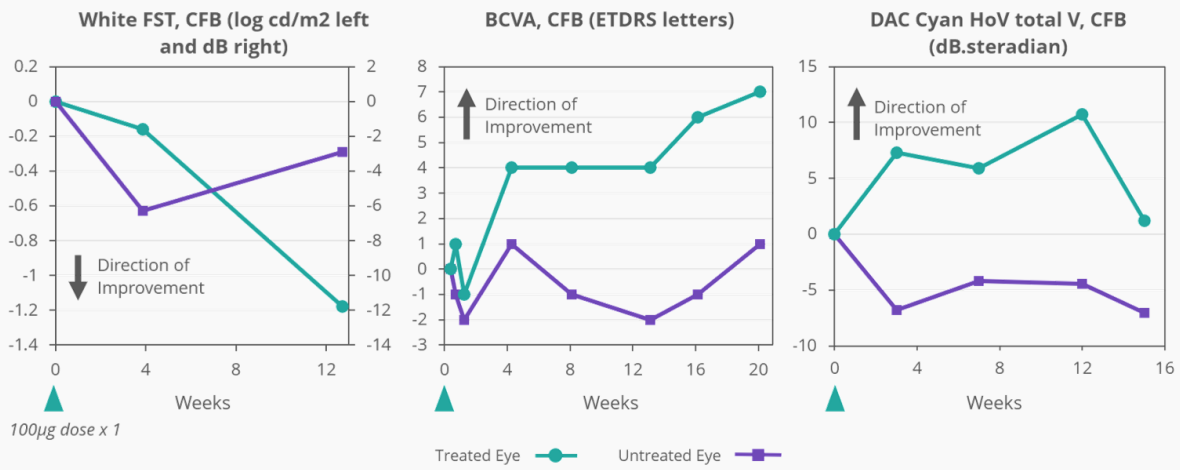
the expected half-life of QR-421a in photoreceptors. This Usher syndrome patient was homozygous for *USH2A* exon 13 mutations and had moderate visual impairment at baseline (peripheral vision affected). Concordant benefit was observed across multiple relevant measures appropriate to the severity of the patient's disease, including full field stimulus threshold test (FST) [deterioration by 5 dB in untreated eye, treated eye stable], dark adapted chromatic (DAC) perimetry [15 dB.steradian improvement in peripheral sensitivity in treated eye, <5 dB.steradian change in untreated eye], and optical coherence tomography (OCT) assessment of photoreceptor Ellipsoid Zone (EZ area). For FST and OCT, the contralateral, untreated eye demonstrated modest deterioration while the treated eye showed stabilization. For DAC perimetry the untreated eye was unchanged, whereas the treated eye demonstrated improvement.

Figure 1. Change in FST, EZ Area and DAC perimetry over Time in Responder 1



Responder 2: One of four treated patients in the mid dose group was classified as a responder with onset of action observed by 3 months. This non-syndromic RP patient was heterozygous for *USH2A* exon 13 mutations and had severe visual impairment at baseline (peripheral and central vision affected) with baseline best corrected visual acuity (BCVA) of 33 and 36 letters (approximate Snellen equivalent: 20/250 and 20/200) in the treated and untreated eye, respectively. Concordant benefit was observed across multiple relevant measures appropriate for the stage of disease including FST (improvement by 12 dB in treated eye, no improvement in untreated eye), DAC (up to 10 dB.steradian improvement in treated eye, with deterioration in the untreated eye), and BCVA (7 letter improvement from baseline of 33 letters, which is more than one line on the ETDRS eye chart, compared to no change in the untreated eye).

Figure 2. Change in FST, BCVA and DAC perimetry over Time in Responder 2



Next Steps in Clinical Development of QR-421a

Based on the safety profile and early evidence of efficacy observed to date, the Company plans to take advantage of the adaptive design, and expand the 100µg cohort with additional subjects who are homozygous for exon 13 mutations. Dose escalation to 200µg ("high dose") is planned to occur in parallel. An interim analysis of dose- and gene copy-dependent safety and efficacy will be planned once all additional subjects have reached at least 3 months of treatment.

Preclinical Evidence for QR-421a

We have conducted *in vitro* and *in vivo* preclinical studies that support the clinical development of QR-421a:

- QR-421a induced an *in vitro* concentration-dependent *USH2A* exon 13 skip in human retinal organoids (Figure 1);
- Translation of *ush2a* Δexon 13 mRNA into functional Ush2a protein, as confirmed by visualization of protein in the photoreceptors and ERG b-wave restoration in zebrafish model (Figure 2); and
- QR-421a showed rapid clearance from vitreous with prolonged retention and activity in retina in non-human primates (Figure 3)

Figure 1. Concentration-Dependent Increase of USH2A Exon 13 Skip After One Month of Exposure to QR-421a in c.2299delG Homozygous Patient Retinal Organoids

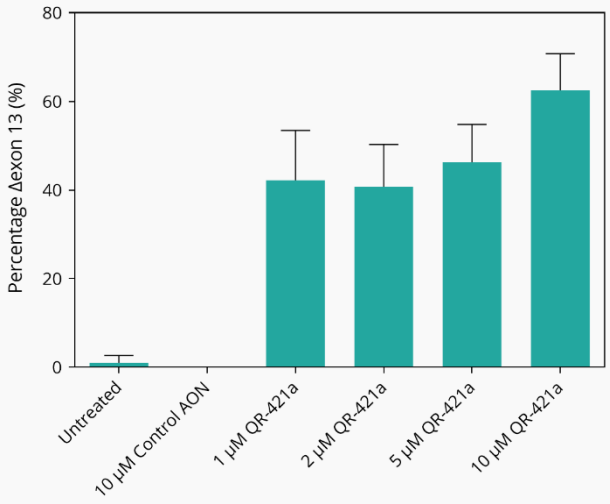


Figure 2. Exon-13 splicing oligo restore ERG in exon-13 mutant fish

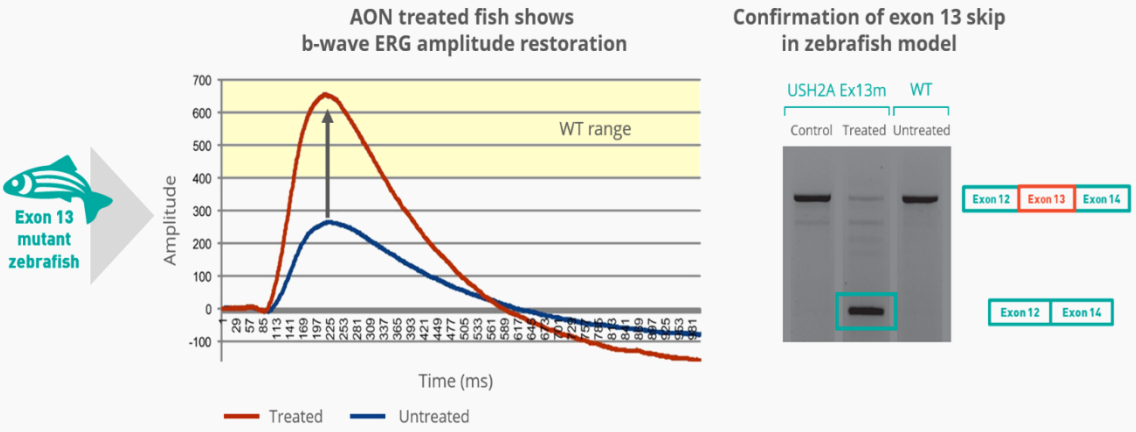
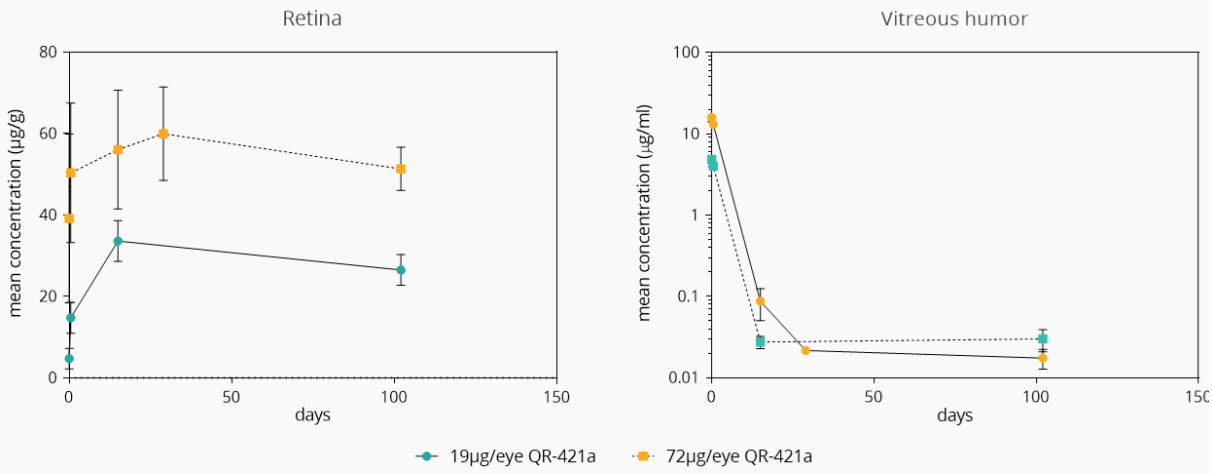


Figure 3. Pharmacokinetics in non-human primates



QR-1123 for Autosomal Dominant Retinitis Pigmentosa (adRP)

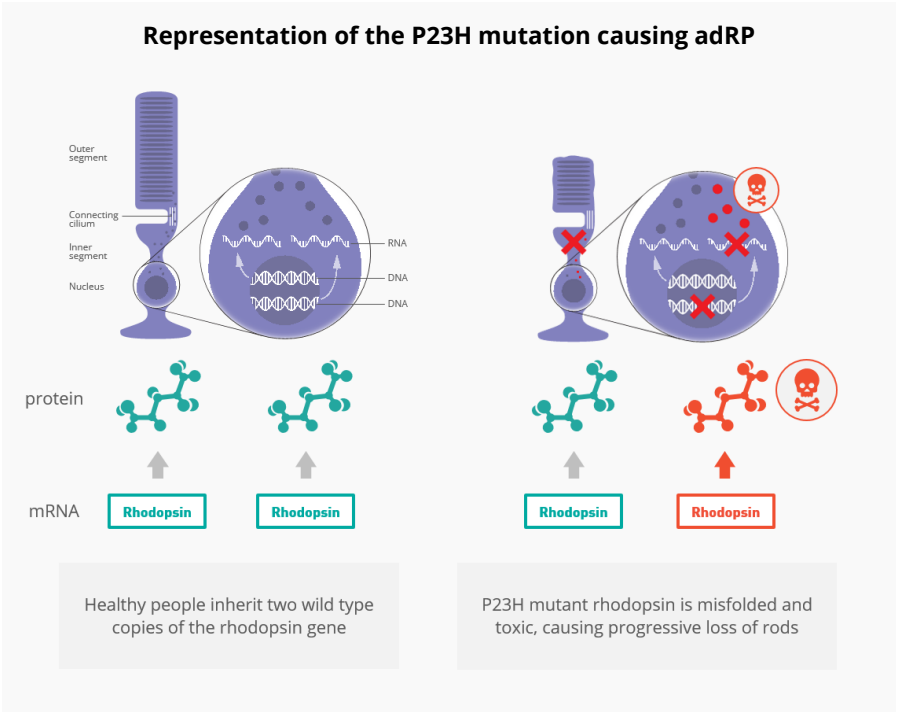
adRP Background

Retinitis pigmentosa (RP) is a group of hereditary retinal diseases in which patients first experience loss of night vision in childhood followed by loss of peripheral vision in young adulthood, and central vision in later life, which ultimately progresses to complete blindness. The worldwide prevalence of RP is about 1 in 4000 for a total of more than 1 million affected individuals. The disease can be inherited as an autosomal-dominant (about 30–40% of cases), autosomal-recessive (50–60%), or X-linked (5–15%) trait.

Autosomal-dominant RP (adRP) is characterized by abnormal, diminished or absent a- and b-waves in the electroretinogram (ERG), reduced peripheral vision (visual field) and the presence of visual defects such as reduced visual acuity and poor photo- and contrast sensitivity. Symptoms typically start in the early teenage years, which include night blindness and reduction of the peripheral vision due to the degeneration of the rod photoreceptors. As the disease progresses, cone photoreceptors are also affected, which translates into loss of central vision and eventually complete blindness in adulthood.

adRP Genetics

Mutations in more than 25 genes can cause adRP, but mutations are most commonly found in the rhodopsin (*RHO*) gene, accounting for approximately 25% of adRP cases. The rhodopsin protein is a light sensitive pigment that is present in the rod photoreceptors in the retina. Rhodopsin, when exposed to light, undergoes conformational changes that are converted into an electrical signal which is sent to the brain where it is interpreted as vision. In the United States, the most prevalent mutation associated with adRP is the P23H mutation (also known as c.68C>A) in the *RHO* gene. The mutant P23H rhodopsin protein is misfolded and toxic to the rod photoreceptor cells causing loss of vision. Although some wild-type protein is being made, there is substantial evidence that the mutant P23H rhodopsin protein elicits a dominant-negative mechanism, such that it diminishes the function of the wild-type protein.



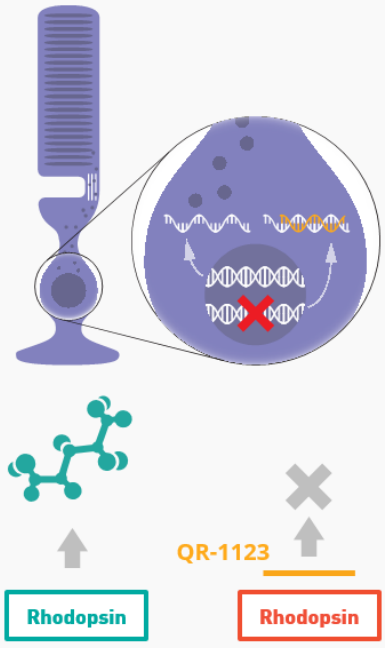
Disease Prevalence and Diagnosis

In the United States the P23H mutation in the *RHO* gene is the most common mutation causing adRP and affects approximately 2,500 patients. The diagnosis of adRP is based on clinical symptoms and ophthalmologic evaluations. A genetic screening can determine what specific mutation is causing the disease.

Approaches for the Treatment of adRP

We believe QR-1123 is the only candidate in development for the treatment of patients with adRP caused by the P23H mutation. Disease management is currently supportive.

QR-1123 for adRP, mutant specific knock-down of P23H mRNA



QR-1123 suppresses P23H mRNA with an allele specific mechanism

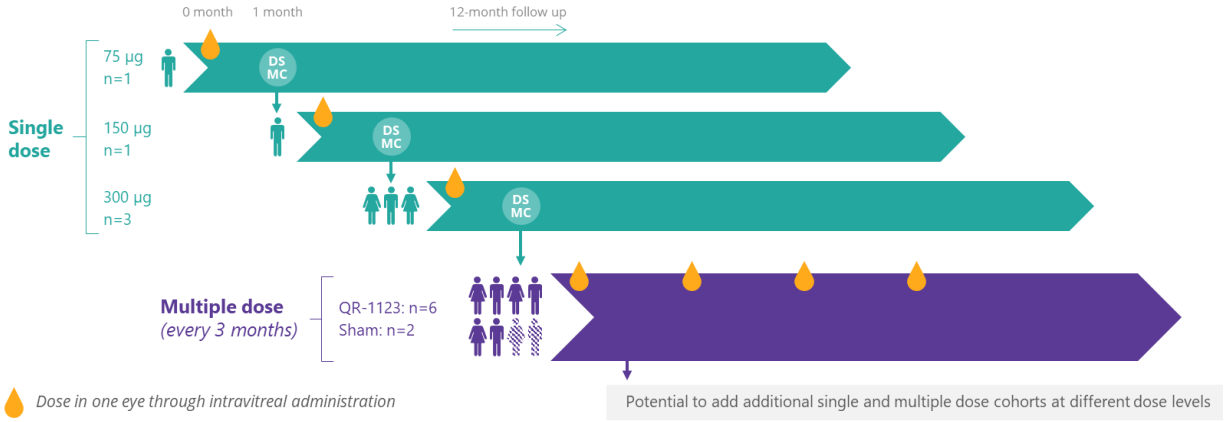
QR-1123 for the Treatment of adRP

QR-1123, discovered by Ionis Pharmaceuticals and in-licensed by ProQR in 2018, is designed for the treatment of P23H adRP. QR-1123 is an allele-specific gapmer that aims to suppress the formation of the mutant protein by selectively targeting the mutant RNA and causing its destruction by RNase H1 cleavage without affecting the wild-type RNA. With reducing the mutant RNA, we believe the toxicity-induced loss of the photoreceptors and subsequent loss of vision can be stopped or potentially reversed.

Clinical Development of QR-1123

Currently a Phase 1/2 clinical trial, named *Aurora*, is ongoing in adults with adRP due to the P23H mutation. *Aurora*, or PQ-1123-001, is a first-in-human study that will initially include up to 35 adults with adRP due to the P23H mutation in the rhodopsin (*RHO*) gene. The trial will include single-dose escalation (open label) groups and multiple-dose escalation (double-masked) groups in which intravitreal injections of QR-1123 or sham procedures will be given in one eye. The objectives of the trial include evaluation of safety and tolerability. Efficacy as measured by improvement of visual function and retinal structure will be assessed through ophthalmic endpoints such as visual acuity, visual field and optical coherence tomography. The trial will be conducted at expert sites in North America.

Design of Phase 1/2 *Aurora* Study of QR-1123



Preclinical Evidence for QR-1123

In vitro and *in vivo* experiments have been performed to study the specificity of QR-1123 for the P23H mutant RNA. *In* vivo experiments have been performed to study the effect of QR-1123 on retinal degradation and ERG measurements.

- QR-1123 was observed to selectively target the human P23H mutant rhodopsin mRNA, whilst sparing the human wild-type mRNA in cell models (Figure 1, left panel).
- In mice expressing wild-type *RHO*, no difference in *RHO* mRNA was observed between groups treated with QR-1123 or a control (Figure 1, right panel) while mutant P23H-*RHO* mRNA was reduced after a single QR-1123 injection in the eyes of transgenic mice expressing the mutant mRNA (Figure 1, center panel) confirming the specificity for the P23H allele.
- A rat model of P23H adRP given QR-1123 surrogate had an improved scotopic a-wave response amplitude at all stimulus intensities (Figure 2, left panel). This improved ERG response was not observed in the control-treated eyes (Figure 2, left panel).
- A single IVT administration of QR-1123 retarded the progressive retinal degeneration in a mouse model of P23H adRP (Figure 3, top panel). Importantly, the activity was observed throughout all regions of the retina (Figure 3, lower panel). This shows that QR-1123 has the capability to stop retinal degeneration and indicates that a mechanism based on inhibition of the formation of toxic mutant version of rhodopsin protein has the potential to improve a clinically relevant functional outcome in RP.
- QR-1123 did not have a significant effect on wild-type *RHO* mRNA levels in cynomolgus monkey (Figure 4) suggesting that QR-1123 is specific to the P23H mutant *RHO* mRNA and does not affect the expression of WT *RHO* mRNA.

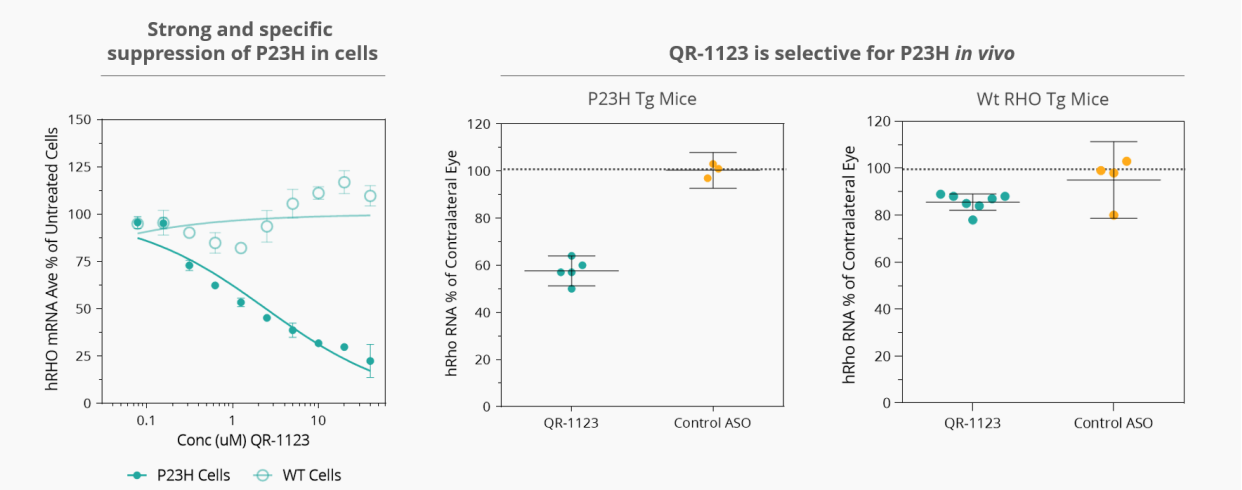


Figure 1: Transgenic mice expressing human P23H *RHO* treated with QR-1123 or a control; data are presented as percent of contralateral eye PBS-treated RNA level. Right Panel: Transgenic mice expressing human wild-type (WT) *RHO* treated with QR-1123 or a control; data are presented as percent of contralateral eye PBS-treated RNA level.

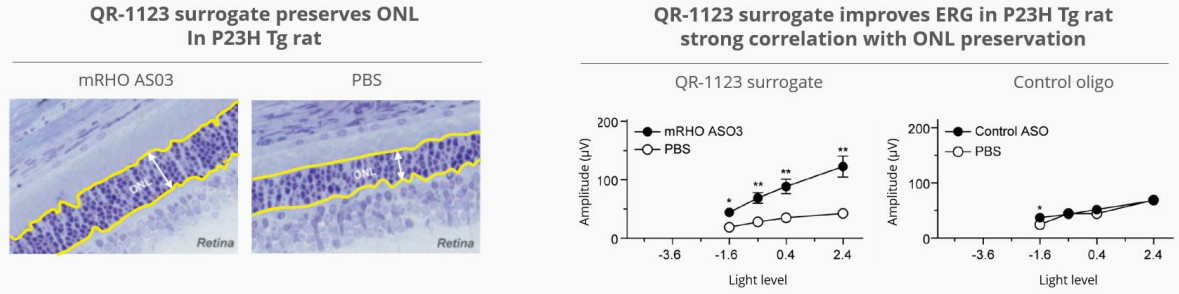


Figure 2: ONL preservation and ERG improvement after QR-1123 treatment. Left Panel: Representative retinal micrographs of P23H-1 rhodopsin transgenic rat eyes from the PBS or QR-1123 surrogate-treated eye 30 days post IVT injection. Right Panel: Improved ERG response in P23H-1 transgenic rats after a single QR-1123 surrogate treatment with IVT injections at P13 (A) or P14 (B), with ERG measurements made at P48. (A, B). Amplitude versus stimulus intensity curves for scotopic a-waves (circles). The scotopic a-waves of eyes injected with QR-1123 surrogate were significantly greater than PBS-injected contralateral eyes while eyes treated with control were similar to those of PBS-injected contralateral eyes (t-test; *P < 0.05; **P < 0.01; ***P < 0.001; ****P < 0.0001). In the data points without apparent error bars, the error bars are obscured by the symbol.

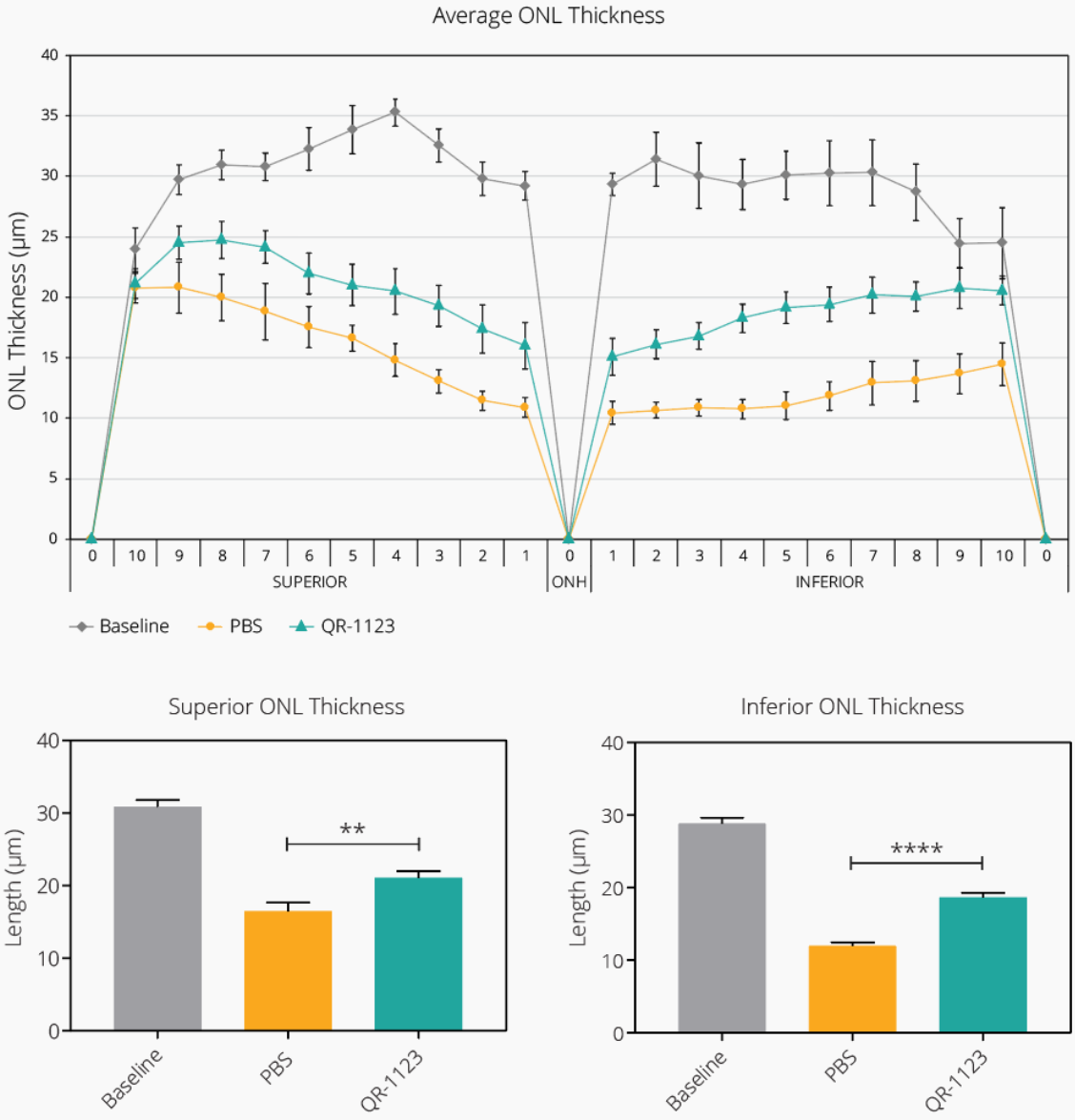


Figure 3: Preservation of ONL in a Tg mouse model after treatment with QR-1123. Top panel: Depicted is a spider diagram of the outer nuclear layer measurements of the entire retina of eyes treated with either PBS (red line) or QR-1123 treated eyes (Green line). Lower Left panel: Average superior region ONL thickness at baseline and in PBS and QR-1123 treated mice. Lower Right panel: Average inferior region ONL thickness at baseline and in PBS and QR-1123 treated mice. Two-tailed t test; **p < 0.01, ****p<0.0001.

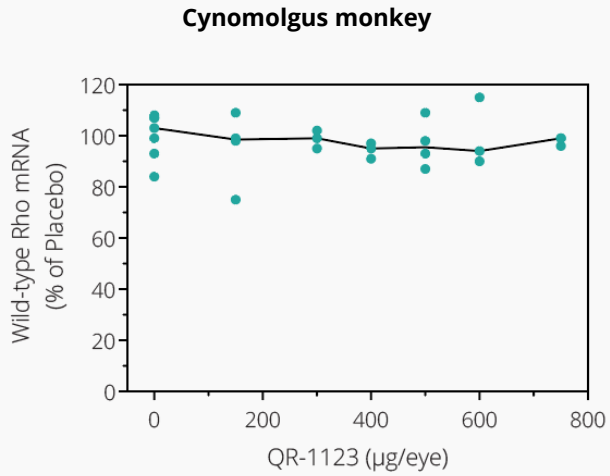
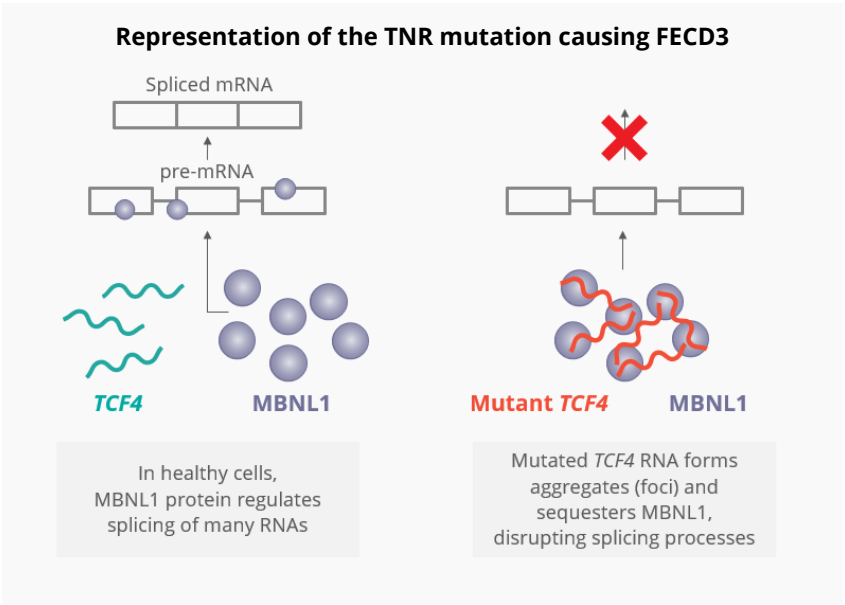


Figure 4: Levels of monkey WT RHO mRNA were measured by qRT-PCR 14 days after IVT injections. The RHO levels of individual animals were normalized to CRX mRNA levels. Values are presented as % of mean of the vehicle group.

QR-504a for Fuchs Endothelial Corneal Dystrophy (FECD)

FECD Background

Fuchs endothelial corneal dystrophy (FECD) is a common age-related, degenerative disorder of the corneal endothelium. FECD leads to severely impaired endothelial cell function resulting in corneal edema, scarring, corneal clouding, and consequential vision loss. Repeated bullae (blister) formation is a major cause of pain in end stage FECD patients.



FECD Genetics

The inheritance pattern of FECD is primarily autosomal dominant and genetic and environmental modifiers such as age and gender are known to affect its prevalence. The genetic basis of the most prevalent form (FECD type 3) has been attributed to CTG TNR expansions in the *TCF4* gene. *TCF4* is a widely expressed gene, yet TNR expansion in *TCF4* only causes disease in the corneal endothelium.

In FECD3, the TNR expansions are transcribed into aggregation-prone RNA molecules, which cause the formation of characteristic nuclear RNA foci. These foci sequester various proteins, such as the essential mRNA splicing factor MBNL1. This sequestration of MBNL1 causes widespread mis-splicing, eventually resulting in FECD3. The number of the TNR repeats has been shown to correlate positively with FECD3 disease severity.

Disease Prevalence and Diagnosis

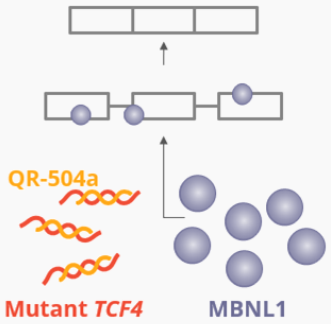
FECD is a common disorder; it is estimated that FECD affects more than 4% of individuals over the age of 40 in the U.S., and similar prevalence is noted for other global regions. Trinucleotide repeat expansion in the third intron of *TCF4* is strongly associated with FECD, and a repeat length >50 is highly specific for the disease. This group is known as FECD type 3 (FECD3). In the population of European descent, between 73 - 79% of FECD patients were reported to have one or more expanded copies of the CTG repeat expansion allele.

Clinical FECD diagnosis is based on confirmation of confluent central guttae by slit-lamp biomicroscopic examination and concomitant edema, scarring, and loss of vision.

Approaches for the Treatment of FECD

Currently no treatment options are available to address the underlying cause of FECD and disease management is aimed to reduce symptoms. The only effective therapy for late-stage FECD is corneal transplantation. The availability of donors, risk of rejection, and the inherent risk of an invasive procedure are some of the limitations of this procedure. A high unmet medical need exists in this sight-threatening condition. QR-504a is the only product in clinical development for the treatment of patients with FECD3 caused by TNR expansions in intron 3 of the *TCF4* gene.

QR-504a for FECD3, *TCF4* trinucleotide repeat expansion targeting



QR-504a targets the *TCF4* RNA (foci) and releases MBNL1 to enable correct splicing of RNA

QR-504a for the Treatment of FECD3

The primary goal of the development plan for QR-504a is to provide a therapy to prevent or slow down the corneal degeneration in patients with FECD3. QR-504a is designed to target the intronic TNRs in the *TCF4* transcript. The aim is to reduce aggregation and the formation of RNA foci in order to normalize the RNA splicing patterns, and prevent or halt corneal degeneration in patients with FECD3.

Clinical Development of QR-504a

We plan to advance the QR-504a program into a Phase 1 first-in-human clinical trial in late-stage disease patients in 2020. Study PQ-504a-001 is an open label, single-dose, dose escalation, exploratory study to evaluate safety, tolerability, and molecular biomarker(s), i.e., target engagement, in corneal endothelium following a single IVT injection of QR-504a in patients with FECD3 scheduled for corneal transplant with paralleled lens replacement, i.e., patients at an advanced stage of disease.

Preclinical Evidence for QR-504a

The effects of QR-504a have been studied in primary corneal endothelial cell (CEC) models developed using FECD patient tissue. These models recapitulate the pathology of FECD3, such as displaying RNA foci composed of *TCF4* TNR expansions, which cause cellular toxicity by sequestration of certain essential mRNA splicing factors (e.g., MBNL1), and consequently mis-splicing of other mRNAs, all of which have been correlated to disease causation. In collaboration with Moorfields Eye Hospital and University College London, we are using these CEC models successfully to study and select suitable molecules for the development of a FECD therapy.

We have conducted *in vitro* and *in vivo* preclinical studies that support the clinical development of QR-504a:

- Treatment with the QR-504a surrogate by transfecting CEC models did not only specifically and significantly reduce the nuclear RNA foci incidence, but also to led to desequestration of MBNL1 as well as the normalization of splicing toward a 'non-FECD' profile as observed in control cells.
- RNA target engagement of QR-504a was confirmed when directly comparing it to the surrogate AON, as illustrated by the improved reduction of nuclear RNA foci in the FECD3 patient-derived CEC model (Figure 1).
- IVT administration of AONs has been shown to result in corneal uptake into the corneal endothelial cells (the target site of pharmacological action for QR-504a) in mice. This was recently confirmed in an ocular biodistribution study in mice, where a single IVT injection of QR-504a showed superior corneal uptake compared to topical administration.

Reduced RNA Foci Incidence in FECD Patient-Derived CECs After Transient Transfection of QR-504a

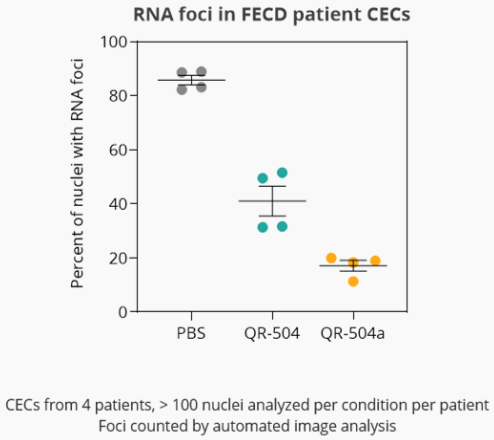


Figure 1: Percentage of nuclei that contain RNA foci after treatment with either PBS (control), QR-504a-surrogate (QR-504) or QR-504a.

Beyond Ophthalmology

Beyond the programs in ophthalmology mentioned above, we have additional early stage programs in our pipeline targeting genetic diseases affecting the central nervous system with high unmet medical need.

QRX-704 for Huntington's Disease

Huntington's disease (HD) is an inherited progressive neurodegenerative disease and one of the most common genetic disorders. Symptoms include involuntary movements, incoordination, impaired speech, cognitive decline and depression. Patients with HD have a shortened life expectancy and there is currently no disease-modifying treatment available. The disease is caused by an expanded repeat of CAG nucleotides in the *HTT* gene, resulting in a mutated huntingtin protein that is cleaved into toxic fragments, which accumulate in nerve cells. QRX-704 is designed to modify *HTT* mRNA to prevent the formation of the toxic fragments, while the huntingtin protein remains functional. QRX-704 is currently in discovery stage.

QRX-1204 for CADASIL

Cerebral Autosomal Dominant Arteriopathy with Subcortical Infarcts and Leukoencephalopathy (CADASIL) is a dominantly inherited neurovascular disease characterized by strokes and dementia. There is currently no approved therapy for CADASIL. The disease is caused by mutations in the *NOTCH3* gene that cause the protein to aggregate in the arteries and arterioles leading to arteriopathy. QRX-1204 is designed to remove

the mutated exon from the mRNA thereby preventing aggregation while maintaining the signaling function of the protein. QRX-1204 is currently in the lead optimization phase.

Partially Owned Subsidiary Companies
As we focus our operation on the development of RNA medicines for inherited retinal diseases, we have spun-off non-core activities in separate companies that operate independently and are funded externally.

Wings Therapeutics is conducting clinical trials with QR-313 in patients who suffer from dystrophic epidermolysis bullosa. ProQR has a minority ownership in this company and has milestone and royalty rights on the programs. Wings Therapeutics is operated out of Berkeley, California. More information can be found on www.wings-tx.com.

Amylon Therapeutics is focused on the development of medicines for CNS diseases, with a primary focus on HCHWA-D, a genetic form of stroke. ProQR has a majority ownership in the company and has milestone and royalty rights on the programs. Amylon Therapeutics is operated out of Cambridge, Massachusetts. More information can be found on www.amylon-tx.com.

Human Resources
As we believe in passion and commitment, we have built a strong team of 160 ProQRians from all walks of life and around 35 different nationalities, who are up to the challenge and committed to make a difference to the patients we serve. We actively create a caring atmosphere filled with fun and joy, in which we love to work and maintain productive and happy lives. At ProQR we foster empowerment, self-development, creativity and a sense of community.

As an employer, we are a true believer in the value of a workforce in which people from diverse backgrounds are encouraged to develop themselves both personally and professionally. This is reflected in our equal gender balanced leadership team and broader workforce. We believe that happy and energized people, working well together in an environment in which they thrive, will do phenomenal and awesome things.

We are committed to ensure that no employee, candidate or job applicant receives less favorable treatment on the grounds of race, age, disability, pregnancy, religion, gender identity and expression, sexual orientation, marriage or civil partnership status. At ProQR we want to create an inclusive culture where everyone can be valued for who they are and in which individual differences and the contributions in all forms are recognized and valued.

Animal Welfare
It is required by regulatory authorities to demonstrate the safety and, if possible, efficacy of a new drug in animals, before it can be tested in humans. The welfare of animals in our preclinical studies is of great importance to ProQR for reasons of ethics, quality, reliability and applicability of scientific studies. To assure high quality (scientific) research, animal welfare is essential. By actively pursuing the 3R principles (Reduce, Refine and Replace), ProQR is committed to reduce the number of animals needed, minimize discomfort and pain of animals used, and use alternatives to animal research whenever possible.

Animal experiments will be performed only if there are no alternatives such as performing in silico, in-vitro or ex-vivo studies. Study designs will be evaluated with the aim to identify opportunities to reduce the number of animals needed to achieve the objectives of the study. By conducting small pilot (tolerability) studies and by using innovative new technologies and modeling approaches, ProQR further pursues the ambition to reduce, refine and replace animal studies. Approval by the (institutional or national) animal care and use committees is required prior the execution of *in vivo* studies.

External collaborators contracted for the execution of our in-vivo preclinical studies (contract research organizations, CROs) are selected based on their expertise, quality and accreditations for laboratory animal care and welfare. CRO facilities are audited by ProQR prior contracting to ensure that the housing, husbandry and animal welfare complies with the highest international standards. Personnel responsible for housing, husbandry and care of the animals must have received adequate and relevant documented education.

In 2015 ProQR became part of an interdisciplinary consortium with Utrecht University (Faculty of Veterinary medicine and Ethics Institute), Radboud University (Medical Center, SYRCLE) and another private company, partly financed by The Netherlands Organization for Scientific Research, Responsible Innovation grant. The project proposes a more integrated approach towards innovation in the field of animal testing and focuses on translational strategies. ProQR is involved in the work package that aims to deliver step stones for practical guidelines to build robust translational strategies, to design innovative experiments (including animal models) with the aim to develop treatments for rare genetic diseases.

Manufacturing and Supply

We do not currently own or operate manufacturing facilities to produce clinical or commercial quantities of any of our product candidates. We currently contract with drug product manufacturers for the production of sepofarsen solution for intravitreal injection, QR-421a solution for intravitreal injection, QR-1123 for intravitreal injection and QR-504a for intravitreal injection, and we expect to continue to do so to meet the planned clinical requirements of our product candidates.

Currently, each of our active ingredients for our manufacturing activities are supplied by single source suppliers. We have agreements for the supply of such active ingredients with manufacturers that we believe have sufficient capacity to meet our demands. In addition, we believe that adequate alternative sources for such supplies exist. We typically order clinical supplies and services on a purchase order basis and do not enter into long-term dedicated capacity or minimum supply arrangements. We have a commercial supply agreement in place for the manufacturing of the active ingredient in sepofarsen. This agreement took effect in July 2019 to cover the process qualification activities, and will remain effective until ten years after the date of first commercial sale of sepofarsen. The termination may be terminated earlier by either party in case of a material breach of the agreement, or by us in case (i) the product or the development thereof is discontinued, (ii) of insufficient supplies of the product, or (ii) of a refusal to implement changes required by regulatory authorities. During the first five years after the first commercial sale, we shall be required to exclusively order our demand of sepofarsen under this agreement, and thereafter only half the demand. Every half year, we shall submit 36 months forecasts of which the first 12 months are a binding take or pay commitment.

We also have clinical manufacturing processes developed at a back-up GMP manufacturer. Manufacturing is subject to extensive regulations that impose various procedural and documentation requirements, which govern record keeping, manufacturing processes and controls, personnel, quality control and quality assurance, amongst others. The contract manufacturing organizations we use manufacture our product candidates under cGMP conditions. cGMP is a regulatory standard for the production of pharmaceuticals that will be used in humans.

Competition

The pharmaceutical industry is highly competitive and subject to rapid and significant technological change. Our potential competitors include large pharmaceutical, biotechnology, specialty pharmaceutical, and generic drug companies, academic institutions, government agencies and research institutions. Key competitive factors affecting the commercial success of our product candidates are likely to be efficacy, safety and tolerability profile, delivery, reliability, convenience of dosing, patient recruitment for clinical studies, price and reimbursement. Many of our existing or potential competitors have substantially greater financial, technical and human resources than we do and significantly greater experience in the discovery and

development of product candidates, obtaining FDA, EMA and other regulatory approvals of products and the commercialization of those products. Mergers and acquisitions in the pharmaceutical and biotechnology industries may result in even more resources being concentrated among a small number of our competitors. Accordingly, our competitors may be more successful than we may be in obtaining FDA or EMA approval for therapies and achieving widespread market acceptance. Our competitors' products may be more effective, or more effectively marketed and sold, than any product candidate we may commercialize and may render our therapies obsolete or non-competitive before we can recover development and commercialization expenses.

Our competitors are working on similar technologies in the field of RNA repair and RNA editing, but also in the field of gene editing and gene therapy as well as other types of therapies, such as small molecules, protein replacement or antibodies. The industry targeting hereditary ophthalmology indications is driven by gene therapy, gene editing, and other approaches.

Main financial developments

Financial position

In 2019, our operating costs increased compared to last year while our liquidity and solvency remained fairly stable. At December 31, 2019, ProQR's cash and cash equivalents amounted to € 111,950,000 compared to € 105,580,000 at December 31, 2018. During the year 2019, operating cash used amounted to € 43,970,000, compared to € 28,493,000 in 2018. Total equity increased to € 93,833,000.

As at December 31, 2019, we had borrowings of € 13,052,000, which consisted of borrowings from a government body and convertible loans. Based on the current state of affairs and existing funding, taking into account our current cash position and projected cash flows, it is justified that the financial statements are prepared on a going concern basis.

Income statement

We have generated losses since our formation in February 2012. For the years ended December 31, 2019 and 2018, we incurred net losses of € 56,746,000 and € 37,086,000, respectively. As at December 31, 2019, we had an accumulated deficit of € 211,746,000. We expect to continue incurring losses for the foreseeable future as we continue our pre-clinical studies of our product candidates, continue clinical development of our product candidates sepofarsen, QR 421a and QR-1123, advance QR-504 into clinical development, increase investments in our other research programs, apply for marketing approval of our product candidates and, if approved, build a sales and marketing infrastructure for the commercialization of our product candidates. 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.

Other income is incidental by nature. In 2019, other income amounted to € 1,933,000 compared to € 5,761,000 in 2018. In 2019, other income included grant income from the Foundation Fighting Blindness (FFB) for the purpose of developing QR-421a. FFB grant income amounted to € 1,312,000 in 2019 compared to € 2,478,000 in 2018. The EBRP/EBMRF grant agreement was terminated on March 26, 2019 as part of the strategic spin out of the Dystrophic Epidermolysis Bullosa (DEB) activities into a newly formed company, Wings Therapeutics Inc. As such, no grant income was recognized in 2019 related to this grant. In 2018, € 1,301,000 had been recognized as other income. In addition, in 2018 the Company recognized grant income amounting to € 1,300,000 relating to the Horizon 2020 grant received from the European Commission in May 2015 for the development of eluforsen. No income was recognized relating to this grant in 2019. We expect to continue generating other income from new grant applications in 2020.

Research and development costs increased to € 46,491,000 in 2019 compared to € 29,514,000 in 2018. These research and development costs comprise allocated employee costs including share-based payments, the costs of materials and laboratory consumables, the costs for production of clinical and pre-clinical

compounds and outsourced activities, costs related to our preclinical and clinical activities and trials, license and intellectual property costs and other costs. These costs were primarily related to our product candidates, sepofarsen, QR-421a and QR-1123, and our innovation unit. Our research and development expense is highly dependent on the development phases of our product candidates and is expected to stay at the same level, although it may fluctuate significantly from period to period.

The increase in research and development costs in the year ended December 31, 2019 compared to the year ended December 31, 2018 is mainly due to:

- costs we incurred for the Phase 2/3 clinical trial for sepofarsen, which increased in 2019 compared to 2018;
- costs we incurred for the first-in-human clinical trial for QR-421a, which increased in 2019 compared to 2018;
- costs we incurred for the first-in-human clinical trial for QR-1123, which started in 2019;
- increased payments to Ionis Pharmaceuticals, Inc. under the terms of the license agreement for QR-1123;
- increased staff costs as a result of an increase in the number of staff working on (pre-)clinical development of our product candidates. The number of full-time equivalent employees working on research and development increased from 89 at December 31, 2018 to 117 at December 31, 2019;
- 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 our product candidates;
- 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 amount to € 12,887,000 in 2019 compared € 12,540,000 in 2018. These general and administrative costs comprise employee costs including share-based payments, office & IT costs, general consultancy costs and other costs. As a public company, we face increased legal, accounting, administrative and other costs and expenses.

In 2019 share-based compensation amounted to € 5,948,000, compared to € 3,224,000 in 2018. Net financial income amounted to € 402,000, compared to net financial expenses of € 792,000 in 2018. Financial income & expenses mainly result from foreign exchange differences on cash denominated in U.S. dollars and can fluctuate significantly. 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.

Outlook

In 2020, we continue to invest in our organization, while we continue our pre-clinical studies and clinical development of our product candidates and increase investments in our other research programs. Our goal is to realise this at our current operational level. A significant increase in headcount is not expected. We believe we have sufficient 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.

COVID-19 may materially and adversely affect our business and our financial results

The recent outbreak of COVID-19 originated in Wuhan, China in December 2019 and has since spread globally, including to the United States and European countries. The continued spread of COVID-19 could adversely impact our clinical trials or preclinical studies, including our ability to recruit and retain patients and principal investigators and site staff who, as healthcare providers, may have heightened exposure to COVID-19 if an outbreak occurs in their geography. For instance, the COVID-19 outbreak may delay enrollment in our clinical trials due to prioritization of hospital resources toward the outbreak and restrictions in travel. Furthermore, some patients may be unwilling to enroll in our trials or be unable to comply with clinical trial protocols if quarantines or travel restrictions impede patient movement or interrupt healthcare services. COVID-19 may also negatively affect the operations of third-party contract research organizations that we rely upon to carry out our clinical trials or the operations of our third-party manufacturers, which could result in delays or disruptions in the supply of our product candidates. Any negative impact COVID-19 has to patient enrollment or treatment or the timing and execution of our clinical trials could cause costly delays to our clinical trial activities, which could adversely affect our ability to obtain regulatory approval for and to commercialize our product candidates, increase our operating expenses and have a material adverse effect on our business and financial results.

In addition, COVID-19 has resulted in significant governmental measures being implemented to control the spread of the virus, including quarantines, travel restrictions and business shutdowns. We have taken and may continue to take temporary precautionary measures intended to help minimize the risk of the virus to our employees, including temporarily requiring some or all of our employees to work remotely, suspending all non-essential travel worldwide for our employees and discouraging employee attendance at industry events and in-person work-related meetings. These measures could negatively affect our business. For instance, temporarily requiring employees to work remotely may disrupt our operations or increase the risk of a cybersecurity incident. COVID-19 has also caused volatility in the global financial markets and threatened a slowdown in the global economy, which may negatively affect our ability to raise additional capital on attractive terms or at all.

The extent to which COVID-19 may impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of the outbreak, the severity of COVID-19 or the effectiveness of actions to contain and treat for COVID-19. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions. If we or any of the third parties with whom we engage, however, were to experience shutdowns or other business disruptions, our ability to conduct our business in the manner and on the timelines presently planned could be materially and negatively affected, which could have a material adverse impact on our business and our results of operation and financial condition.

Leiden, March 31, 2020

On behalf of the Management Board,

Daniel de Boer
CEO

Supervisory Board Report

ProQR Therapeutics has chosen for its governance structure to be a so-called two-tier system. In such a setting the Supervisory Board supervises and advises the Management Board in performing their management tasks and setting the strategy of the Company. The Supervisory Board as well as its individual members act in the interests of ProQR, its business and development and all its stakeholders.

The Supervisory Board and its sub-committees held frequent and productive interactions with the Executive Board. Where appropriate, decision taking was endorsed by the Supervisory Board and matters of both short term as well as long term strategic importance were discussed in a constructive and transparent manner.

Below is a more specific description of the Supervisory Board's activities during the financial year 2019 and other relevant information on its functioning.

Activities of the Supervisory Board
The Supervisory Board and the Board of Directors held four in-person meetings as well as monthly telephone conferences and further informal meetings. 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. In addition, a two-day off-site was held to discuss the long-term strategy of the Company. The meetings were well attended, all regular meetings in-person had an attendance of 100%. 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 met 1 time in 2019.

Compensation report 2019
In May 2019, the General Meeting of Shareholders adopted a new Compensation Policy for the management board and new compensation principles for the Supervisory Board. The Compensation Policy also applied to the financial year 2019 and will apply to subsequent years. Attraction and retention of world class talent is a prerequisite for the success of ProQR and competitive compensation plays a vital role in our ability to achieve this. The Compensation Committee elected to offer compensation for all employees including the Management Board into a fixed annual salary and a variable, performance related, short- and long-term incentive element. The Compensation Policy is designed based on the following principles:

- Three compensation pillars consisting of:
  - Annual Base Salary;
  - Short Term Incentive (annual cash bonus);
  - Long Term Incentive (Stock Option Plan);
- Flexibility: The Compensation Policy should provide flexibility to allow the Supervisory Board, acting on the recommendation of the Compensation Committee, to reward the Management Board in a fair and equitable manner;
- The Compensation Policy should drive the right kind of management behavior, discourage unjustified risk taking and minimize any gaming opportunity;

- The Compensation Policy should pay for performance, considering not only the measurable financial performance of / or milestones achieved by the Company, but also, where appropriate, the efforts made by the Management Board, individually and as a group, in managing the Company. For the variable components, the Compensation Committee performs an analysis of the possible outcomes under different scenarios;
- Design of the Compensation Policy shall be based on current legislation applicable in the Netherlands;
- The Compensation Policy shall foster alignment of interests with shareholders;
- The pension of the Management Board shall be based on the defined contribution system; and
- Pay differentials and position within the Company are considered and evaluated regularly.

Annual Base Salary
The Compensation Committee reviewed the annual base salary of the Management Board taking into consideration the Compensation Reference Group as contained in the Compensation Policy. Based on this review the annual base salary level for 2020 has been set at € 436,000 for the CEO, Daniel de Boer.

Short Term Incentive
The Compensation Committee reviewed the performance of the Company during 2019 in comparison to the objectives and reviewed the achievements of the Management Board versus the corporate goals.

Based on the recommendation of the Compensation Committee, the Supervisory Board decided late 2019 that the Company has achieved 125% of the objectives that had been set to determine the individual bonus awards for the year 2019. For 2019 the individual bonus has been set at € 273,000 for Daniel de Boer. This bonus will be paid in cash in the first quarter of 2020.

Long Term Incentive
Based on the recommendation of the Compensation Committee, the Supervisory Board decided to grant stock options in 2019 to the CEO, Daniel de Boer. Based on this decision stock options with an exercise price of € 13.78 have been granted with respect to 253,192 shares.

Pensions
The pension contributions paid during 2019 amount to € 10,000 for the CEO, Daniel de Boer.

Internal pay ratio
The internal pay ratio between the average pay of our employees and our Management Board is calculated based on the average remuneration based on short term and long-term incentives. The pay ratio is 16:1 for 2019.

Supervisory Board remuneration
In May 2019, our shareholders approved an amended compensation policy whereby members of our Supervisory Board receive board fees of USD 35,000 per year and the chairperson receives a fee of USD 70,000 per year. In addition, audit committee members receive a fee of USD 7,500 and the audit committee chairperson receives a fee of USD 15,000 per year; compensation committee members receive a fee of USD 5,000 and the compensation committee chairperson receives a fee of USD 10,000 per year, and; nomination and corporate governance committee members receive a fee of USD 4,000 and the chairperson of the nomination and corporate governance committee receives a fee of USD 8,000 per year. Further, Supervisory Board members were granted options as set out in Note 23 to the financial statements or USD 77,500 in cash.

Nominating and Corporate Governance Committee

The Supervisory Board assessed its composition in 2019 and two new board members were added to the supervisory board, while one board member retired during 2019. It is concluded that the new composition of the Supervisory Board is satisfactory and appropriate for the current phase of the company. The Supervisory Board continues to assess its composition and functioning on an ongoing basis with the aim to ensure and maintain the requisite expertise, experience and diversity.

Audit Committee

The audit committee met 5 times in 2019. Main topics addressed were the quarterly results, financial risk management, compliance and SOx implementation, the audit plan and management letter of the external auditor, cash management, tax and corporate governance.

The audit committee also reviewed ProQR's annual financial statements, including non-financial information, prior to publication thereof. These financial statements for 2019 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 on March 25, 2020. The Supervisory Board is of the opinion that the Financial Statements 2019 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 evaluates the performance of Deloitte as independent external auditor annually. 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. The Supervisory Board discussed its functioning and competencies and concluded that it's functioning and competencies are appropriate for the current phase of the company. The performance and composition of the Management Board were also found to be adequate. 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. We thank our shareholders for their continued support.

Leiden, March 31, 2020

On behalf of the Supervisory Board,

Dinko Valerio
Chairman

Corporate Governance

ProQR values the importance of complying with Corporate Governance regulations. At the same time, the Board of Directors is of the opinion that certain deviations from the provisions of the new Dutch Corporate Governance Code 2016 ("DCGC" or "the Code") are justified, in view of our activities, our size and the specific circumstances in which we operate. In such cases, which are mentioned in this corporate governance statement, we apply the "comply or explain" principle.

Deviations from certain aspects of the Code, when deemed necessary in the interests of the Company, will be disclosed in the Annual Report. Most deviations are justified 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.

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 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.

Substantial changes in the Company's corporate governance structure and in the Company's compliance with the DCGC, 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 DCGC 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.mccg.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
ProQR is dedicated to improve the lives of patients and their loved ones through the development of RNA therapies for severe genetic rare diseases. ProQR has a focus on patients with inherited retinal diseases. The expectations and interests of our stakeholders is a key reference point in establishing our long term strategy.

The Management Board's role is to develop long term value creation by means of a strategy to pursue the long term success of ProQR. The strategy contains multiple elements linked to the new Corporate Governance Code:

- Implementation and feasibility;
- Business model applied by the company;
- Opportunities and risks;
- Operational and financial objectives;
- Interest of shareholders;
- Any other relevant aspects such as environment, charity and patient organizations.

The Management Board executes the strategy by assuming the authority and responsibilities assigned to it by Dutch corporate law and by combining expertise and experience with entrepreneurial leadership. The Management Board operates 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 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.

Our management board currently consists of the CEO, Daniel de Boer. The CEO is supported by a management team consisting of the Chief Business and Financial Officer, the Executive Vice President of Research and Development and the Chief Innovation Officer. The supervisory board monitors the composition of the management board and management team on an ongoing basis to ensure the requisite expertise, experience and diversity is maintained.

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 terms of four years. 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 Supervisory Board appoints a chairman from among its members.

With the exception of Dinko Valerio, each member of our Supervisory Board has been and remains fully independent within the meaning of best practice provision 2.1.8 of the DCGC. Mr. Dinko Valerio has provided a convertible loan to Amylon Therapeutics B.V. This loan becomes payable on demand after 24 months in equal quarterly terms. He is therefore not independent within the meaning of best practice provision 2.1.8 of the Code. We feel his membership of the supervisory board is justified by his specific knowledge and experience of our business. Moreover, we do comply with best practice provision 2.1.7 of the DCGC, as only one out of 6 supervisory board members are not independent under best practice provision 2.1.8 of the Code and they are so under different criteria of said provision 2.1.8.

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.

A succession plan for Supervisory Board members is in place that is aimed at retaining the balance in the requisite expertise, experience and diversity.

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 Bart Filius (chairman), Theresa Heggie and James Shannon. Each member satisfies the independence requirements of the NASDAQ listing standards / Rule 10A-3(b)(1) under the Exchange Act, and each member meets the criteria for independence set forth in best practice 2.1.8 of the DCGC. Bart Filius 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:

- the operation of the internal risk management and control systems, including supervision of the enforcement of relevant primary and secondary legislation, and supervising the operation of codes of conduct;
- the provision of financial information by the company (choice of accounting policies, application and assessment of the effects of new rules, information about the handling of estimated items in the financial statements, forecasts, work of internal and external auditors, etc.);
- compliance with recommendations and observations of internal and external auditors;
- the policy of the company on tax planning;
- relations with the external auditor, including, in particular, his independence, remuneration and any non-audit services for the company;
- the financing of the company; and
- the applications of information and communication technology, including risks relating to cyber security;
- annually reviewing the need for an internal audit function:
  the Supervisory Board has decided not to create an internal audit function for the time being, since the current scope of the business does not justify such a fulltime role. The Supervisory Board has delegated an active role to its Audit Committee in the design, implementation and monitoring of internal risk management and control system to manage the significant risks to which the Company is exposed.

Compensation Committee

Our compensation committee consists of James Shannon (chairman), Dinko Valerio and Alison Lawton. Each member satisfies the independence requirements of the NASDAQ listing standards. In addition, each member meets the criteria for independence set forth in best practice 2.1.8 of the DCGC, with the exception of Dinko Valerio, as set forth above. 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:

- making a proposal to the Supervisory Board for the remuneration policy to be pursued;
- making a proposal for the remuneration of the individual members of the Management Board, for adoption by the Supervisory Board; such proposal shall, in any event, deal with: (i) the remuneration structure and (ii) the amount of the fixed remuneration, the shares and/or options to be granted and/or other variable remuneration components, pension rights, redundancy pay and other forms of compensation to be awarded, as well as the performance criteria and their application; and
- preparing the remuneration report as referred to in best practice provision 3.4.1.

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) and Antoine Papiernik. Each member satisfies the independence requirements of the NASDAQ listing standards. In addition, each member meets the criteria for independence set forth in best practice 2.1.8 of the DCGC, with the exception of Dinko Valerio, as set forth above. 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:

- drawing up selection criteria and appointment procedures for Supervisory Board members and Management Board members;
- periodically assessing the size and composition of the Supervisory Board and the Management Board, and making a proposal for a composition profile of the Supervisory Board;
- periodically assessing the functioning of individual Supervisory Board members and Management Board members, and reporting on this to the Supervisory Board;
- making proposals for appointments and reappointments; and
- supervising the policy of the Management Board on the selection criteria and appointment procedures for senior management.

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 Supervisory Board has four male members and two female members. Our management board and the management team is comprised of four people, one female and three male members. As a Company, we support diversity of culture, gender and age in our Company. ProQR maintains a culture that reflects that ProQR is a multicultural company representing employees from over twenty countries. The culture is represented by the commitment to conducting our business ethically and to observing applicable laws, rules and regulations. In this context the Code of Conduct and Whistleblower policy are implemented and strongly anchored in the organization. Effectiveness of the Code of Conduct is monitored periodically.

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 continue to be our basis for selection of new Board members or employees.

General Meeting of Shareholders

General meetings of shareholders may be held in Leiden, Oegstgeest, Leidschendam, Katwijk, Noordwijk, Wassenaar, Amsterdam, Rotterdam, The Hague, or Schiphol Airport (municipality of Haarlemmermeer), 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.

Annually, at least one general meeting of shareholders shall 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, discharge of the members of the Management Board for their management, discharge of the members of the Supervisory Board for their supervision on the management 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 in the capital of the Company. 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 for specific reasons. The main deviations from best practice provisions are listed below.

- Pursuant to the best practice provisions 3.1.2.vi and 3.1.2.vii of the DCGC, options granted to our Management Board members should not be exercisable during the first three years after the date of grant; 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 as we believe it is in the best interest of the company to attract and retain highly skilled Management Board members on conditions based on market competitiveness.
- Pursuant to best practice provision 3.2.3 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 3.3.2 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 some of our Supervisory Board members.
- Pursuant to best practice provision 3.3.3, any shares held by Supervisory Board members are long-term investments. We do not request our Supervisory Board members to comply with this provision. We

believe it is in the best interest of the Company not to apply this provision in order to be able to attract and retain highly skilled Supervisory Board members on internationally competitive terms.

- Best practice provision 4.3.3 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 4.3.3 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 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 4.2.3 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.
- Best practice provision 4.2.2 stipulates that an outline policy on bilateral contacts with the shareholders shall be formulated and published on the Company's website. The Company has not formulated such policy as it believes this is already covered by our regular process for public disclosure of information.

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.

Controls and procedures

In accordance with the Dutch Corporate Governance Code, we have assessed the design and operational effectiveness of our Risk & Control framework. Based on the activities performed during 2019, and in accordance with provision 1.4.3, the Management Board considers that:

- this report provides sufficient insights into any failings in the effectiveness of the internal risk management and control systems;
- the aforementioned systems provide reasonable assurance that the financial reporting does not contain any material inaccuracies;
- based on the current state of affairs, it is justified that the financial reporting is prepared on a going concern basis; and
- the report states those material risks and uncertainties that are relevant to the expectation of the company's continuity for the period of twelve months after the preparation of this report.

In accordance with the Dutch Financial Supervision Act, section 5.25c, the Management Board declares that, to the best of its knowledge:

- the financial statements for 2019 provide, in accordance with IFRS as endorsed by the EU, a true and fair view of the consolidated assets, liabilities and financial position as at December 31, 2019, and of the 2019 consolidated income statement of ProQR Therapeutics N.V.;
- the annual report provides a true and fair view of the situation as at December 31, 2019, and the state of affairs during the financial year 2019, together with a description of the principal risks faced by the Group

Risk Management

Our business is subject to numerous risks and uncertainties. In the table below, we focus on the key risks and uncertainties the Company currently faces. For the avoidance of doubt, this does not mean that the risks which were previously signaled and not described here are no longer relevant. For a complete understanding of the risks that we face you should also read the full list of risks and uncertainties as disclosed in item 3.D Risk Factors of the annual report on Form 20-F. Some of these risks and uncertainties are outside the control of the Company, others may be influenced or mitigated. In 2015, we have implemented a Risk & Control framework, based on the COSO 2013 internal control framework, for enhancing our control environment as well as compliance with the U.S. SEC's Sarbanes Oxley (SOx) Act of 2002, which we are required to do as a company listed on the NASDAQ. As part of the SOx implementation program, our Risk & Control framework was further enhanced in 2019, focusing on IT and entity level controls. Improvement of our Risk & Control framework is an ongoing effort for the Company.

We have defined our risk tolerance on a number of internal and external factors including:

- Financial strength in the long run;
- Liquidity in the short run;
- Business performance measures;
- Scientific risks and opportunities;
- Compliance with relevant rules and regulations;
- High turnover of staff;
- Reputation.

The identification and analysis of risks is an ongoing process that is naturally a critical component of internal control. On the basis of these factors and ProQR's risk tolerance, improvement of our Risk & Control framework and monitoring of the risks is an ongoing effort for the Company.

Our main risks are those that threaten the achievement of the Company's corporate objectives, including compliance. 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:

Risk related to	Risk area	Expected impact upon materialization	Risk appetite / risk-mitigating actions
Development and Regulatory Approval of our Product Candidates	Our products might not be able to demonstrate safety and efficacy in the preclinical studies and clinical trials that are needed to obtain product approval.	The Company would be unable to commercialize the products and therefore generate revenues.	This is an inherent risk with drug development as the safety and efficacy of products can only be assessed when these studies are conducted. However, the Company has multiple products in the pipeline and therefore is diversified. The Company also monitors the progress of the programs and aims to make decisions that mitigate safety and efficacy related risks.

Risk related to	Risk area	Expected impact upon materialization	Risk-mitigating actions
	The regulatory approval process is lengthy, time-consuming and unpredictable and products developed may ultimately not lead to regulatory approval of the product.	Failure to comply with the requirements in the regulatory process could result in delays, suspension, refusals and withdrawal of approvals as well as fines.	Although the Company monitors the regulatory landscape and engages with the authorities when it deems that necessary, this is an inherent risk in biotech drug development and therefore has limited mitigation abilities.
	We may not able to maintain orphan product status for sepofarsen, QR-421a, QR-1123 and QR-411 or obtain such status for any other product canditates.	We may not benefit from rewards including fee reductions and market exclusivity. Sales could be impacted if other products are granted authorization for the same indications as sepofarsen, QR-421a, QR-1123 and QR-411.	We take orphan drug requirements into consideration in the design of our clinical development plans.
	We may be precluded from obtaining marketing authorization for our products when our competitors have obtained market exclusivity before we do.	We may encounter delays in marketing our products for a significant period of time.	We take orphan drug requirements into consideration in the design of our clinical development plans.
Capital Needs and Financial Position	The Company depends largely on equity financing and financing through third party collaboration agreements and government subsidies.	Volatility of the Company's share price, failure to deliver under collaboration agreements and/or the reevaluation or withdrawal of government subsidies may have a negative impact on the Company's ability to obtain future financing.	The ability of third-party financing is dependent on external factors and is therefore not entirely in the Company's control. The Company monitors the market conditions for opportunities to add additional capital.
Dependence on Third Parties	The Company relies upon third-party contractors and service providers for the execution of several aspects of its preclinical and clinical development programs, which include CRO's, third party manufacturers and other service providers.	Failure of third parties to provide services of a suitable quality and within acceptable timeframes may cause delay or failure of the Company's development programs.	The Company reviews and monitors the activities of the third parties. These include setting contractual deliverables, quality assurance audits and performance reports, among other activities.
Intellectual Property	The Company is highly dependent on its portfolio of patents and other intellectual property, proprietary information and knowhow and its ability to protect and enforce these assets. The Company is subject to the risk of infringing third party intellectual property rights.	Inadequate intellectual property protection or enforcement may impede the Company's ability to compete effectively. If the Company is not able to protect its trade secrets, know-how or other proprietary information, the value of its technology and product candidates could be significantly diminished. Intellectual property rights conflicts may result in costly litigation and could result in the Company having to pay substantial damages or limit the Company's ability to commercialize its product candidates.	The Company files and prosecutes patent applications to protect its products and technologies to the best of its knowledge and with assistance from internal and external counsel. Prior to disclosing any confidential information to third parties, the Company maintains strict confidentiality standards and agreements for collaborating parties.

Risk related to	Risk area	Expected impact upon materialization	Risk-mitigating actions
Commercialization of Our Product Candidates	We face competition from entities that have developed or may develop product candidates for our target indications.	If our competitors 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.	Competition is an inherent risk for any industry including drug development. Through our IP strategy and orphan drug designation application, we attempt to have data exclusivity for our products. Development in other companies is essentially out of our control but we monitor the competitive landscape and incorporate that into our business strategy.
Reimbursement from third-party payors	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 our 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.	The ability of third-party financing is dependent on external factors and is therefore not entirely in the Company's control. The Company monitors the market conditions for opportunities to seek reimbursement.

The above risks have not materialized in 2019. In addition to the above key risks, 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. Unfavorable exchange rate developments and historically low interest rates may impact the financial income of the Company. The Company has a cash management policy in place to minimize potential adverse effects resulting from unpredictability of financial markets on the Company's financial performance.

Financial Statements 2019

Consolidated statement of financial position at December 31, 2019

	Note	December 31, 2019	December 31, 2018
		€ 1,000	*€ 1,000*
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,440	1,864
Investments in associates	8	429	--
		2,869	**1,864**
Current assets			
Social securities and other taxes	9	850	1,243
Prepayments and other receivables	10	1,866	1,544
Cash and cash equivalents	11	111,950	105,580
		114,666	**108,367**
TOTAL ASSETS		**117,535**	**110,231**
EQUITY			
Share capital		2,159	1,726
Share premium		287,214	235,744
Reserves		16,702	10,888
Accumulated deficit		(211,746)	(155,443)
Equity attributable to owners of the Company		**94,329**	**92,915**
Non-controlling interests		(496)	(230)
TOTAL EQUITY	**12**	**93,833**	**92,685**
LIABILITIES			
Non-current liabilities			
Borrowings		12,709	9,386
	13	**12,709**	**9,386**
Current liabilities			
Borrowings		343	--
Lease liabilities	21	508	--
Trade payables		445	135
Current tax liabilities		64	--
Social securities and other taxes		108	--
Pension premiums		2	7
Deferred income		711	545
Other current liabilities		8,812	7,473
	14	**10,993**	**8,160**
TOTAL LIABILITIES		**23,702**	**17,546**
TOTAL EQUITY AND LIABILITIES		**117,535**	**110,231**

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

Consolidated statement of profit or loss and comprehensive income for the year ended December 31, 2019

	Note	2019	2018
		€ 1,000	*€ 1,000*
Other income	**15**	**1,933**	**5,761**
Research and development costs	16	(46,491)	(29,514)
General and administrative costs		(12,887)	(12,540)
Total operating costs		**(59,378)**	**(42,054)**
Operating result		**(57,445)**	**(36,293)**
Financial income and expense	18	402	(792)
Results related to associates	8	429	--
Result before corporate income taxes		**(56,614)**	**(37,085)**
Corporate income taxes	19	(132)	(1)
Result for the year		**(56,746)**	**(37,086)**
Other comprehensive income (attributable to equity holders of the Company)			
Items that will never be reclassified to profit or loss		--	--
Items that are or may be reclassified to profit or loss			
Foreign operations – foreign currency translation differences		43	(28)
Total comprehensive income for the year		**(56,703)**	**(37,114)**
Result attributable to			
Owners of the Company		(56,480)	(36,894)
Non-controlling interests		(266)	(192)
		(56,746)	**(37,086)**
Share information	20		
Weighted average number of shares outstanding[1]		41,037,244	34,052,520
Earnings per share attributable to the equity holders of the Company (expressed in Euro per share)			
Basic earnings per share[1]		(1.38)	(1.08)
Diluted earnings per share[1]		(1.38)	(1.08)

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

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

Consolidated statement of changes in equity for the year ended December 31, 2019

	Attributable to owners of the Company							
	Share Capital	Share Premium	Equity Settled Employee Benefit Reserve	Translation Reserve	Accumulated Deficit	Total	Non-controlling Interests	Total Equity
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*
Balance at January 1, 2018	**1,457**	**148,763**	**8,377**	**136**	**(119,370)**	**39,363**	**(38)**	**39,325**
Result for the year	--	--	--	--	(36,984)	(36,894)	(192)	(37,086)
Other comprehensive income	--	--	--	(28)	--	(28)	--	(28)
Recognition of share-based payments	4	2,185	3,224	--	--	5,413	--	5,413
Issue of ordinary shares	265	83,926	--	--	--	84,191	--	84,191
Share options lapsed	--	--	(97)	--	97	--	--	--
Share options exercised	--	870	(724)	--	724	870	--	870
Balance at December 31, 2018	**1,726**	**235,744**	**10,780**	**108**	**(155,443)**	**92,915**	**(230)**	**92,685**
Result for the year	--	--	--	--	(56,480)	(56,480)	(266)	(56,746)
Other comprehensive income	--	--	--	43	--	43	--	43
Recognition of share-based payments	15	3,145	5,948	--	--	9,108	--	9,108
Issue of ordinary shares	418	48,132	--	--	--	48,550	--	48,550
Share options lapsed	--	--	(44)	--	44	--	--	--
Share options exercised	--	193	(133)	--	133	193	--	193
Balance at December 31, 2019	**2,159**	**287,214**	**16,551**	**151**	**(211,746)**	**94,329**	**(496)**	**93,833**

The accompanying notes are an integral part of these financial statements. Specific reference is made to note 12.

Consolidated statement of cash flows for the year ended December 31, 2019

	Note	2019	2018
		€ 1,000	*€ 1,000*
Cash flow from operating activities			
Result for the year		(56,746)	(37,086)
Adjustments for:			
— Amortization & depreciation	7	2,052	992
— Share-based compensation	12	9,108	5,413
— Financial income and expense	18	(402)	792
— Results related to associates	8	(429)	--
— Net foreign exchange gain / (loss)		43	(28)
Changes in working capital		1,783	1,295
Cash used in operations		*(44,591)*	*(28,622)*
Corporate income tax paid		(64)	(1)
Interest received		758	130
Interest paid		(73)	--
Net cash used in operating activities		***(43,970)***	***(28,493)***
Cash flow from investing activities			
Purchases of property, plant and equipment		(580)	(312)
Net cash used in investing activities		***(580)***	***(312)***
Cash flow from financing activities			
Proceeds from issuance of shares, net of transaction costs	12	48,550	84,191
Proceeds from exercise of share options		193	870
Proceeds from borrowings	13	2,027	264
Proceeds from convertible loans	13	690	1,132
Repayment of lease liability	13	(1,261)	--
Net cash generated by financing activities		***50,199***	***86,457***
Net increase/(decrease) in cash and cash equivalents		**5,649**	**57,652**
Currency effect cash and cash equivalents		721	(171)
Cash and cash equivalents at the beginning of the year	11	105,580	48,099
Cash and cash equivalents at the end of the year	**11**	**111,950**	**105,580**

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

Notes to the consolidated financial statements for the year ended December 31, 2019

1. General Information

ProQR Therapeutics N.V., or "ProQR" or the "Company", is a development stage company domiciled in the Netherlands 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 (Chamber of Commerce no. 54600790) and was 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 Zernikedreef 9, 2333 CK Leiden, the Netherlands.

At December 31, 2019, ProQR Therapeutics N.V. is the ultimate parent company of the following entities:

- ProQR Therapeutics Holding B.V. (the Netherlands, 100%);
- ProQR Therapeutics I B.V. (the Netherlands, 100%);
- ProQR Therapeutics II B.V. (the Netherlands, 100%);
- ProQR Therapeutics III B.V. (the Netherlands, 100%);
- ProQR Therapeutics IV B.V. (the Netherlands, 100%);
- ProQR Therapeutics VI B.V. (the Netherlands, 100%);
- ProQR Therapeutics VII B.V. (the Netherlands, 100%);
- ProQR Therapeutics VIII B.V. (the Netherlands, 100%);
- ProQR Therapeutics IX B.V. (the Netherlands, 100%);
- ProQR Therapeutics I Inc. (United States, 100%);
- Amylon Therapeutics B.V. (the Netherlands, 80%);
- Amylon Therapeutics, Inc. (Unites States, a 100% subsidiary of Amylon Therapeutics B.V.)

ProQR Therapeutics N.V. is also statutory director of Stichting Bewaarneming Aandelen ProQR ("ESOP Foundation") and has full control over this entity. ProQR Therapeutics Holding B.V. holds a 20% minority shareholding in Wings Therapeutics Inc.

As used in these consolidated financial statements, unless the context indicates otherwise, all references to "ProQR", the "Company" or the "Group" refer to ProQR Therapeutics N.V. including its subsidiaries and the ESOP Foundation.

2. Basis of preparation

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards, or IFRS, as adopted by the European Union ("EU").

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

(b) Basis of measurement

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.

(c) Functional and presentation currency

These consolidated financial statements are presented in euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

(d) Going Concern

The Management Board of ProQR has, upon preparing and finalizing the 2019 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 expects the Company to be a going concern based on its existing funding, taking into account the Company's current cash position and the projected cash flows based on the activities under execution on the basis of ProQR's business plan and budget.

(e) Use of estimates and judgements

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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.

Information about assumptions and estimation uncertainties that may have a significant risk of resulting in a material adjustment is included below.

(i) 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.

(f) Changes in accounting policies

IFRS 16

IFRS 16 Leases specifies how a company recognizes, measures, presents and discloses leases. The Company has implemented IFRS 16 on January 1, 2019 by applying the modified retrospective method, meaning that the 2018 comparative numbers in the current year financial statements are not restated. Under this standard, all lease contracts are recognized on the Company's balance sheet, except for short-term and low value leases.

Upon implementation of IFRS 16, the Company recognized a lease liability and a corresponding right-of-use asset of € 2,359,000. Because the interest rate implicit in the lease could not be readily determined, future lease payments were discounted using the Company's incremental borrowing rate on the initial application date to determine the lease liability. The weighted average incremental borrowing rate applied is 4.3%. The carrying amounts of the lease liability and right-of-use asset at December 31, 2019 are € 508,000 and € 606,000, respectively.

In the income statement, lease expenditures previously recognized in operating expenses have been replaced by depreciation and interest expenses. In 2019, depreciation expenses on the right-of-use asset amounted to € 1,187,000 and interest expenses on the lease liability amounted to € 48,000. Under IFRS 16, total expenses resulting from lease contracts can be higher in the earlier years of a lease and lower in the later years, because the interest component of total expenses typically decreases over time.

The main impact on the statement of cash flows is an increase in cash flows from operating activities, since the repayments of the principal part of the lease liability are classified in the net cash flow from financing activities. This effect amounts to € 1,261,000 in 2019.

The Company applied the following practical expedients upon implementation of the new standard:

- Applied the short-term lease exemption, meaning that leases with a duration of less than one year are expensed in the income statement on a straight-line basis.
- Applied the low value lease exemption, meaning that leased assets with an individual value of $ 5,000 or less if bought new are expensed in the income statement on a straight-line basis.
- Applied the option to include non-lease components in the lease liability.

Furthermore, we used the transition option to measure the right-of-use asset based on the recognized lease liability.

Reconciliation of the prior year operating lease commitment to the opening balance sheet
At December 31, 2018, the Company reported a commitment for future minimum lease payments under non-cancellable operating leases of € 2,466,000. The lease liability recognized upon implementation of IFRS 16 on January 1, 2019 amounted to € 2,359,000. The difference of € 107,000 is caused by the effect of discounting future lease payments to determine the lease liability.

Other new Standards and Interpretations, which became effective as of January 1, 2019, did not have a material impact on our financial statements.

3. Significant Accounting Policies

The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

(a) Basis of consolidation

(i) Subsidiaries
Subsidiaries are entities controlled by the Group. The Group controls an entity when it has power over the entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of these elements. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

(ii) Non-controlling interests ("NCI")
NCI are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(iii) Loss of control
When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any non-controlling interests and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

(iv) Transactions eliminated on consolidation
Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

(v) Associates
Associates are entities over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recording the investment in associates initially at cost, and recognizing the Company's share of the post-acquisition results of associates in the consolidated income statement and the Company's share of post-acquisition other comprehensive income in consolidated other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investments in associates in the consolidated statement of financial position.

When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses unless it has incurred or guaranteed obligations in respect of the associate.

(b) Classes of financial instruments
Financial instruments are both primary financial instruments, such as receivables and payables, and financial derivatives. For the Company's 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.

(c) Foreign currencies
(i) Foreign currency transactions
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the exchange rate

when the fair value was determined. Foreign currency differences are generally recognized in profit or loss. Non-monetary items that are measured based on historical cost in a foreign currency are not translated.

(ii) Foreign operations
The assets and liabilities of foreign operations are translated into euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated into euros at the exchange rates at the dates of the transactions. Foreign currency differences are recognized in OCI and accumulated in the translation reserve, except to the extent that the translation difference is allocated to NCI.

(d) 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 Company and the amount of the income can be measured reliably. The grants are recognized in other income on a systematic basis over the period the Company recognizes as expenses the related costs for which the grants are expected to compensate.

(e) 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 recognized on a net basis within the labor costs.

(Government) Grant income is not recognized until there is reasonable assurance that the Company will comply with the conditions attached to them. (Government) Grants are recognized in profit or loss on a systematic basis over the period the Company recognizes as expenses the related costs for which the grants are intended to compensate.

(f) Employee benefits
(i) Short-term employee benefits
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions
The grant-date fair value of equity-settled share-based payment awards granted to employees is generally recognized as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(iii) Pension obligations
The Company operates defined contribution pension plans for all employees funded through payments to insurance companies. 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 employees have rendered the service entitling them to the contributions. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

(g) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax. It is recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in OCI.

(i) 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.

(ii) 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.

(h) Property, plant and equipment

(i) 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.

(ii) 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:

- Buildings and 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.

(i) Impairment of assets

At the end of each reporting period, the Company reviews the carrying amounts of its non-current assets, including right-of-use 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.

The recoverable amount is the higher of fair value less costs of disposal 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.

(j) 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 and subsequently measured at amortized cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortized cost, and
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due. Impairment losses on trade receivables and contract assets are presented as net impairment losses within

operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

(k) 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.

(l) 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.

(i) 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.

(ii) Compound financial instruments

Compound financial instruments issued by the Group comprise convertible notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value.

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

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured.

Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

(iii) 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.

(m) Leases

The Company has applied IFRS 16 as of January 1, 2019, using the modified retrospective approach. Therefore, comparative information has not been restated and is presented applying IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below.

Policies applicable from January 1, 2019

At inception of the contract, the Company assesses whether a contract is or contains a lease. The Company recognizes a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Company recognizes the lease payments as operating costs on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. When the interest rate implicit in the lease cannot be readily determined, the Company uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the Company under residual value guarantees;
- The exercise price of purchase options, if the Company is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. It is subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Company incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognized and measured under IAS 37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use asset is presented under Property, Plant and Equipment in the consolidated statement of financial position, in the category Buildings and leasehold improvements.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Company has used this practical expedient.

Policies applicable before January 1, 2019

(i) 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.

(ii) 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.

(iii) 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. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2020 and have not been applied in preparing these consolidated financial statements. There are no standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group does not plan to adopt these standards early.

5. Financial Risk Management

5.1. 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.

Financial 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

Market risk is the risk that changes in market prices – such as foreign exchange rates, interest rates and equity prices – will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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 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.

At December 31, 2019 there was a net asset in U.S. dollars of € 39,004,000 (2018: € 26,928,000). Foreign currency denominated receivables and trade payables are short term in nature (generally 30 to 45 days). As a result, the foreign exchange results recognized in 2019 and 2018 are mainly caused by the cash balance denominated in U.S. dollars.

A reasonably possible weakening of the U.S. dollar by 10% against the functional currency of the Company at December 31, 2019 would have increased our net loss by € 3,900,000 (2018: € 2,693,000). A 10% strengthening of the U.S. dollar against the functional current of the Company would have an equal but opposite effect on our net loss. The analysis assumes that all other variables, in particular interest rates, remain constant.

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 designated for sale, 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 several loans with fixed interest rates, totaling € 13,052,000 at December 31, 2019 (2018: € 9,386,000). 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 held at ABN Amro, Rabobank and Wells Fargo. 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 A2 or A at a minimum by at least one NRSRO).

At December 31, 2019 and December 31, 2018, substantially all of our cash and cash equivalents were held at three large institutions, Rabobank, ABN Amro and Wells Fargo. All institutions are highly rated (ratings of Aa3, A1 and A2 for Rabobank, ABN Amro and Wells Fargo 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, 2019				
Borrowings	343	10,054	4,790	322
Lease liabilities	513	--	--	--
Trade payables and other payables	10,142	--	--	--
	10,998	**10,054**	**4,790**	**322**

	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, 2018				
Borrowings	--	797	8,984	--
Trade payables and other payables	8,160	--	--	--
	8,160	**797**	**8,984**	**--**

5.2. 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.

5.3. 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 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.

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.

Substantially all non-current assets of the Company are located in the Netherlands. 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. Property, Plant and Equipment ('PP&E')

	Buildings and Leasehold improvements	Laboratory equipment	Other	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Balance at January 1, 2018				
Cost	1,856	2,004	1,309	5,169
Accumulated depreciation	(802)	(1,069)	(793)	(2,664)
Carrying amount	**1,054**	**935**	**516**	**2,505**
Additions	18	281	13	312
Depreciation	(296)	(419)	(238)	(953)
Disposals	--	--	--	--
Movement for the period	**(278)**	**(138)**	**(225)**	**(641)**
Balance at December 31, 2018				
Cost	1,874	2,285	1,322	5,481
Accumulated depreciation	(1,098)	(1,488)	(1,031)	(3,617)
Carrying amount	**776**	**797**	**291**	**1,864**
Effect of initial application of IFRS 16 Leases (note 21)	2,359	--	--	2,359
Balance at January 1, 2019				
Cost	4,233	2,285	1,322	7,840
Accumulated depreciation	(1,098)	(1,488)	(1,031)	(3,617)
Carrying amount	**3,135**	**797**	**291**	**4,223**
Additions	141	694	--	835
Depreciation	(1,485)	(433)	(134)	(2,052)
Effect of lease modification (note 21)	(566)	--	--	(566)
Disposals	--	--	--	--
Movement for the period	**(1,910)**	**261**	**(134)**	**(1,783)**
Balance at December 31, 2019				
Cost	3,808	2,979	1,322	8,109
Accumulated depreciation	(2,583)	(1,921)	(1,165)	(5,669)
Carrying amount	**1,225**	**1,058**	**157**	**2,440**

The depreciation charge for 2019 is included in the research and development costs for an amount of € 1,583,000 (2018: € 725,000) and in the general and administrative costs for an amount of € 469,000 (2018: € 228,000).

Buildings and leasehold improvements include a right-of-use asset relating to the lease of our Leiden office and laboratory space, with a carrying amount of € 606,000 at December 31, 2019 (2018: € nil).

8. Investments in Associates

In May 2019, the Company acquired a non-controlling stake in Wings Therapeutics Inc. as part of the strategic spin out of the Dystrophic Epidermolysis Bullosa (DEB) activities. Wings Therapeutics Inc. was formed and financed by EB Research Partnership (EBRP), the largest global non-profit dedicating to treating and curing EB. Wings Therapeutics focuses on developing therapies for DEB and continues to conduct the ongoing clinical trial with QR-313 targeting exon 73 as well as progress other RNA molecules that are designed for other mutations that cause DEB.

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Balance at January 1	--	--
Investment in associate	949	--
Share in result	(520)	--
Balance at December 31	**429**	**--**

9. Social Security and Other Taxes

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Value added tax	557	311
Wage tax	293	932
	850	**1,243**

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

10. Prepayments and Other Receivables

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Prepayments	1,526	645
Other receivables	340	899
	1,866	**1,544**

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

11. Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Cash at banks	111,950	105,580
Bank deposits	--	--
	111,950	**105,580**

The cash at banks is at full disposal of the Company.

12. Shareholders' Equity

(a) Share capital

	Number of ordinary shares	
	2019	2018
Balance at January 1	43,149,987	36,425,014
Issued for cash	10,454,545	6,612,500
Issued for services	371,306	112,473
Exercise of share options	46,900	226,098
Treasury shares issued (transferred)	(46,900)	(226,098)
Balance at December 31	**53,975,838**	**43,149,987**

The authorized share capital of the Company amounting to € 7,200,000 consists of 90,000,000 ordinary shares and 90,000,000 preference shares with a par value of € 0.04 per share. At December 31, 2019, 53,975,838 ordinary shares were issued and fully paid in cash, of which 4,230,151 were held by the Company as treasury shares (2018: 4,277,051).

In September 2018, the Company consummated an underwritten public offering and concurrent registered direct offering of 6,612,500 ordinary shares at an issue price of $ 15.75 per share. The gross proceeds from this offering amounted to € 89,983,000 while the transaction costs amounted to € 5,792,000, resulting in net proceeds of € 84,191,000.

In November 2018, the Company issued 112,473 shares in the aggregate amount of $ 2,500,000, at $ 22.23 (€ 19.46) per share to Ionis Pharmaceuticals, Inc. Under the terms of the agreement, an upfront payment in ordinary shares to its common stock was made to Ionis upon signing the worldwide license agreement. The Company was granted an exclusive worldwide license to QR-1123 and relevant patents. The Company will also make future milestone payments, certain of which will be made in equity and others in cash or equity at the company's discretion, and royalties on net sales of 20% through the royalty term.

On November 7, 2018, the Company filed a shelf registration statement, which permitted: (a) the offering, issuance and sale by the Company of up to a maximum aggregate offering price of $ 300,000,000 of its ordinary shares, warrants and/or units; and (b) as part of the $ 300,000,000, the offering, issuance and sale by us of up to a maximum aggregate offering price of $ 75,000,000 of its ordinary shares that may be issued and sold under a sales agreement with H.C. Wainwright & Co in one or more at-the-market offerings.

In October 2019, the Company consummated an underwritten public offering of 10,454,545 ordinary shares at an issue price of $ 5.50 per share. The gross proceeds from this offering amounted to € 51,597,000 while the transaction costs amounted to € 3,047,000, resulting in net proceeds of € 48,550,000.

In December 2019, the Company issued 371,306 shares in the aggregate amount of $3,501,000, at $9.43 (€8.51) per share to Ionis Pharmaceuticals, Inc. Under the terms of the agreement, the second installment of the upfront payment in ordinary shares to the Company's common stock was made to Ionis upon the dosing of the first patient in the phase 1/2 Aurora clinical trial for QR-1123.

(b) 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'. On September 25, 2017, we established a Dutch foundation named Stichting Bewaarneming Aandelen ProQR for holding shares in trust for employees, members of the Management Board and members of the Supervisory Board of the Company and its group companies who from time to time will exercise options under the Company's equity incentive plans.

(c) Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(d) Share options

The Company operates an equity-settled share-based compensation plan which was introduced in 2013. Options may be granted 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 € 5,948,000 in 2019 (2018: € 3,224,000), of which € 3,323,000 (2018: € 2,167,000) was recorded in general and administrative costs and € 2,625,000 (2018: € 1,057,000) was recorded in research and development costs based on employee allocation.

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.

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 dividends expected on the shares; and
- the risk-free interest rate for the life of the option.

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 2019	Options granted in 2018
Risk-free interest rate	2.430%	2.223%
Expected dividend yield	0%	0%
Expected volatility	80.2%	80.9%
Expected life in years	5 years	5 years

The resulting weighted average grant date fair value of the options amounted to € 7.71 in 2019 (2018: € 2.02). The stock options granted have a 10-year life following the grant date and are assumed to be exercised five years from date of grant for all awards.

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

	2019		2018	
	Number of options	Average exercise price	Number of options	Average exercise price
Balance at January 1	4,511,512	€ 4.24	3,331,875	€ 4.78
Granted	1,237,506	€ 11.77	1,570,366	€ 3.11
Forfeited	(119,338)	€ 9.35	(142,467)	€ 4.29
Exercised	(46,900)	€ 4.18	(226,098)	€ 4.02
Expired	(7,326)	€ 8.76	(22,164)	€ 6.42
Balance at December 31	**5,575,454**	**€ 5.80**	**4,511,512**	**€ 4.24**
Exercisable	2,521,477		1,683,731	

The options outstanding at December 31, 2019 had an exercise price in the range of € 1.11 to € 20.34 (2018: € 1.11 to € 20.34) and a weighted-average contractual life of 7.2 years (2018: 7.6 years).

The weighted-average share price at the date of exercise for share options exercised in 2019 was € 12.47 (2018: € 15.36).

Please refer to Note 23 for the options granted to key management personnel.

13. Non-current liabilities

(a) Borrowings

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Innovation credit	7,191	5,164
Accrued interest on innovation credit	3,124	2,351
Convertible loans	2,473	1,783
Accrued interest on convertible loans	264	88
Total borrowings	**13,052**	**9,386**
Current portion	(343)	--
	12,709	**9,386**

Innovation credit ("Innovatiekrediet")
On June 1, 2012, ProQR was awarded an Innovation credit by the Dutch government, through its agency RVO of the Ministry of Economic Affairs, for the Company's cystic fibrosis program. Amounts were drawn under this facility in the course of the years 2013 through 2017. The credit covers 35% of the costs incurred in respect of the program up to € 5,000,000.

The credit is interest-bearing at a rate of 10% per annum. In October 2018 ProQR received a conditional waiver of the € 5,000,000 Innovation credit. Consequently, the repayment of the total loan of € 8,085,000, including interest, will be waived if conditions are met, which will be reviewed annually for 3 years.

On December 10, 2018 ProQR was awarded an Innovation credit for the sepofarsen program. Amounts will be drawn under this facility from 2018 through 2021. The credit of € 4,755,000 through December 31, 2021 will be used to conduct the Phase 2/3 clinical study and efforts to obtain regulatory and ethical market approval (NDA/MAA) of sepofarsen for LCA10, of which € 2,230,000 had been received at December 31, 2019. The credit, including accrued interest of 10% per annum, is repayable depending on obtaining market approval.

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

Convertible loans
Convertible loans were issued to Amylon Therapeutics B.V. in 2017, 2018 and 2019 and are interest-bearing at an average rate of 8% per annum. They are convertible into a variable number of ordinary shares within 36 months at the option of the holder or the Company in case financing criteria are met. Any unconverted loans become payable on demand after 24 – 36 months in equal quarterly terms.

In March 2018, the Company entered into a convertible loan (the "Loan"), pursuant to which we borrowed an aggregate of € 260,000 from the lender. The loan bears interest at a rate of 3% per annum. The outstanding principal and interest under the Loan is convertible into a variable number of ordinary shares at the option of

the holder in case financing criteria are met. If these criteria are not met on or before March 1, 2022, the outstanding amount will be fully converted into our ordinary shares.

14. Current Liabilities

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Borrowings	343	--
Lease liabilities	508	--
Trade payables	445	135
Current income tax liability	64	--
Social securities and other taxes	108	--
Pension premiums	2	7
Deferred income	711	545
Accrued expenses and other liabilities	8,812	7,473
	10,993	**8,160**

At December 31, 2019 and 2018, current liabilities included deferred income resulting from funds received for our research and innovation programs. Accrued expenses and other liabilities consisted principally of accruals for services provided by vendors not yet billed, payroll related accruals and other miscellaneous liabilities.

15. Other income

	2019	2018
	€ 1,000	*€ 1,000*
Grant income	1,778	5,378
Rental income from property subleases	--	174
Other income	155	209
	1,933	**5,761**

Other income is incidental by nature. On February 9, 2018, the Company entered into a partnership agreement with Foundation Fighting Blindness (FFB), under which FFB has agreed to provide funding of $ 7,500,000 for the preclinical and clinical development of QR 421a for Usher syndrome type 2A targeting mutations in exon 13. FFB grant income amounted to € 1,312,000 in 2019 compared to € 2,478,000 million in 2018.

On June 5, 2018, the Company entered into a partnership agreement with EB Research Partnership (EBRP) and EB Medical Research Foundation (EBMRF) under which EBRP and EBMRF have agreed to provide funding of $ 5,000,000 for the clinical development of QR 313 for Dystrophic Epidermolysis Bullosa targeting mutations in exon 73. The EBRP/EBMRF grant agreement was terminated on March 26, 2019 as part of the strategic spin out of the Dystrophic Epidermolysis Bullosa (DEB) activities into a newly formed company, Wings Therapeutics. As such, no grant income was recognized in 2019 related to this grant. In 2018, € 1,301,000 had been recognized as other income.

In 2015, the European Commission (EC) through its Horizon 2020 program awarded us and our academic partners a grant of € 5,997,000 to support the clinical development of eluforsen (ProQR: € 4,627,000). Horizon 2020 is one of the largest research and innovation programs in the European Union with nearly € 80 billion in available funding for qualified projects from 2014 to 2020. This program has ended at December 31, 2017 and the final amount of € 1,300,000 was recognized as other income in 2018.

16. Research and Development Costs

Research and development costs amounted to € 46,491,000 in 2019 (2018: € 29,514,000) and comprise allocated employee costs, the costs of materials and laboratory consumables, the costs of external studies including, amongst others, clinical studies and toxicology studies and external research, license- and IP-costs and allocated other costs.

17. Employee Benefits

	2019	2018
	€ 1,000	*€ 1,000*
Wages and salaries	13,187	11,558
Social security costs	1,433	1,346
Pension costs – defined contribution plans	910	868
Equity-settled share based payments	5,948	3,224
	21,478	**16,996**
Average number of employees for the period	139.8	127.7

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

	December 31, 2019	December 31, 2018
Research and Development	118.3	89.2
General and Administrative	36.1	29.6
	154.4	**118.8**

Of all employees 143.1 FTE are employed in the Netherlands (2018: 112.8 FTE).

Included in the wages and salaries for 2019 is a credit of € 714,000 (2018: € 1,294,000) with respect to WBSO subsidies.

18. Financial Income and Expense

	2019	2018
	€ 1,000	*€ 1,000*
Interest income		
Current accounts and deposits	763	189
Interest costs		
Interest on loans and borrowings	(1,083)	(810)
Foreign exchange result		
Net foreign exchange benefit/(loss)	722	(171)
	402	**(792)**

19. Income Taxes

The calculation of the tax charge is as follows:

	2019	2018
	€ 1,000	*€ 1,000*
Income tax provision based on domestic rate	14,261	9,106
Tax effect of:		
Different tax rates in foreign jurisdictions	17	--
Non-deductible expenses	(1,501)	(818)
Stock issue expenditures that are deductible	843	1,448
Current year losses for which no deferred tax asset was recognized	(13,703)	(9,712)
Change in unrecognized deductible temporary differences	(7)	(25)
Under-provision in previous years	(42)	--
Income tax charge	**(132)**	**(1)**
Effective tax rate	0%	0%

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. Consequently, the Company has not recognized a deferred tax asset related to operating losses.

As per December 31, 2019, the Company has a total amount of € 218.7 million (2018: € 162.6 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

(a) 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.

	2019	2018
Result attributable to equity holders of the Company (€ 1,000)	(56,480)	(36,894)
Weighted average number of shares outstanding	41,037,244	34,052,520
Basic (and diluted) earnings per share (€ per share)	**(1.38)**	**(1.08)**

(b) 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.

(c) Dividends per share

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

21. Leases

The Company leases office and laboratory facilities of 2,960 square meters at Zernikedreef in Leiden, the Netherlands, where our headquarters and our laboratories are located. The current lease agreement for these facilities ends on June 30, 2020. A renewed lease agreement is in place for a 10-year period starting on July 1, 2020, which may be extended for subsequent 5-year terms. This new lease agreement will increase the number of square meters leased to 4,772 and contains no significant dismantling requirements.

The lease liability and the corresponding right-of-use asset for the Leiden office and laboratory facilities initially recognized on January 1, 2019 both amounted to € 2,359,000. In September 2019, the lease agreement was modified, resulting in a reduction in the carrying amount of the right-of-use asset of € 566,000 and a reduction in the lease liability of € 590,000. The modification consisted of a change in the termination date from December 31, 2020 to June 30, 2020, as a result of the new lease commencing on July 1, 2020.

The following table summarizes the relevant disclosures in relation to our leases in 2019:

	2019
	€ 1,000
Depreciation charge for right-of-use asset	1,187
Interest expense on lease liability	48
Expense relating to short-term leases	189
Total cash outflow for leases	1,310
Additions to right-of-use assets during the period	--

The carrying amount of the right-of-use asset at the end of the reporting period is disclosed in note 7 Property, Plant & Equipment.

A maturity analysis of our lease liability is included in note 5 Financial Risk Management under (c) Liquidity risk. The total undiscounted commitment for the new lease agreement to which the Company had committed at December 31, 2019 amounts to € 12,864,000. This amount does not include potential commitments that may arise from contractual extension options, as the Company is not reasonably certain that any extension options will be exercised.

The lease expenditure charged to the income statement in 2018 amounted to € 1,813,000.

In 2019, total sublease income amounted to € nil (2018: € 174,000). The Company leased out a part of its office in the U.S. and the Netherlands in early 2018. Sublease income was recorded in other income.

22. Commitments and Contingencies

(a) Claims

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

(b) Patent license agreements

On October 26, 2018, we and Ionis Pharmaceuticals, Inc. entered into a License Agreement, pursuant to which Ionis granted an exclusive, worldwide, royalty-bearing license to us to develop and commercialize certain pharmaceutical products, including the product designated by Ionis as IONIS-RHO-2.5Rx, which has been re-designated by us as QR-1123, for the prevention or treatment of retinitis pigmentosa in humans, including patient screening. Ionis also granted to the Company certain sub-license rights. Under the License Agreement, we are required to make an upfront payment of an aggregate of up to $ 6.0 million in installments, and certain payments up to an aggregate of $ 20.0 million upon the satisfaction of certain development and sales milestones. In addition, Ionis is entitled to royalty payments in the double digits of aggregate annual net sales, subject to minimum sales in certain circumstances, and subject to reduced rates in certain circumstances. The royalty term lasts on a product-by-product and country-by-country basis, until the later of the expiration of the patent rights licensed to us and the expiration of regulatory-based exclusivity for such product in such country. The License Agreement may also be terminated by either party based upon certain uncured material breach by, or insolvency of, the other party, or by us at any time with advanced notice. In connection with the upfront payments and development milestone payments, we also simultaneously entered into a Stock Purchase Agreement with Ionis, pursuant to which we agreed to issue an aggregate of $ 2.5 million of ordinary shares to satisfy the first installment upfront payment, and the remaining installment of the upfront payment in ordinary shares determined upon the due date of such installment. In addition, the Stock Purchase Agreement provides for the ability for us, at our discretion, to pay the development milestone payments in ordinary shares when such payments are due. We may not issue ordinary shares to Ionis to the extent that such issuance would result in Ionis owning in excess of 18.5% of our issued and outstanding shares, nor may we issue ordinary shares if such issuance, together with previous issuances under the Stock Purchase Agreement, would exceed 19.9% of our outstanding ordinary shares as of the date of the execution of the Stock Purchase Agreement. Under these circumstances, we are required to pay the remainder of the upfront and/or development milestone payments in cash. In addition, in connection with the Stock Purchase Agreement, we also entered into an Investor Agreement with Ionis, pursuant to which we agreed to register for resale the ordinary shares issued by us under the Stock Purchase Agreement, under the circumstances described in the Investor Agreement. The Investor Agreement also contains customary covenants related to our registration of such shares, preparation of filings in connection therewith and indemnification of Ionis. The Investor Agreement also contains lockup provisions prohibiting the disposition of our ordinary shares issued under the Stock Purchase Agreement for a period of 12 months from the applicable issuance date, as well as voting provisions requiring Ionis to vote its ordinary shares in accordance with the recommendations of our board of directors, in each case subject to certain exceptions

In April 2014 the Company entered into a Patent License Agreement with Radboud University Medical Center, or Radboud in the field of antisense oligonucleotide-based therapy for Leber's Congenital Amaurosis, or LCA. Under the terms of this license agreement, the Company has an exclusive, sublicensable, world-wide royalty-bearing license under certain Radboud patent rights to develop, make, have made, use, sell offer for sale and import of certain licensed products of Radboud for use in all prophylactic and therapeutic uses in the field of LCA. Pursuant to the terms of the license agreement, the Company is obligated to pay Radboud net-sales-related royalties which shall be determined on a product-by-product and country-by-country basis. If the Company required to pay any third party royalties, it may deduct that amount from that which is owed to Radboud. Radboud shall provide human resources, materials, facilities and equipment that are necessary for preclinical and clinical trials and if the Company does not purchase such trial facilities from Radboud, it is required to pay an increased net-sales-related royalty. In the Company's sole discretion, it may elect to convert the obligation to pay net-sales-related royalties into one of the two lump-sum royalty options depending on whether the Company elects to convert prior to or after regulatory approval has been filed. The license agreement will remain in effect until the date on which all patent applications and all granted patents ensuing from such applications have expired or is terminated earlier in accordance with the agreement. Either party may terminate the agreement if the other party is in default of a material obligation under the agreement which has not been cured within 30 days of notice of such default. Either party may also terminate the agreement if the other party declares bankruptcy, dissolves, liquidates or the like. Radboud may also terminate the agreement if the Company does not pay any amount owed under the agreement and such payment remains overdue for at least 30 days after receiving notice from Radboud of the amount due.

In June 2015, we entered into another license agreement with Radboud. Under the terms of this license agreement, the Company has an exclusive, sublicensable, world-wide royalty-bearing license under certain Radboud patent rights to develop, make, have made, use, sell offer for sale and import of certain licensed products of Radboud for use in all prophylactic and therapeutic uses in the field of Usher syndrome. Pursuant to the terms of the license agreement, the Company is obligated to pay Radboud net-sales-related royalties which shall be determined on a product-by-product and country-by-country basis. If the Company is required to pay any third-party royalties, it may deduct that amount from that which is owed to Radboud. Radboud shall provide human resources, materials, facilities and equipment that are necessary for preclinical and clinical trials and if the Company does not purchase such trial facilities from Radboud, it is required to pay an increased net-sales-related royalty. In the Company's sole discretion, it may elect to convert the obligation to pay net-sales-related royalties into one of the two lump-sum royalty options depending on whether it elects to convert prior to or after regulatory approval has been filed. The license agreement will remain in effect until the date on which all patent applications and all granted patents ensuing from such applications have expired or is terminated earlier in accordance with the agreement. Either party may terminate the agreement if the other party is in default of a material obligation under the agreement which has not been cured within 30 days of notice of such default. Either party may also terminate the agreement if the other party declares bankruptcy, dissolves, liquidates or the like. Radboud may also terminate the agreement if the Company does not pay any amount owed under the agreement and such payment remains overdue for at least 30 days after receiving notice from Radboud of the amount due.

In January 2018, the Company entered into a license agreement with Inserm Transfert SA and Assistance-Publique-Hôpiteaux de Paris. Under the terms of the agreement, the Company has a world-wide, exclusive, royalty-bearing license under patent rights belonging to Inserm Transfert SA and other co-owners to develop, have developed, make, have made, use, have used and sell, have sold or otherwise distribute certain licensed products related to antisense oligonucleotides for treating LCA and method of treatment claims relating to modulation of the splicing of the CEP290 gene product. The Company has the right to grant sublicenses to third parties subject to certain limitations such as the sublicensee's activities do not conflict with the public order or ethical obligations of Inserm Transfert SA or any co-owner and do not tarnish the image of Inserm

Transfert SA or any co-owner. In partial consideration of the rights and licenses granted by the license agreement, the Company is required to make payments upon the completion of certain milestones: completion of a clinical trial more advanced than First in Man, such as a phase IIb; and the first marketing authorization or any foreign equivalent for a first product. In further consideration of the rights and license granted under the agreement, the Company shall pay to Inserm Transfert SA a running royalty on net sales of products sold by us or our sublicensee. Unless terminated earlier pursuant to termination provisions of Agreement, the license agreement will remain in effect on a country-by-country basis, until the later to occur of the following events (i) the invalidation or expiration of the last to expire or to be invalidated patent rights which covers the manufacture, use or sale of the product in said country or until the expiration of the exclusive commercialization right granted by a regulatory agency to a product as an orphan drug or (ii) five years after the first commercial sale of a product in the country in which the product is sold. The agreement may be terminated by either party in the event of an uncured breach by the non-breaching party. Inserm Transfert SA may terminate the agreement if we become the subject of voluntary or involuntary winding-up proceedings or judicial recovery, if the Company or its sublicensees interrupt development activities for at least one year, if the Company or its sublicensees interrupt commercialization for more than twelve months after the first commercialization in a country, if the Company does not commercialize a product within two years following our obtaining of marketing approval in a country, or if the Company or our sublicensees do not put a product into commercial use and do not keep products reasonably available to the public within twelve years of the effective date of the agreement.

In January 2016, the Company entered into an agreement with Leiden University Medical Center, or LUMC, which gives us a world-wide, exclusive, royalty-bearing license in the field of amyloid beta related diseases, notably Alzheimer's disease and HCHWA-D, under certain patent rights of LUMC regarding antisense oligonucleotide based therapies. This license agreement contains certain diligence obligations for the Company coupled to milestone payments and complements the Company's intellectual property relating to its CNS program. On September 12, 2017, this program was transferred to Amylon Therapeutics B.V., in which the Company maintains a majority ownership.

In January 2017, the Company entered into an agreement with LUMC, which gives us a world-wide, exclusive, royalty-bearing license in the field of Huntington's disease, under certain patent rights of LUMC regarding antisense oligonucleotide based therapies. This license agreement contains certain diligence obligations for the Company coupled to milestone payments and complements the Company's intellectual property relating to the HD program.

In 2012, the Company and the General Hospital Corporation (MGH) have entered into a Patent License Agreement for the Company's CF program pursuant to which the Company may have certain royalty and milestone obligations. The Company is also obligated to pay MGH up to $ 700,000 (€ 623,000) 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 (€ 9,000) 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.

(c) Clinical support agreements

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 (€ 2.7 million) to support the clinical development of eluforsen.

Pursuant to the terms of the agreement, the Company is obligated to make a one-time milestone payment to CFFT of up to approximately $ 16 million (€ 14 million), payable in three equal annual installments following the first commercial sale of eluforsen, 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 (€ 2.7 million) if net sales of eluforsen exceed $ 500 million (€ 445 million) in a calendar year. Lastly, the Company is obligated to make a payment to CFFT of up to approximately $ 6 million (€ 5 million) if it transfers, sells or licenses eluforsen other than for certain clinical or development purposes, or if the Company enters into a change of control transaction prior to commercialization. However, the payment in the previous sentence may be set-off against the $ 16 million milestone payment. 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.

On February 9, 2018, the Company entered into an agreement with Foundation Fighting Blindness (FFB), under which FFB will provide funding of $ 7.5 million (€ 6.7 million) to advance QR 421a into the clinic and will receive future milestone payments.

Pursuant to the terms of the agreement, the Company is obligated to make a one-time milestone payment to FFB of up to $ 37.5 million (€ 33.4 million), payable in four equal annual installments following the first commercial sale of QR 421a, the first of which is due within 60 days following the first commercial sale. The Company is also obligated to make a payment to FFB of up to $ 15 million (€ 13.4 million) if it transfers, sells or licenses QR 421a other than for certain clinical or development purposes, or if the Company enters into a change of control transaction. However, the payment in the previous sentence may be set-off against the $ 37.5 million milestone payment. Either FFB 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.

On June 5, 2018, the Company entered into a partnership agreement with EB Research Partnership (EBRP) and EB Medical Research Foundation (EBMRF) under which EBRP and EBMRF have agreed to provide funding of $ 5.0 million for the clinical development of QR-313 for Dystrophic Epidermolysis Bullosa targeting mutations in exon 73. This agreement was terminated in March 2019 as part of the WINGS Therapeutics Inc. spin-out.

(d) Research and development commitments

The Company has research and development commitments, mainly with CRO's, amounting to € 19,472,000 at December 31, 2019 (2018: € 8,114,000). Of these obligations an amount of € 10,234,000 is due in 2020, the remainder is due in 1 to 5 years.

23. Related-Party Transactions

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

(a) Compensation of the Supervisory Board

The remuneration of the Supervisory Board members in 2019 is set out in the table below:

	2019			
	Short term employee benefits	Post employment benefits	Share-based payment	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Mr. Dinko Valerio	74	--	106	180
Mr. Antoine Papiernik	104	--	--	104
Ms. Alison Lawton	41	--	107	148
Mr. Paul Baart	144	--	--	144
Mr. James Shannon	48	--	109	157
Mr. Bart Filius	30	--	26	56
Ms. Theresa Heggie	19	--	18	37
	460	**--**	**366**	**826**

The remuneration of the Supervisory Board members in 2018 is set out in the table below:

	2018			
	Short term employee benefits	Post employment benefits	Share-based payment	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Mr. Dinko Valerio	36	--	69	105
Mr. Antoine Papiernik	72	--	--	72
Ms. Alison Lawton	31	--	75	106
Mr. Paul Baart	80	--	--	80
Mr. James Shannon	33	--	73	106
	252	**--**	**217**	**469**

As at December 31, 2019:

- Mr. Dinko Valerio holds 693,420 ordinary shares in the Company, as well as 130,843 options. These options vest in four annual equal tranches of 25% starting for the first time as of the first anniversary of the date of grant. In 2019, Mr. Valerio was granted 14,918 options under the Option Plan to acquire depositary receipts issued for ordinary shares at an exercise price of € 13.78 per option. In 2018, Mr. Valerio was granted 27,500 options at an average exercise price of € 2.74 per option. On September 12, 2017, Mr. Valerio provided a convertible loan to Amylon Therapeutics B.V. This loan is interest-bearing at an average rate of 8% per annum and is convertible into a variable number of ordinary shares within 36

months at the option of the holder or the Company in case financing criteria are met. Any unconverted loans become payable on demand after 24 months in equal quarterly terms.

- Mr. Antoine Papiernik does not hold any shares or options in the Company. As a managing partner of Sofinnova Partners SAS, the management company of Sofinnova Capital VII FCPR, holder of 2,764,194 ordinary shares, Mr. Papiernik may be deemed to have share voting and investment power with respect to such shares.
- Ms. Alison Lawton holds 111,391 options. In 2019, Ms. Lawton was granted 14,918 options under the Option Plan to acquire depositary receipts issued for ordinary shares at with an exercise price of € 13.78 per option. In 2018, Ms. Lawton was granted 27,500 options with an average exercise price of € 2.74 per option. Under these option grants 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. James Shannon holds 61,538 ordinary shares in the Company and 107,651 options. In 2019, Mr. Shannon was granted 14,918 options under the Option Plan to acquire depositary receipts issued for ordinary shares at an exercise price of € 13.78 per option. In 2018, Mr. Shannon was granted 27,500 options at an exercise price of € 2.74 per option. Under these option grants 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. Bart Filius holds 12,755 options. These options vest in four annual equal tranches of 25% starting for the first time as of the first anniversary of the date of grant. In 2019, Mr. Filius was granted 12,755 options under the Option Plan to acquire depositary receipts issued for ordinary shares at with an exercise price of € 10.47 per option.
- Ms. Theresa Heggie holds 13,334 options. These options vest in four annual equal tranches of 25% starting for the first time as of the first anniversary of the date of grant. In 2019, Ms. Heggie was granted 13,334 options under the Option Plan to acquire depositary receipts issued for ordinary shares at with an exercise price of € 8.00 per option.

(b) Compensation of key management

Our Management Board is supported by our officers, or senior management. The total remuneration of the Management Board and senior management in 2019 amounted to € 6,117,000.

The details are set out in the table below:

	2019			
	Short term employee benefits	Post employment benefits	Share-based payment	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Mr. D.A. de Boer[1]	722	10	1,533	2,265
Management Board	**722**	**10**	**1,533**	**2,265**
Senior Management	1,545	48	2,259	3,852
	2,267	**58**	**3,792**	**6,117**

1 Short term employee benefits includes a bonus for Mr. Daniel de Boer of € 273,000 based on goals realised in 2019.

The total remuneration of the Management Board and senior management in 2018 amounted to € 5,481,000 with the details set out in the table below:

	2018			
	Short term employee benefits	Post employment benefits	Share-based payment	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Mr. D.A. de Boer[1]	726	9	668	1,403
Mr. R.K. Beukema[2]	809	16	464	1,289
Management Board	**1,535**	**25**	**1,132**	**2,692**
Senior Management	1,726	64	999	2,789
	3,261	**89**	**2,131**	**5,481**

1 Short term employee benefits includes a bonus for Mr. Daniel de Boer of € 281,000 based on goals realised in 2018.
2 Short term employee benefits includes a bonus for Mr. René Beukema of € 134,000 based on goals realised in 2018 and a severance payment of € 324,000

As at December 31, 2019:

- Mr. Daniel de Boer holds 705,309 ordinary shares in the Company as well as 1,081,815 options. In 2019, Mr. de Boer was awarded 253,192 options to acquire ordinary shares at an exercise price of € 13.78 per option. In 2018, Mr. de Boer was awarded 379,285 options at an exercise price of € 2.74 per option. These options vest over four years in equal annual installments and had a remaining weighted-average contractual life of 7.5 years at December 31, 2019.

ProQR does not grant any loans, advanced payments and guarantees to members of the Management and Supervisory Board.

24. Subsequent events

On March 11, 2020, the World Health Organization declared the outbreak of COVID-19 a “pandemic”. The Company expects a delay in patient enrollment of all of its ongoing and scheduled trials, including the pivotal trial of sepofarsen for Leber’s congenital amaurosis 10. The duration and full effects of the COVID-19 outbreak are yet unknown. The Company is implementing mitigation procedures that support a rapid ramp up in enrollment as soon as the disruption resolves, including additional patient identification activities and documentation for additional site activations, while prioritizing the safety of trial participants.

Company balance sheet at December 31, 2019

(Before appropriation of result)

	Note	December 31, 2019	December 31, 2018
		€ 1,000	*€ 1,000*
ASSETS			
Non-current assets			
Financial fixed assets	27	798	70
		798	**70**
Current assets			
Social securities and other taxes	28	528	291
Prepayments and other receivables	29	36,126	31,885
Cash and cash equivalents	30	107,716	100,560
		144,370	**132,736**
TOTAL ASSETS		**145,168**	**132,806**
EQUITY			
Shareholders' equity			
Share capital		2,159	1,726
Share premium reserve		287,214	235,744
Equity settled employee benefits reserve		16,551	10,780
Translation reserve		151	108
Accumulated deficit		(154,345)	(118,396)
Unappropriated result		(55,414)	(36,126)
	31	**96,316**	**93,836**
LIABILITIES			
Provisions	**32**	**39,753**	**30,214**
Non-current liabilities			
Borrowings	33	8,086	7,351
		8,086	**7,351**
Current liabilities			
Trade payables		30	79
Social securities and other taxes		60	--
Pension premiums		--	6
Other current liabilities		923	1,320
		1,013	**1,405**
TOTAL LIABILITIES		**48,852**	**38,970**
TOTAL EQUITY AND LIABILITIES		**145,168**	**132,806**

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

Company income statement for the year ended December 31, 2019

	Note	2019	2018
		€ 1,000	*€ 1,000*
Share in results of participating interests, after taxation	27	(50,618)	(31,164)
Other result after taxation		(4,796)	(4,962)
Net result for the year		**(55,414)**	**(36,126)**

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

Notes to the Company financial statements for the year ended December 31, 2019

25. General

The company financial statements are part of the 2019 financial statements of ProQR Therapeutics N.V. (the 'Company') and have been prepared in accordance with the legal requirements of Part 9, Book 2 of the Netherlands Civil Code.

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

26. Principles for the measurement of assets and liabilities and the determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated IFRS financial statements. See page 61 for a description of these principles.

Participating interests in group companies

Participating interests in group companies are valued using the equity method, applying the IFRS accounting policies endorsed by the European Union. Following the adoption of IFRS 9 by the group, and our interpretation of the Dutch Accounting Standard 100.107A, the company shall, upon identification of a credit loss on an intercompany loan and/or receivable, eliminate the carrying amount of the intercompany loan and/or receivable for the value of the identified credit loss.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Insofar as gains or losses on transactions involving the transfer of assets and liabilities between the Company and its participating interests or between participating interests themselves can be considered unrealised, they have not been recognised.

27. Financial fixed assets

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Participating interests in group companies	798	70
	798	**70**

Movements in financial fixed assets were as follows:

	Participating interests in group companies	Total
	€ 1,000	*€ 1,000*
Net asset value as of January 1, 2019	70	70
Share in result of participating interests, after taxation	(50,618)	(50,618)
Exchange differences	43	43
Change in provisions for negative net asset value	51,303	51,303
Net asset value as of December 31, 2019	**798**	**798**

At December 31, 2019, the Company, having its statutory seat in Leiden, the Netherlands, is the ultimate parent company of the following consolidated participating interests:

Name	Location	Share in issued capital
ProQR Therapeutics Holding B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics I B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics II B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics III B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics IV B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics VI B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics VII B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics VIII B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics IX B.V.	Leiden, the Netherlands	100%
ProQR Therapeutics I Inc.	Delaware, United States	100%
Amylon Therapeutics B.V.	Leiden, the Netherlands	80%
Amylon Therapeutics Inc.	Delaware, Unites States	80% (100% held by Amylon Therapeutics B.V.

ProQR Therapeutics Holding B.V. is an intermediate holding company and the only subsidiary owned directly by ProQR Therapeutics N.V.

ProQR Therapeutics N.V. is also statutory director of Stichting Bewaarneming Aandelen ProQR ("ESOP Foundation"). The Company holds a minority shareholding in Wings Therapeutics Inc. For details on the accounts receivable from participating interests and the other receivables, reference is made to note 29.

28. Social Security and Other Taxes

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Value added tax	528	291
	528	**291**

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

29. Prepayments and Other Receivables

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Accounts receivable from group companies	36,053	31,719
Prepayments	73	166
Other receivables	--	--
	36,126	**31,885**

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

30. Cash and Cash Equivalents

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Cash at banks	107,716	100,560
Bank deposits	--	--
	107,716	**100,560**

The cash at banks is at full disposal of the Company.

31. Shareholders' equity

	Share Capital	Share Premium	Equity Settled Employee Benefit Reserve	Trans-lation Reserve	Accumu-lated Deficit	Unappro-priated result	Total Equity
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*	*€ 1,000*
Balance at January 1, 2018	**1,457**	**148,763**	**8,377**	**136**	**(75,733)**	**(43,484)**	**39,516**
Retained result	--	--	--	--	(43,484)	43,484	--
Foreign exchange differences	--	--	--	(28)	--	--	(28)
Recognition of share-based payments	4	2,185	3,224	--	--	--	5,413
Issue of ordinary shares	265	83,926		--	--	--	84,191
Share options lapsed	--	--	(97)	--	97	--	--
Share options exercised	--	870	(724)	--	724		870
Result for the year	--	--	--	--	--	(36,126)	(36,126)
Balance at December 31, 2018	**1,726**	**235,744**	**10,780**	**108**	**(118,396)**	**(36,126)**	**93,836**
Retained result	--	--	--	--	(36,126)	36,126	--
Foreign exchange differences	--	--	--	43	--	--	43
Recognition of share-based payments	15	3,145	5,948	--	--	--	9,108
Issue of ordinary shares	418	48,132		--	--	--	48,550
Share options lapsed	--	--	(44)	--	44	--	--
Share options exercised	--	193	(133)	--	133	--	193
Result for the year	--	--	--	--	--	(55,414)	(55,414)
Balance at December 31, 2019	**2,159**	**287,214**	**16,551**	**151**	**(154,345)**	**(55,414)**	**96,316**

The 2018 result was added to the accumulated deficit in accordance with the resolution of the Annual General Meeting of shareholders. At the upcoming Annual General Meeting of shareholders, it will be proposed to add the 2019 result to the accumulated deficit. For more details we refer to note 12 to the consolidated financial statements.

Reconciliation of shareholders' equity and net result per the consolidated financial statements with shareholders' equity and net result per the company financial statements

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Shareholders' equity according to the consolidated balance sheet	**93,833**	**92,685**
Share in results of participating interests with negative equity for which no provision is recognized	2,483	1,151
Shareholders' equity according to the company balance sheet	**96,316**	**93,836**

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Net result according to the consolidated profit and loss account	**(56,746)**	**(37,086)**
Share in results of participating interests with negative equity for which no provision is recognized	1,332	960
Net result according to the company profit and loss account	**(55,414)**	**(36,126)**

32. Provisions

Provision for negative equity group companies	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Balance at January 1	**30,214**	**20,710**
Provisions made during the year	9,539	9,504
Balance at December 31	**39,753**	**30,214**

33. Borrowings

	December 31, 2019	December 31, 2018
	€ 1,000	*€ 1,000*
Innovation credit	5,000	5,000
Accrued interest	3,086	2,351
Total borrowings	**8,086**	**7,351**

Innovation credit ("Innovatiekrediet")

On June 1, 2012, ProQR was awarded an Innovation credit by the Dutch government, through its agency RVO of the Ministry of Economic Affairs, for the Company's cystic fibrosis program. Amounts were drawn under

this facility in the course of the years 2013 through 2017. The credit covers 35% of the costs incurred in respect of the program up to € 5,000,000.

The credit is interest-bearing at a rate of 10% per annum. Early October 2018 ProQR received a conditional waiver of the € 5,000,000 Innovation credit. The total loan of € 8,085,000 including interest will be waived after 3 years if certain conditions are met. The conditions are reviewed by RVO on an annual basis.

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

34. Commitments and Contingencies

(a) Claims

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

(b) 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 (€ 2.7 million) to support the clinical development of eluforsen.

Pursuant to the terms of the agreement, the Company is obligated to make a one-time milestone payment to CFFT of up to approximately $ 16 million (€ 14 million), payable in three equal annual installments following the first commercial sale of eluforsen, 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 (€ 2.7 million) if net sales of eluforsen exceed $ 500 million (€ 445 million) in a calendar year. Lastly, the Company is obligated to make a payment to CFFT of up to approximately $ 6 million (€ 5 million) if it transfers, sells or licenses eluforsen other than for certain clinical or development purposes, or if the Company enters into a change of control transaction prior to commercialization. However, the payment in the previous sentence may be set-off against the $ 16 million milestone payment. 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.

(c) Several liability and guarantees

The Company has issued declarations of joint and several liabilities for debts arising from the actions of Dutch consolidated participating interests, as meant in article 2:403 of the Netherlands Civil Code.

The Company constitutes a tax entity with its Dutch subsidiaries for corporate income tax purposes; the standard conditions prescribe that all companies of the tax entity are jointly and severally liable for the corporate income tax payable.

35. Auditor fees

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

	2019	2018
	€ 1,000	*€ 1,000*
Audit fees	515	181
Audit-related fees	57	261
Tax fees	--	--
All other fees	--	--
	572	**442**

Auditor fees consist of aggregate fees for professional services provided in connection with the annual audit of our financial statements, procedures on our quarterly financial statements, consultations on accounting matters directly related to the audit, and comfort letters, consents and review of documents filed with the SEC.

Signing of the Annual Report

Leiden, March 31, 2020,

D.A. de Boer

D. Valerio

A.B. Papiernik

A.F. Lawton

J.S.S. Shannon

B. Filius

T.M. Heggie

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 paid-up 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.

Independent auditor's report

To the shareholders and the Supervisory Board of ProQR Therapeutics N.V.

Report on the audit of the financial statements 2019

Our opinion
We have audited the accompanying financial statements 2019 of ProQR Therapeutics N.V., based in Leiden, The Netherlands. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of ProQR Therapeutics N.V. as at December 31, 2019, and of its result and its cash flows for 2019 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The accompanying company financial statements give a true and fair view of the financial position of ProQR Therapeutics N.V. as at December 31, 2019, and of its result for 2019 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at December 31, 2019.
2. The following statements for 2019: the consolidated statement of profit or loss and comprehensive income, the consolidated statements of changes in equity and the consolidated statement of cash flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. The company balance sheet as at December 31, 2019.
2. The company income statement for the year ended December 31, 2019.
3. The notes comprising a summary of the accounting policies and other explanatory information.

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

We are independent of ProQR Therapeutics N.V. in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Emphasis of the impact of covid-19 virus
The coronavirus also impacts ProQR Therapeutics N.V. Management disclosed the current impact and her plans to deal with these events or circumstances in note 24 Subsequent events of the financial statements. Management indicates that it is currently not possible for them to properly estimate the impact of the coronavirus on the financial performance and health of ProQR Therapeutics N.V. Our opinion is not modified in respect of this matter.

Materiality
Based on our professional judgement we determined the materiality for the financial statements as a whole at € 2.400.000. The materiality is based on 4% of total operating costs which is consistent with prior year. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of € 119.000, 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 Therapeutics N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of ProQR Therapeutics N.V.

The financial administration for all group entities is centralized in the Netherlands. Consequently, we have centralized our audit approach and we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters
Key audit matters are those matters that, in our professional 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.

The following 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

Description
We identified research and development costs as a key audit matter due to the number of ongoing outsourced activities and the subjectivity involved in estimating the progress of the activities and costs to be recognized. The total research and development expenses for the year 2019 amount to EUR 46.5 million. These research and development expenses consist 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 and relate to a specific research study. These outsourced research and development activities are

How the key audit matter was addressed in the audit
Our audit procedures included the following, among others:

We tested the effectiveness of controls over the accounting evaluation of master service agreements and the effectiveness of the controls over the completeness of master service agreements and amendments to master service agreements. Furthermore, we read significant master service agreements, amendments to these agreements and management's accounting position papers to understand the terms of the master service agreements and evaluate

typically performed over a period of time and as a consequence the allocation of expenses to the reporting period is based on the progress of the activity which involves (significant) judgement.

The research and development expenses are disclosed in note 16 of the financial statements.

management's conclusions. We performed inquiries of project managers and inspected purchase orders and work orders in order to determine the correct cut-off of research and development expenses and accruals.

In addition, we performed confirmation procedures to validate the accuracy and completeness of contract terms and amendments hereto with significant Contract Research Organizations.

Observation
The scope and nature of the procedures performed were sufficient and appropriate to address the risks of material misstatement in research and development expenses.

Internal Control over Financial Reporting

Description
We identified the Company's internal controls over financial reporting as an area of focus as we consider internal controls over financial reporting as a basis for designing our procedures for the audit. This key audit matter is supported by the fact that this year we have had an increased focus on the internal control framework designed by the Company, in accordance with the requirements of the Sarbanes-Oxley Act, which has required significant auditor attention and judgement in order to assess effective design and operating effectiveness of the controls in place.

How the key audit matter was addressed in the audit
We have tested the company's controls over financial reporting as of and for the year ended December 31, 2019. These controls include Information Technology General Controls (ITGC's), application controls, business process controls and entity level controls that are part of the company's COSO 2013 controls framework.

We performed process walkthroughs to identify controls relevant to the audit (key controls) and evaluated the design and operating effectiveness of those key controls. Our testing was designed to allow us to conclude on the effectiveness of controls at interim dates, to allow the company to remediate controls found to be ineffective. For controls with unremediated deficiencies at year-end, we evaluated any mitigating or compensating controls.

Observation
Internal controls concluded to not have been designed or operating effectively, for which mitigating or compensating controls were not identified or not found to be operating effectively, have been reported to the company's management and audit committee as (significant) deficiencies as part of reporting over internal controls over financial reporting.

Report on the other information included in the annual report

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

- Management Board's Report.
- Other Information as required by Part 9 Book 2 of the Dutch Civil Code.

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Management Board's Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of management and the Supervisory Board for the financial statements

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

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

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

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

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

We have exercised professional judgement 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 to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identified during our audit. In this respect we also submit an additional report to the audit committee in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-

interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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 the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, March 31, 2020

Deloitte Accountants B.V.

I.A. Buitendijk