ANNUAL REPORT 2020

Staying connected to reverse blindness

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Message from the CEO

Dear fellow shareholders,

During 2020 we all faced significant challenges because of the COVID-19 pandemic. This was not different for ProQR. Despite these challenges and because of the dedication and hard work of many, we have been able to achieve important milestones for the company and with that for the communities we serve. I view the year ahead with optimism in terms of bringing us closer to our goal of stopping vision loss in people with genetic eye diseases.

For our lead program sepofarsen we have completed enrollment of Illuminate, our Phase 2/3 trial that is intended to support application for marketing approval. If approved, sepofarsen has the potential to be the first therapy to address this high unmet medical need for patients with CEP290 mediated Leber congenital amaurosis 10 who would otherwise face blindness. With enrollment completed, top-line results are expected in the first half of 2022.

We also completed enrollment of Stellar, a Phase 1/2 clinical trial of QR-421a for USH2A mediated Usher syndrome and retinitis pigmentosa. In the Stellar trial a single dose of QR-421a was observed to be safe, well tolerated and effective. We agreed with the FDA to submit a protocol to start two Phase 2/3 trials that each could serve as the sole registration trial.

Our extensive pipeline beyond sepofarsen and QR-421a further includes additional RNA therapies for inherited retinal diseases and other genetic eye diseases ranging from discovery stage to early clinical development.

In 2020 we strengthened our management team and scientific advisory board with the appointment of several renowned experts in the field of RNA therapeutics and ophthalmology. We also bolstered our financial position extending our cash runway into 2023.

I started ProQR to make a difference for those living with rare genetic conditions and this is what I will continue to strive for in the work we do each day at ProQR. How we do our work changed dramatically in 2020, but why we do our work – to help people living with rare diseases that currently have no treatment options – remains our steadfast focus. I wish to thank everyone supporting this mission: our shareholders, employees, and collaborators, but especially the participants in our clinical trials and their caregivers.

Daniel A. de Boer

Key Figures

	2020	2019
Result from continued operations (in € 1,000)		
Net revenue	--	--
Other income	9,452	1,933
Research and development costs	(38,135)	(46,491)
General and administrative costs	(13,685)	(12,887)
Operating result	(42,368)	(57,445)
Net result	(46,614)	(56,746)
Balance sheet information (in € 1,000)		
Non-current assets	18,708	2,869
Current assets	80,021	114,666
Total assets	98,729	117,535
Total equity	56,546	93,833
Non-current liabilities	31,882	12,709
Current liabilities	10,301	10,993
Cash flows (in € 1,000)		
Net cash used in operating activities	(47,060)	(43,970)
Net cash used in investing activities	(924)	(580)
Net cash generated by financing activities	14,500	50,199
Ratio's		
Current ratio	7.8	10.4
Solvency (%)	57.3	79.8
Figures per share		
Weighted average number of shares outstanding	50,060,565	41,037,244
Basic and diluted earnings per share (in €)	(0.93)	(1.38)
Cash flow per share (in €)	(0,67)	0.14
Employees		
Average number of staff for the period	156.3	139.8

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 Founder and Chief Executive Officer since our incorporation in 2012. Mr. de Boer is a serial entrepreneur and passionate advocate for rare disease patients. After one of his children was diagnosed with a rare disease, he started ProQR to develop RNA therapies for rare diseases. Under Mr. de Boer's leadership, ProQR developed a platform that yielded a diversified pipeline of potential treatments for rare diseases and raised over $400M in funding, including an IPO on Nasdaq. Before founding ProQR, Mr. de Boer was founder and Chief Executive Officer of several technology companies. Mr. de Boer is also co-founder and strategic advisor to Amylon Therapeutics and Wings Therapeutics, strategic advisor at Frame Therapeutics, Meatable, Algramo and a member of the advisory board at the Termeer Foundation. In 2018, Mr. de Boer was named "Emerging Entrepreneur of the Year" by EY. In 2019 Mr. de Boer was selected for the Young Global Leader 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. All of our Supervisory Board members 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	2024
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	2024
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. In 2020 Mr. Valerio co-founded Leyden Laboratories B.V. which he led as CEO until January 1st, 2021 when he became the Chairman of its supervisory Board. 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 was most recently Chief Executive Officer, President and Director of Kaleido Biosciences. 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 public biopharmaceutical companies Aeglea Biotherapeutics, X4 Pharmaceuticals and Magenta Therapeutics and the private company SwanBio. She also served on the board of directors of Verastem, Inc., Cubist Pharmaceuticals until its acquisition by Merck &Co., Inc. and CoLucid until its acquisition by Eli Lilly. 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, Chairman and Managing Partner at Sofinnova Partners, has served on our supervisory board since January 2014. Mr. Papiernik has been an initial investor and active board member in public companies like Actelion, Shockwave Medical, NovusPharma (sold to CTI), Movetis (sold to Shire), Mainstay, Pixium Vision and Stentys, which went public respectively on the Zürich stock exchange, the NASDAQ, the Milan Nuovo Mercato, the Belgium Stock Exchange and the EuroNext Paris, in Cotherix (initially NASDAQ listed, then sold to Actelion), CoreValve (sold to Medtronic), Fovea (sold to Sanofi Aventis), Ethical Oncology Science (EOS, sold to Clovis Oncology) and Recor Medical (sold to Otsuka). He has also invested in and is a board member of private companies: Reflexion Medical, Tissium, Pi-Cardia, SafeHeal, Mnemo Therapeutics, Ablacare, Noema Pharma, Highlife, and Rgenix. Mr. Papiernik has an MBA from the Wharton School of Business, University of Pennsylvania. He has been selected twice for the Forbes Midas List, an annual ranking recognizing the world's top venture capital investors. Mr. Papiernik is one of the few Europeans and life science investors to have been named to the prestigious list.

James Shannon, MD has served on our Supervisory Board since June 2016 and has been Chair of our Scientific Advisory Board since 2020. 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 has previously held board positions at companies including Biotie, Circassia, Crucell, Endocyte and Cerimon Pharmaceuticals. Mr. Shannon currently is Chairman of the Board at Mannkind Corp (USA), myTomorrows (NL) and Kyowa Kirin NA (USA) and holds board positions at Horizon Pharma (Ire), Immodulon (UK) and Leyden Labs (NL). He received his undergraduate and postgraduate degrees at Queen's University of Belfast and is a Member of the Royal College of Physicians (UK).

Bart Filius has served on our Supervisory Board since 2019. He joined Galapagos in 2014 as Chief Financial Officer and added the role of Chief Operating Officer in 2017. Prior to joining Galapagos, Mr. Filius held a variety of executive positions at Sanofi, where he was Vice President, Chief Financial Officer 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 has served on our Supervisory Board since 2019. She currently serves as Chief Executive Officer of Freeline Therapeutics. She previously served in senior commercial and operating roles at Alnylam Pharmaceuticals as Senior Vice President, Head of CEMEA and Shire where she built the EMEA rare disease business and led the Global Commercial Operations for rare diseases and, following Shire's acquisition of Jerini served as its Chief Executive Officer. 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, 2020, we had raised € 304 million in gross proceeds from our public offerings of shares and private placements of equity securities, as well as € 13 million in convertible debt. 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.

"ProQR" and "Axiomer" are our main trademarks. Other trademarks or trade names referred to in this annual report are the property of their respective owners. Solely for convenience, the trademarks and trade names in this annual report may be referred to without the ® and ™ symbols, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent permissible under applicable law, their rights thereto.

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 two novel proprietary RNA editing platform technologies, Axiomer and TRIDENT™. 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. TRIDENT is our RNA pseudouridylation platform that enables the selective suppression of nonsense mutations that cause human genetic disease.

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

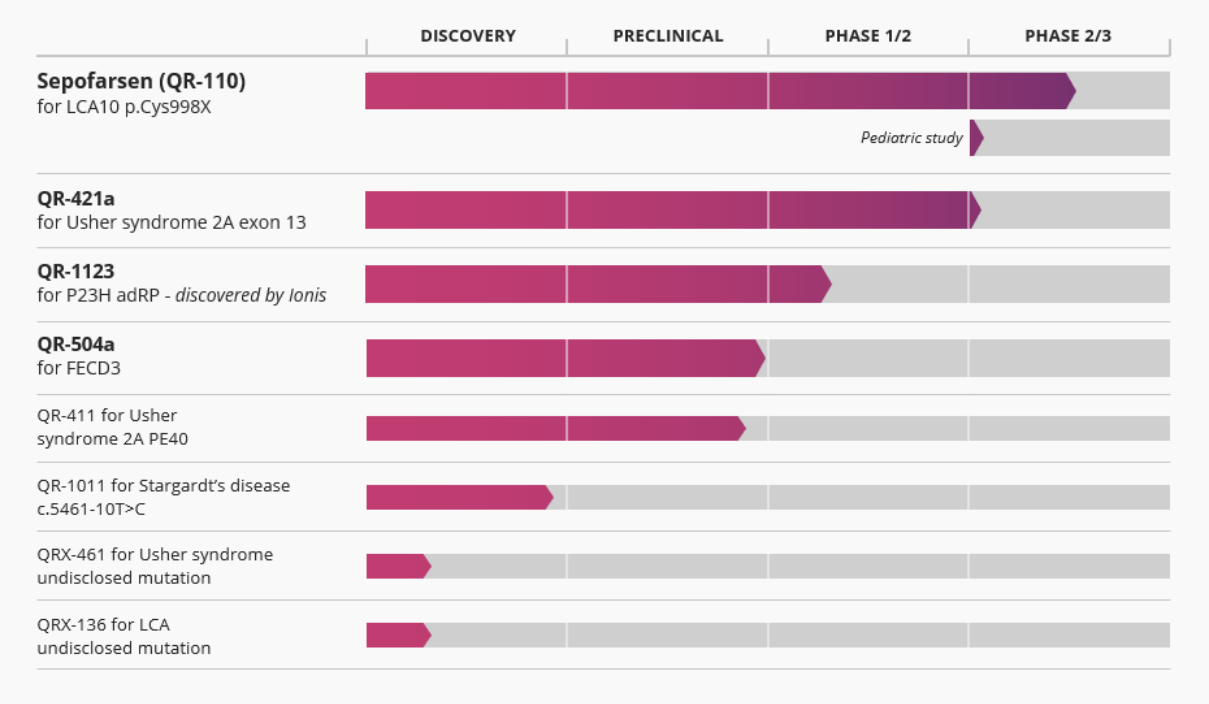
product candidates, we seek to enter into strategic partnerships for programs that we believe will benefit from such a partnership.

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.

Research and development pipeline



Sepofarsen for Leber Congenital Amaurosis 10

Leber congenital amaurosis (LCA) is the most common genetic cause of childhood blindness, with LCA Type 10 (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 c.2991+1655A>G (also known as p.Cys998X) in the *CEP290* gene. 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. We presented final data from this trial at the Association for Research in Vision and Ophthalmology (ARVO) Annual Meeting in 2020, where sepofarsen demonstrated clinical proof-of-concept in LCA10 patients as shown by a significant, rapid and sustained improvement in vision in majority of the patients. The Phase 2/3 clinical trial *Illuminate* was initiated in April 2019, completed enrollment in January 2021 with top-line data expected during the first half of 2022.

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.Cys998X 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 a first-in-class RNA therapy aimed at modulating the RNA that then results in the expression of functional usherin protein in the eye to maintain 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. Results were reported in March 2021 demonstrating that QR-421a given as a single intravitreal injection was observed to be well tolerated with no serious adverse events noted. QR-421a-treated patients responded on endpoints consistent with their disease stage in both advanced and early-moderate patient populations, including BCVA and static perimetry, respectively. Concordant improvements were also measured in other endpoints assessing retinal structure and function. Based on initial Regulatory guidance, the Company plans to submit protocols to start two Phase 2/3 trials. Each trial could potentially serve as the sole registration trial depending on the findings.

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 and it is anticipated that the first clinical data from this program will be reported in 2021. 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. The *Fuchs Focus* study 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.

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 congenital amaurosis, Usher syndrome, and other inherited retinal diseases. 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.

Novel RNA Technologies

Antisense oligonucleotides (AONs) have been used as therapeutics for the last few decades. ProQR has built an extensive pipeline of investigational RNA therapies based on the technologies already available. But our scientists have gone beyond that and invented entirely new ways of using oligonucleotides for the treatment of genetic diseases. Both the Axiomer RNA editing platform and the TRIDENT RNA Pseudouridylation platforms are novel, proprietary RNA technologies invented at ProQR. We have built a broad intellectual property estate around these technologies and together with the leading academic experts in the RNA field, we continue to advance these technologies.

Our Axiomer RNA editing technology enables the editing of specific single nucleotides in RNA. The technology is based on editing oligonucleotides, or EONs, designed to recruit endogenous ADAR enzymes (Adenosine Deaminases Acting on RNA) to make single adenosine-to-inosine (A-to-I) changes in the RNA in a highly specific and targeted manner. This technology could reverse the 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.

Our TRIDENT RNA pseudouridylation platform enables the suppression of nonsense mutations and premature stop codons (PTC) that cause human genetic diseases. Since all premature stop codons contain uridine, pseudouridylation of that uridine converts those nonsense codons into sense codons. TRIDENT technology harnesses endogenously expressed pseudouridylation machinery to guide RNAs to inhibit nonsense mRNA-mediated decay (NMD) in a sequence-specific manner and promote PTC readthrough. The TRIDENT technology has the potential to be applied in approximately 11% of all genetic mutations.

Our Strategy

We are dedicated to improving the lives of patients and their loved ones through the development of RNA therapies for severe genetic diseases, focusing on the eye. 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.
- ***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. There are approximately 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 RNA-editing technologies 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. Our TRIDENT RNA platform enables the suppression of nonsense mutations and premature stop codons (PTC) that cause genetic diseases by harnessing endogenously expressed pseudouridylation machinery to inhibit nonsense mRNA-mediated decay to promote PTC readthrough. We intend to use these platforms to develop novel therapies for inherited retinal diseases and continue to validate and create value for the platforms 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 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.

In 2020 ProQR 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

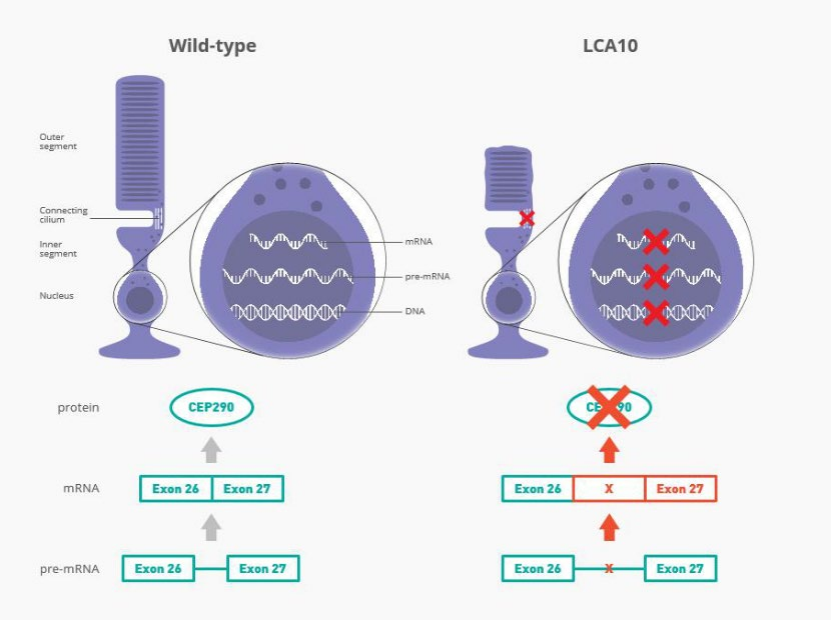
diagnosis to then move forward with the best care. Through its participation in the program, ProQR hopes to provide IRD patients with easier access to genetic diagnostics, improve access to clinical trials and facilitate therapeutic development in IRDs associated with *CEP290*, *USH2A* and *RHO* genes.

Sepofarsen for Leber Congenital Amaurosis 10 (LCA10)

LCA Background

Leber congenital amaurosis (LCA) is the most common genetic cause of blindness in childhood. The c.2991+1655A>G mutation (also known as p.Cys998X) 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

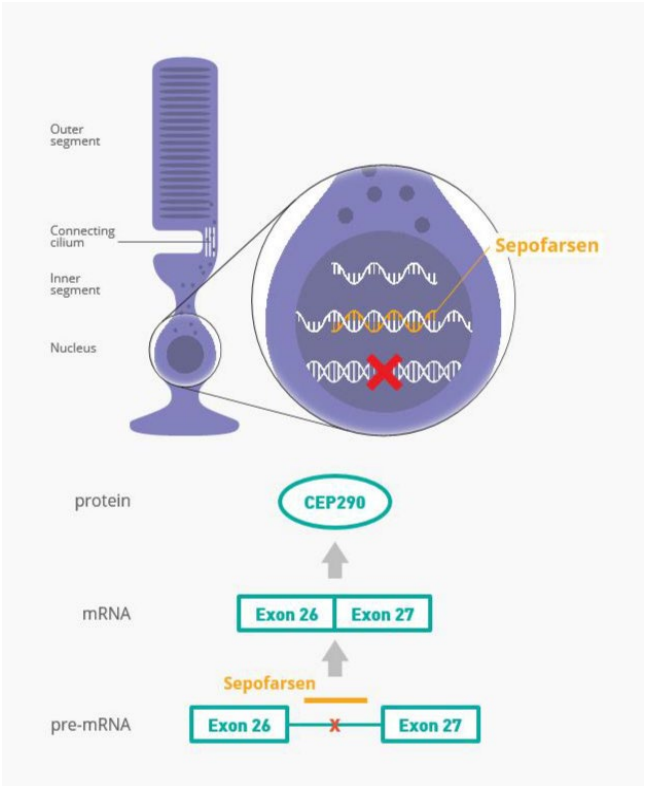
LCA affects about 15,000 patients in the Western world. Although diagnosis rates vary, our estimations indicate the most common p.Cys998X mutation occurs in approximately 2,000 patients in the Western world.

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 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. Cys998X 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 objective of the trial was to evaluate safety and tolerability. Secondary objectives included the assessment of pharmacokinetics and improvement of visual function and retinal structure through ophthalmic endpoints such as best-corrected visual acuity (BCVA), full-field stimulus testing (FST), mobility course, and optical coherence tomography (OCT).

Safety Data:

Sepofarsen was observed to be well-tolerated with manageable safety findings. In total, eight cases of cataract (lens opacity) were observed (three in the target registration dose cohort and five in a higher dose cohort). All 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)	log 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)	log 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 (3 lines or 15 letters on an eye chart) in the U.S and -0,2 LogMAR (2 lines or 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 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

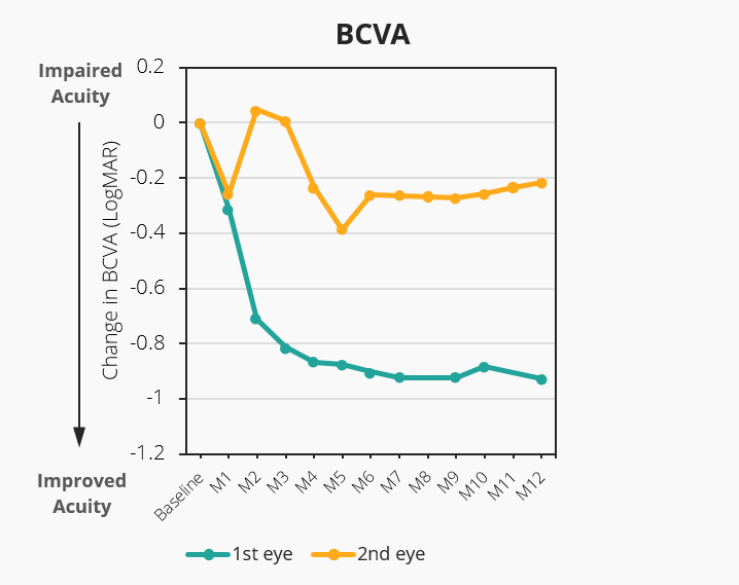
Mean ΔBCVA LogMAR	Treated eye (SEM)		Untreated eye (SEM)	
	month 3	month 12	month 3	month 12
Pooled analysis (n=11)	-0.5 (0.24)	-0.55 (0.26)	0.0 (0.04)	-0.11 (0.07)
160µg/80µg (n=6) ***Target registration dose***	-0.81 (0.41)	-0.93 (0.43)	0.01 (0.08)	-0.22 (0.11)
320µg/160µg (n=5)	-0.13 (0.1)	-0.11 (0.07)	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 selected as the target dose for the Phase 2/3 study. This is supported by the results in Table 2.

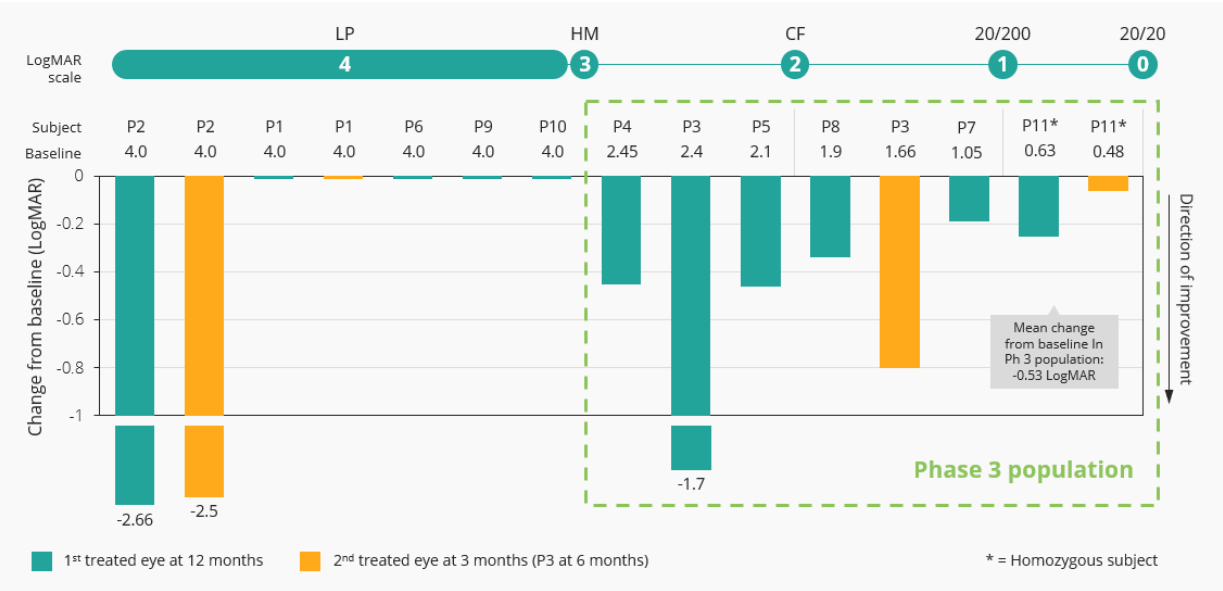
Figure 1 depicts mean BCVA change from baseline for individual subjects (n=6) at the target registration dose (160µg/80µg)), where at Month 12 the change was -0.93 LogMAR, equivalent to approximately 9 lines improvement (or 45 letters) on the ETDRS chart.

Figure 1. BCVA Change - Target registration dose (160 µg/80 µg) group



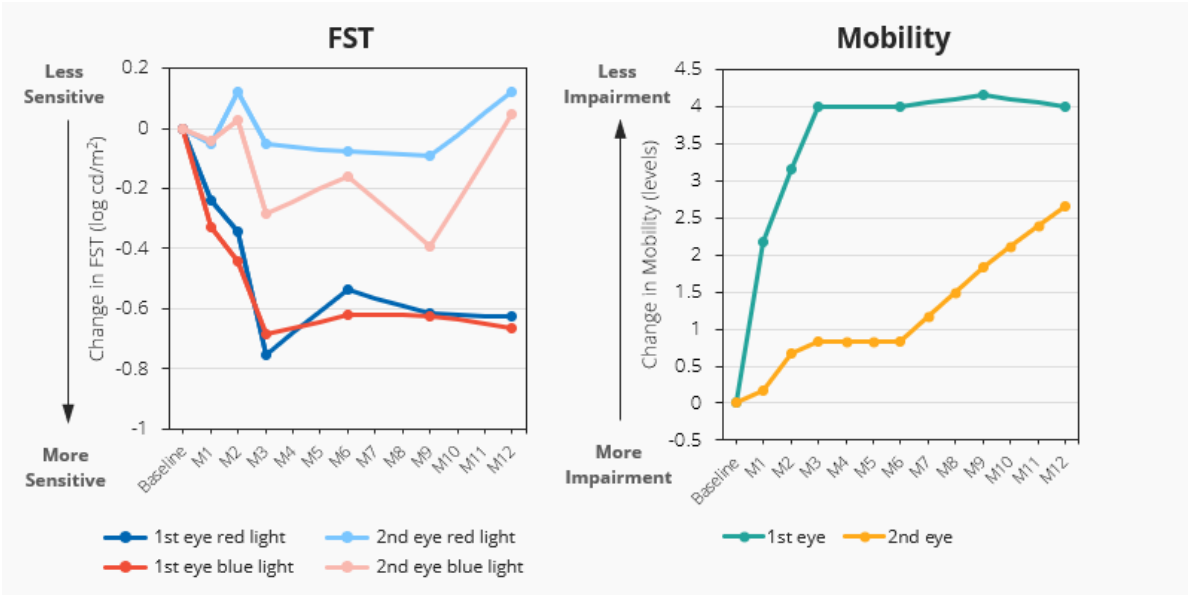
BCVA change from baseline for individual subjects in the target registration dose (160µg/80µg) is depicted in Figure 2, supporting the strategy to enrich the Phase 2/3 study population by including patients with hand motion or better visual acuity (LogMAR 3.0 or better). Although the largest responder 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).

Figure 2. Individual BCVA Change from Baseline at 12 Months



Concordant improvements were also observed in Full-Field Stimulus Test (FST) and mobility as shown in Figure 3.

Figure 3. Change over Time in FST and Mobility – Target registration dose (160 µg/80 µg) group



Conclusions from Phase 1/2 Study PQ-110-001
In Phase 1/2 testing, 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.

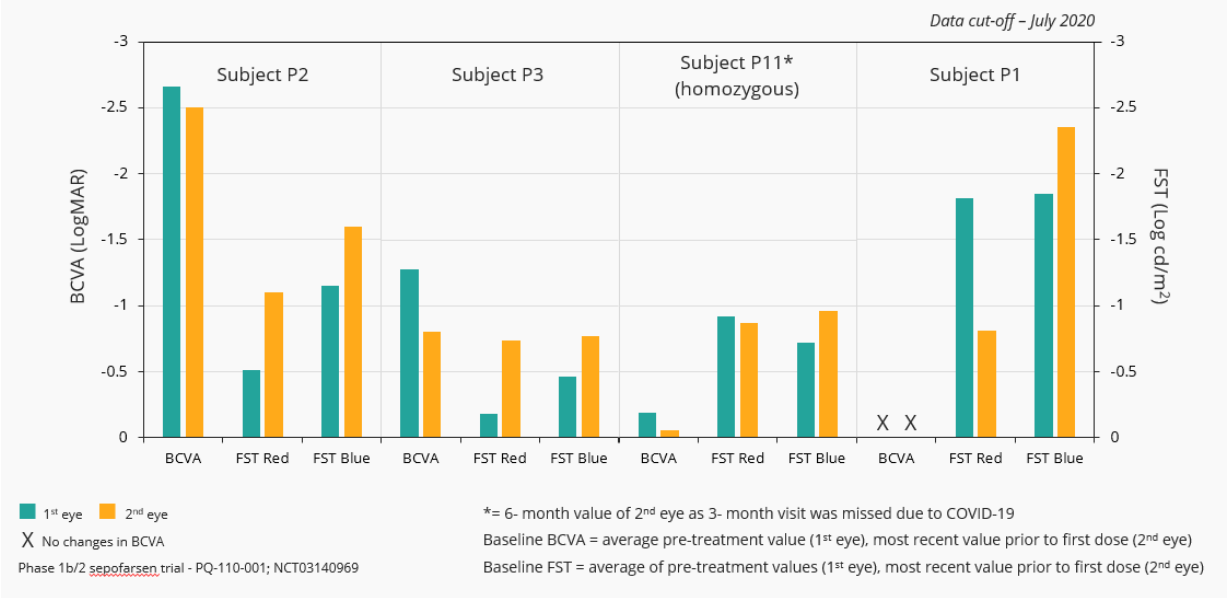
Available data from PQ-110-001 confirm clinical proof-of-concept as shown by the significant improvement in BCVA and supported by improvement in performance on the mobility course and FST. Importantly, the three endpoints analyzed showed concordant improvement.

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.

Phase 1/2 Insight Extension Study
The *Insight* study, or PQ-110-002, is an open-label extension study to evaluate the safety, tolerability, efficacy, and pharmacokinetics (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.

In July 2020, preliminary data from the *Insight* study were presented, which showed benefit consistent with the Phase 1/2 findings. Patients who completed the Phase 1/2 trial were able to continue dosing their first treated eye, as well as initiate treatment of the second eye. Four patients received sepofarsen in their second eye and clinically meaningful BCVA improvements were reported in the second treated eye, similar to improvements observed in their first treated eye as shown in Figure 4. All four patients showed an FST improvement, generally similar to the first treated eyes. One patient developed a cataract in both eyes, and no other safety findings were reported. We plan to report additional and updated data from the *Insight* study during the second half of 2021.

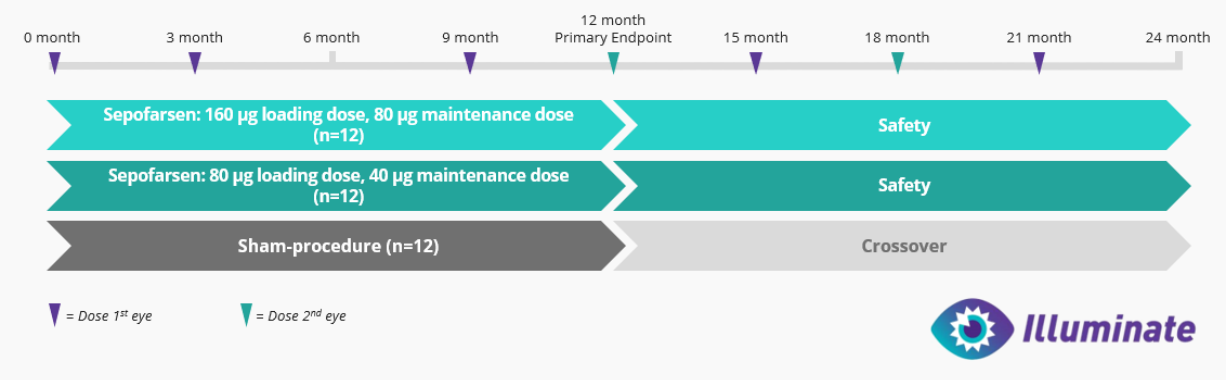
Figure 4. Change from baseline to 3 months after dosing – consistent response observed in both eyes treated



Phase 1/2 Brighten Study
Brighten is a Phase 1/2 trial of sepofarsen in pediatric patients less than 8 years old. The primary objectives of this study, which is planned to start in 2021, are safety and tolerability.

Phase 2/3 Illuminate Pivotal Trial
Illuminate (PQ-110-003) is a Phase 2/3 pivotal trial that 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). This study randomized 36 patients aged 8 years or older to receive sepofarsen at the target registration dose, a low dose, or sham treatment. Enrollment was completed in January 2021 *Illuminate* 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 Month 12, and top-line results are expected in the first half of 2022. 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.



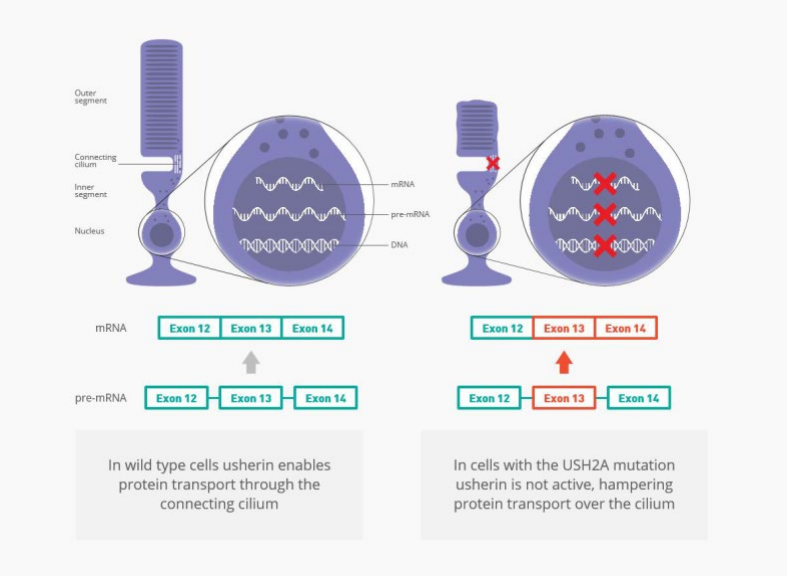
QR-421a for Usher Syndrome Type 2 and Non-syndromic Retinitis Pigmentosa (nsRP)

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.

Representation of exon 13 mutations causing Usher syndrome type 2



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.

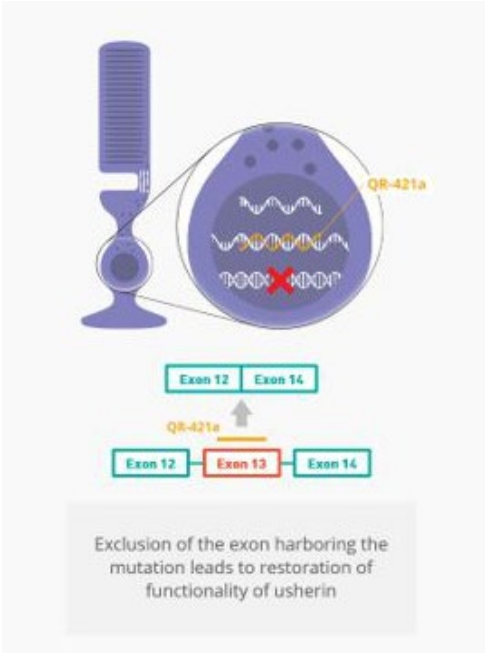
Approaches for the Treatment of Usher Syndrome and nsRP

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. 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.

***USH2A* exon 13 exon skip**

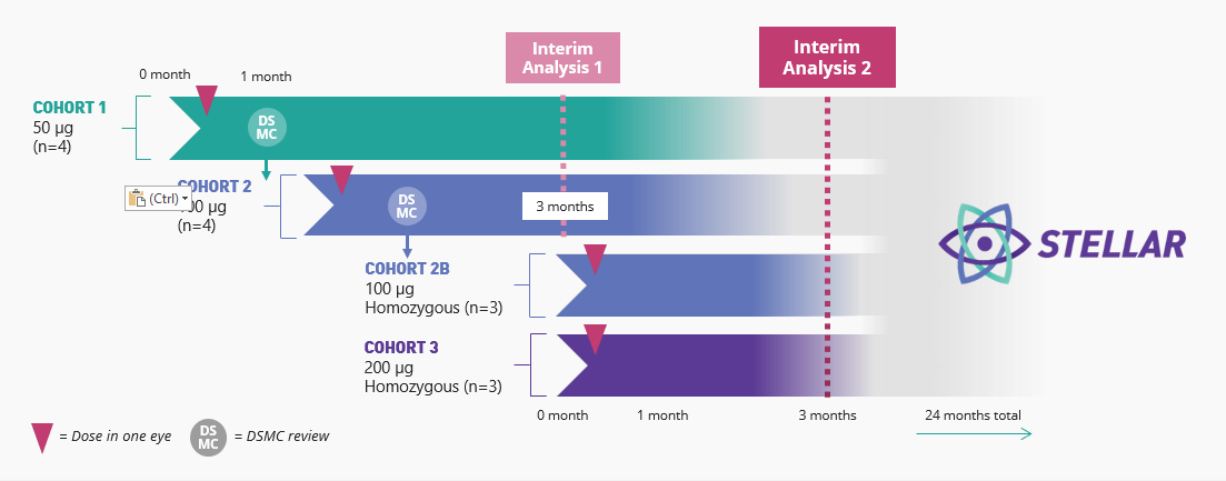


QR-421a received orphan drug designation from the FDA and EMA for the treatment of RP. QR-421a was also granted fast track designation for Usher syndrome type 2 and rare pediatric disease designation for RP caused by *USH2A* exon 13 mutations by the FDA.

Clinical Development of QR-421a

Stellar (PQ-421a-001) is a Phase 1/2 randomized, single ascending dose study designed to evaluate the safety and tolerability of QR-421a in subjects with vision loss due to mutations in exon 13 of the USH2A gene. The primary objective of the trial is to evaluate safety and tolerability. Secondary objectives include evaluating visual acuity (as measured by BCVA), visual fields (as measured by static perimetry and microperimetry), and

changes in retinal structure (as measured by optical coherence tomography, or OCT). The study is being conducted at expert sites in North America and Europe.



In March 2020, initial findings from a planned interim analysis of the *Stellar* showed that QR-421a was observed to be generally well tolerated with no serious adverse events noted, and preliminary signals of biological activity and target engagement were observed. Based on these findings, the 100µg cohort was expanded with additional subjects who are homozygous for exon 13 mutations. Dose escalation to 200µg ("high dose") occurred in parallel.

The *Stellar* trial completed enrollment in late 2020. The study included a total of 20 patients, of which 14 received a single dose of QR-421a and six received a single sham procedure for masking. The 14 treatment patients (mean age of 46 years) enrolled varied in their disease stage and were classified as advanced patients (defined as patients with baseline visual acuity of <70 letters or equivalent to worse than 20/40 on a Snellen chart) or early-moderate patients. Six patients had advanced disease and eight patients had early-moderate disease. Three different dose levels were studied. The population also varied in disease characteristics with both Usher syndrome (n=7) and nsRP (n=7) and genetic background with both homozygous (n= 9) and heterozygous (n=5) subjects for *USH2A* exon 13 mutations. The majority of the patients were followed for up to 48 weeks, with one patient followed up to 96 weeks.

In March 2021, results from the *Stellar* trial were reported.

Safety Data
QR-421a was observed to be well tolerated with no serious adverse events reported. Two cases of pre-existing cataracts were observed, one in the treated eye and one in the untreated eye of the same patient. Both are considered not treatment related. Cataracts are known to occur as part of the background disease in in over 30% of the patients. No new cataracts were reported in the study. Cystoid macular edema, or CME, is frequently associated with the disease and is part of the natural history of the disease in over 30% of the patients, and is usually managed adequately with topical eyedrops. One subject with pre-existing CME was enrolled into the 200µg cohort. The CME progressed during the study but was classified as mild and managed with standard of care therapy. No new cases of CME occurred during the study.

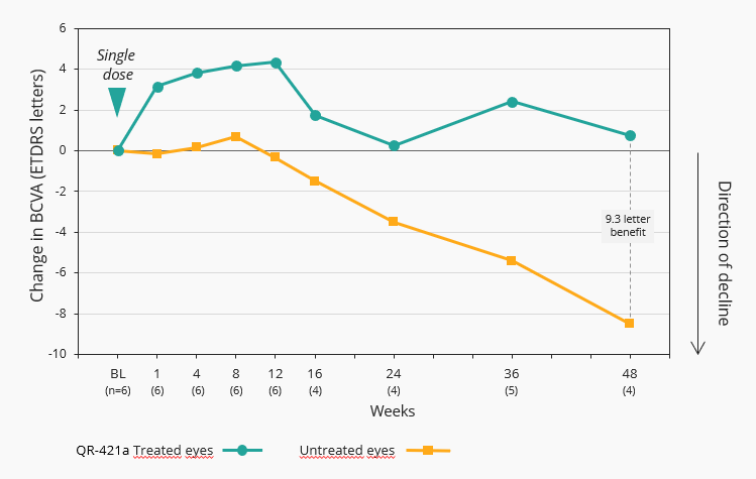
Efficacy
Due to the different rates of progression between patients, a patient's untreated contralateral eye was used as a control. In advanced patients, the primary measure of efficacy is best corrected visual acuity, or BCVA. In early-moderate patients, the primary measure of efficacy is measurement of visual fields by static perimetry. QR-421a-treated patients responded on endpoints consistent with their disease stage in both advanced and

early-moderate patient populations. Concordant improvements were also measured in other endpoints assessing retinal structure and function.

Advanced patients finding

BCVA is a measure of central vision, or sharpness of sight, as measured on an ETDRS letter chart. Across all treated patients (n=14), a mean benefit of 6.0 letters was observed at week 48 in the treated eyes compared to the untreated (contralateral) eyes. Among advanced disease patients (n=6), a mean benefit of 9.3 letters was observed at week 48 in the treated eyes as compared to the untreated eyes and the benefit was maintained for >12 months, as depicted in Figure 5. All six advanced patients had a benefit in the treatment eye, whereas none of the patients in the sham group had a benefit.

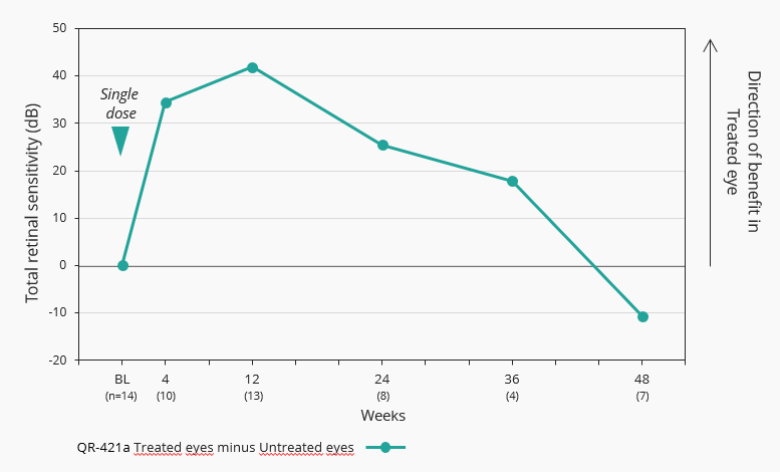
Figure 5. Mean changes from baseline in BCVA for the advanced population



Early-moderate patients finding

Static perimetry assesses retinal sensitivity in the peripheral retina. As shown in Figure 6, across all treated patients, a mean improvement benefit of 40dB was observed in the treated eyes compared to the untreated eyes, at peak, and the benefit was maintained for >6 months.

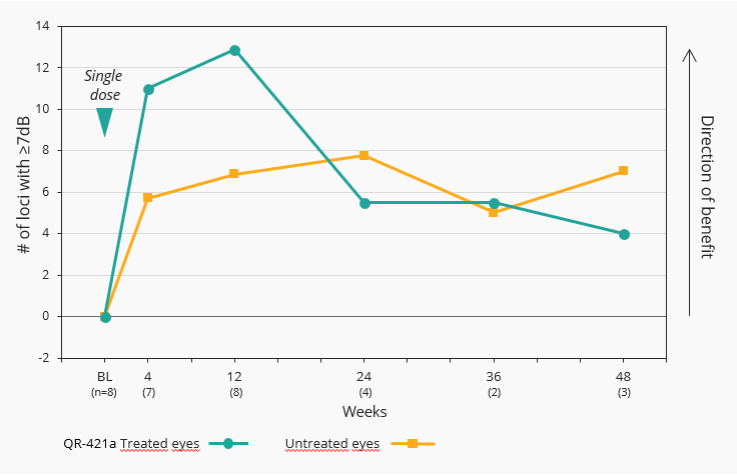
Figure 6. Total retinal sensitivity improvement using static perimetry for all QR-421a treated patients



The number of retinal locations (loci) that improved by ≥7db in retinal sensitivity demonstrated a benefit in the treated eyes compared to the untreated eyes, with up to a mean of 9 loci in the treated eyes improving by ≥7db. In early-moderate patients (n=8), a mean of up to 13 loci in the treated eyes improved by >7db

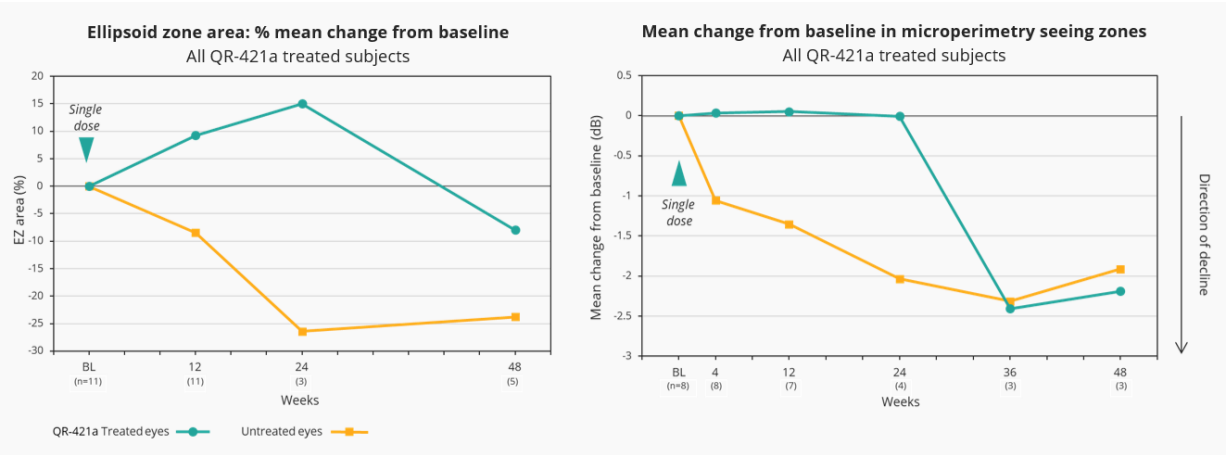
compared to 6 loci for the untreated eyes at the same timepoint, as shown in Figure 7. Of the eight patients that were early-moderate, 7 had a benefit in this analysis.

Figure 7. Mean number of retinal loci with 7dB improvement in static perimetry for the early-moderate population



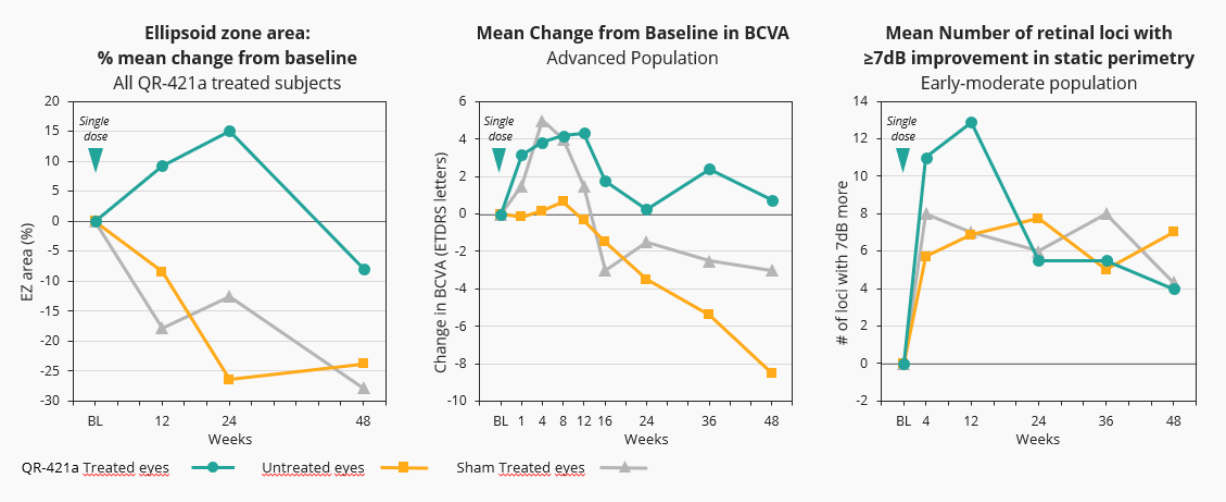
Concordant benefits were observed in both advanced and early-moderate patients in objective structural endpoint (OCT) that measures retinal structure, as well as microperimetry, as shown in Figure 8.

Figure 8. Mean change from baseline in ellipsoid zone area and microperimetry seeing zones for all QR-421a treated patients



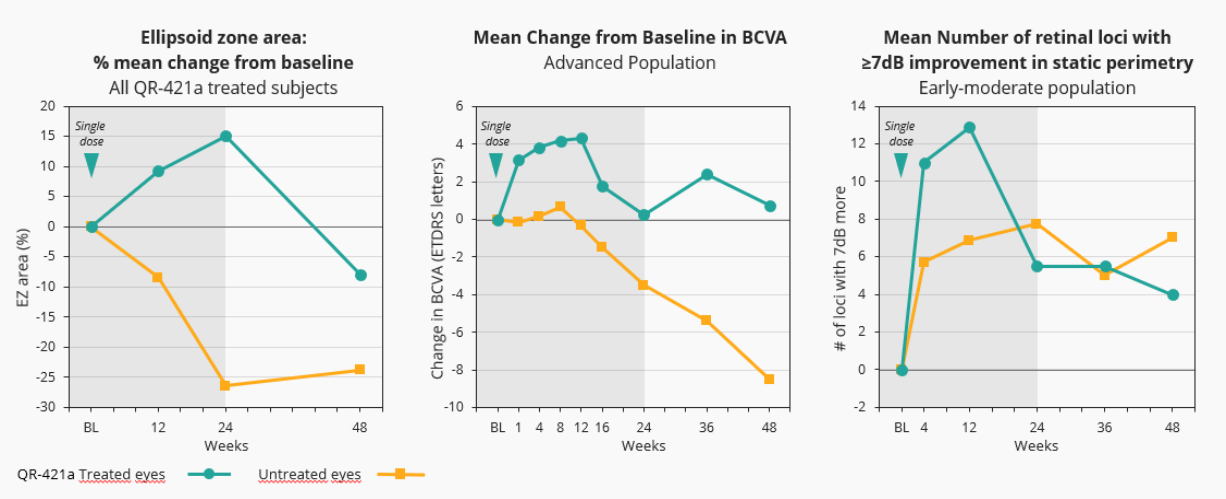
Sham treated eyes responded similarly to the untreated eyes across multiple concordant endpoints, as shown in Figure 9.

Figure 9. Sham treatment responses in OCT, BCVA and static perimetry



As shown in Figure 10, the data established the dosing interval at 6 months with a sustained effect of approximately 6 months across multiple endpoints. The 6-month durability of effect is in line with the half-life of QR-421a and will be the dosing regimen in the pivotal trials.

Figure 10. Sustained effect of approximately 6 months in OCT, BCVA and static perimetry



There were no observed differences in responses at the different dose levels or responses between homozygotes and heterozygotes as well as usher syndrome and nsRP patients.

Phase 2/3 "Sirius" and "Celeste" pivotal trials of QR-421a

Based on initial Regulatory guidance, the Company plans to submit protocols to start two Phase 2/3 trials. Each trial could potentially serve as the sole registration trial depending on the findings.

"*Sirius*" is a Phase 2/3 trial that will focus on advanced patients with baseline BCVA ≤20/40. The primary endpoint will be BCVA at the 18-month timepoint, with the potential for an earlier interim analysis at 12 months. In parallel, "*Celeste*" is a Phase 2/3 study that will further study QR-421a in early-moderate population. The primary endpoint will be static perimetry at the 18-month timepoint.

The Company plans to align on the protocols with regulators and then expects to start the trials by the end of 2021.

Phase 1/2 "Helia" extension study
An extension study, *Helia*, is also planned which would permit continued dosing of eligible subjects who complete the *Stellar* trial. Patients will be offered repeated dosing in both eyes.

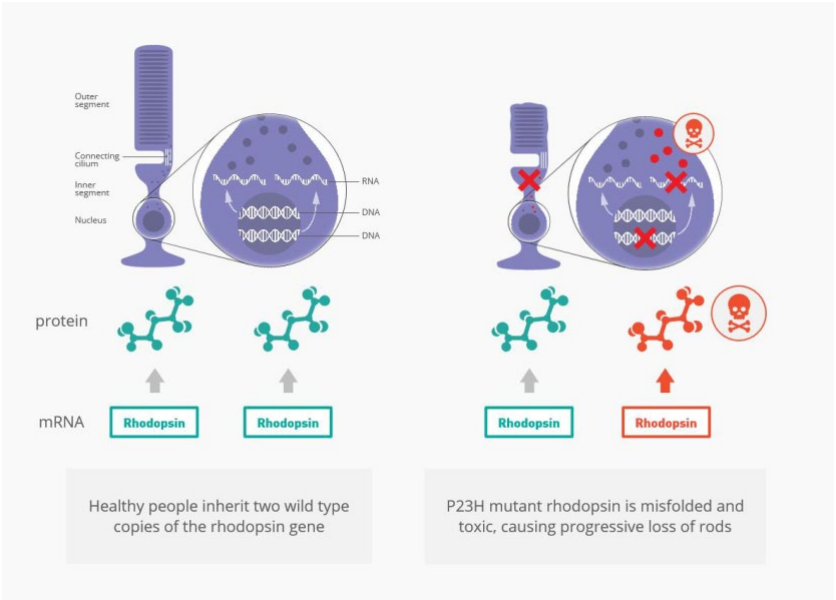
QR-1123 for Autosomal Dominant Retinitis Pigmentosa (adRP)

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.

Representation of the P23H mutation causing adRP



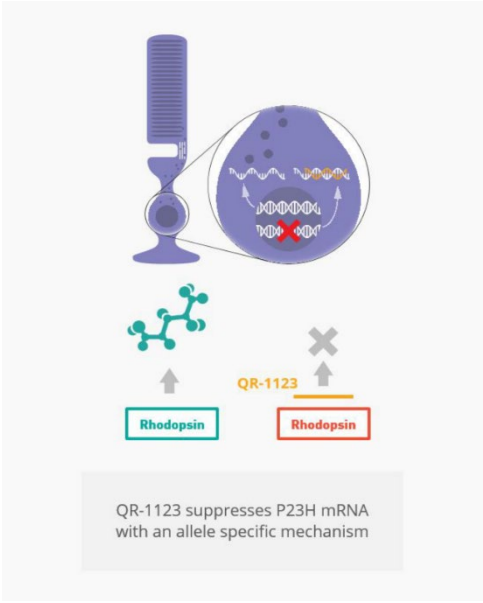
Disease Prevalence and Diagnosis

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



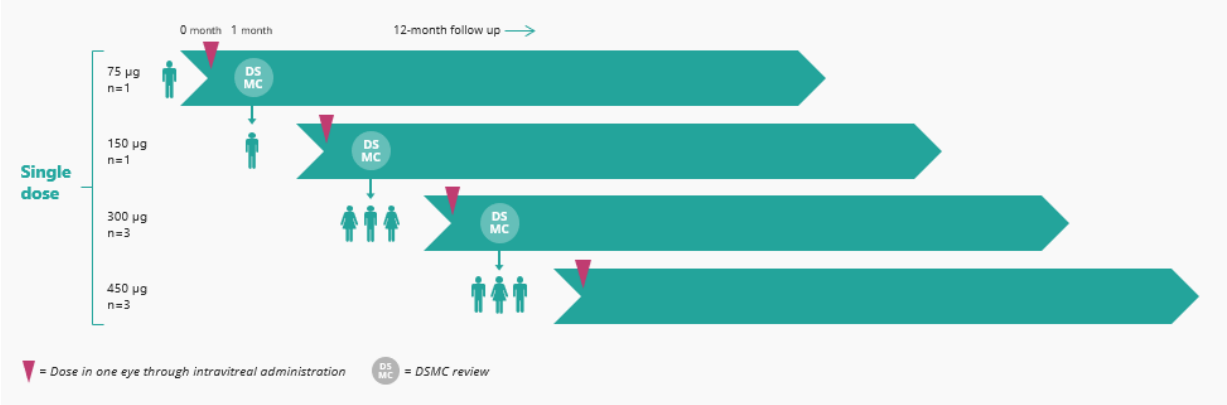
QR-1123 for the Treatment of adRP

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 approximately 10 adults with adRP due to the P23H mutation in the rhodopsin (*RHO*) gene. The trial will include single-dose escalation in which an intravitreal injection of QR-1123 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. We anticipate reporting the first clinical data from this trial in 2021.

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 11, 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 11, 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 11, 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 12, left panel). This improved ERG response was not observed in the control-treated eyes (Figure 12, left panel).
- A single IVT administration of QR-1123 retarded the progressive retinal degeneration in a mouse model of P23H adRP (Figure 13, top panel). Importantly, the activity was observed throughout all regions of the retina (Figure 13, 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 14) suggesting that QR-1123 is specific to the P23H mutant *RHO* mRNA and does not affect the expression of WT *RHO* mRNA.

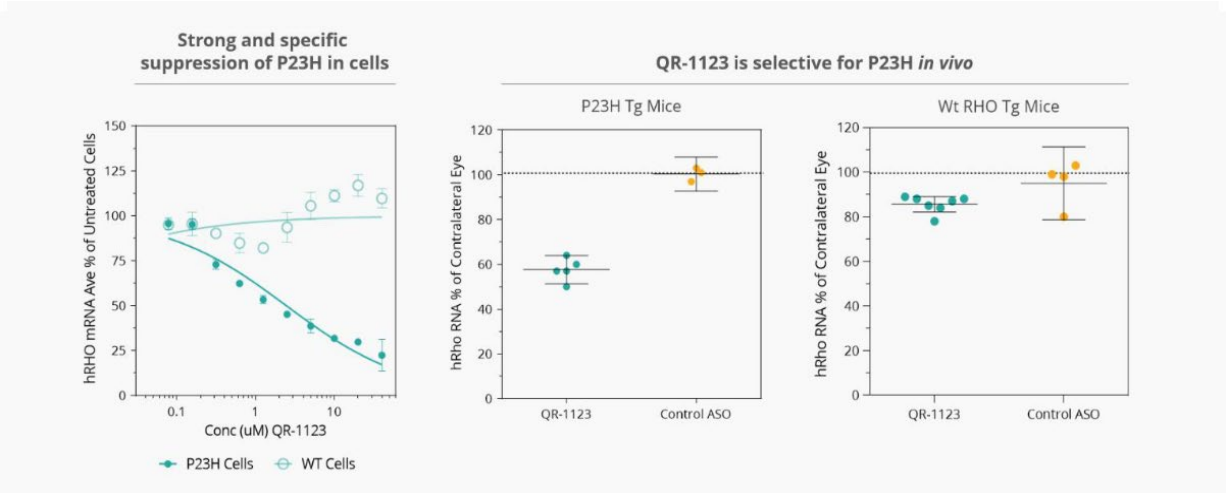


Figure 11: Transgenic mice expressing human P23H RHO treated with QR-1123 or a control; data are presented as percent of contralateral eye PBS-treated RNA level. Right Panel: Transgenic mice expressing human wild-type (WT) RHO treated with QR-1123 or a control; data are presented as percent of contralateral eye PBS-treated RNA level.

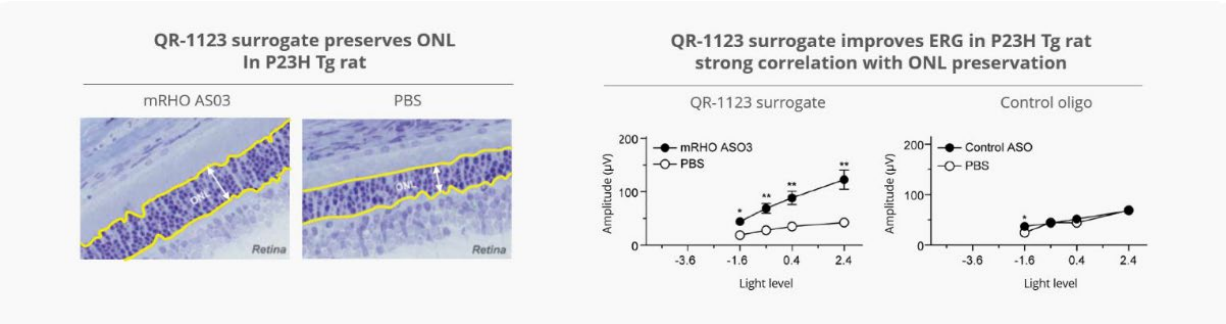


*Figure 12: ONL preservation and ERG improvement after QR-1123 treatment. Left Panel: Representative retinal micrographs of P23H-1 rhodopsin transgenic rat eyes from the PBS or QR-1123 surrogate-treated eye 30 days post IVT injection. Right Panel: Improved ERG response in P23H-1 transgenic rats after 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 signi□cantly 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.*

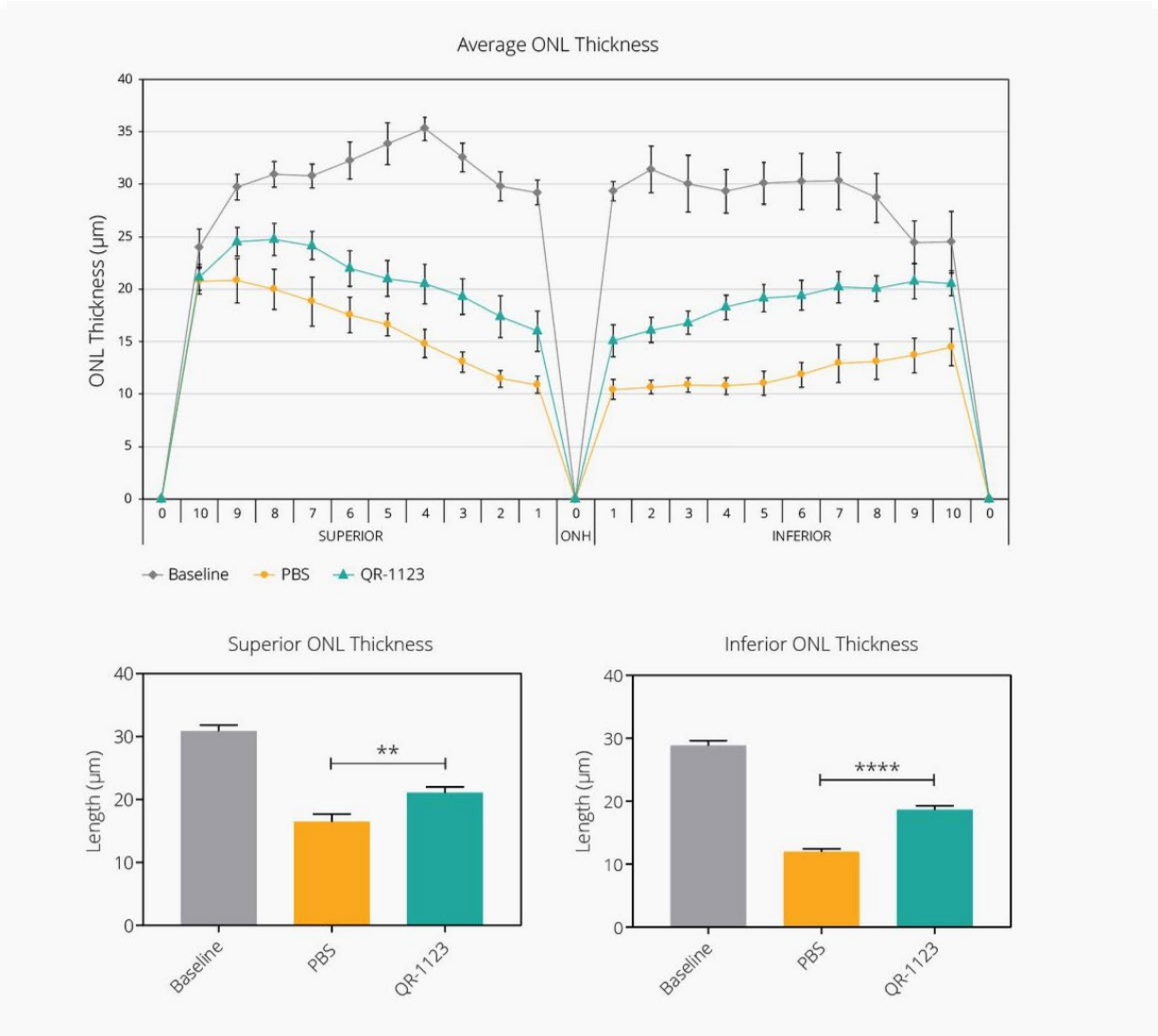


*Figure 13: Preservation of ONL in a Tg mouse model after treatment with QR-1123. Top panel: Depicted is a spider diagram of the outer nuclear layer measurements of the entire retina of eyes treated with either PBS (red line) or QR-1123 treated eyes (Green line). Lower Left panel: Average superior region 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.*

Cynomolgus monkey

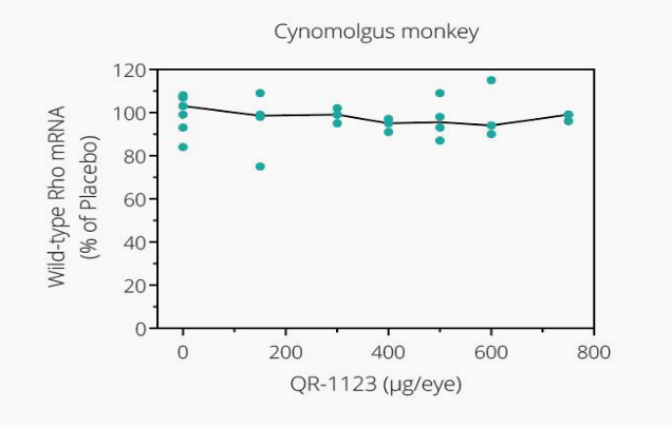


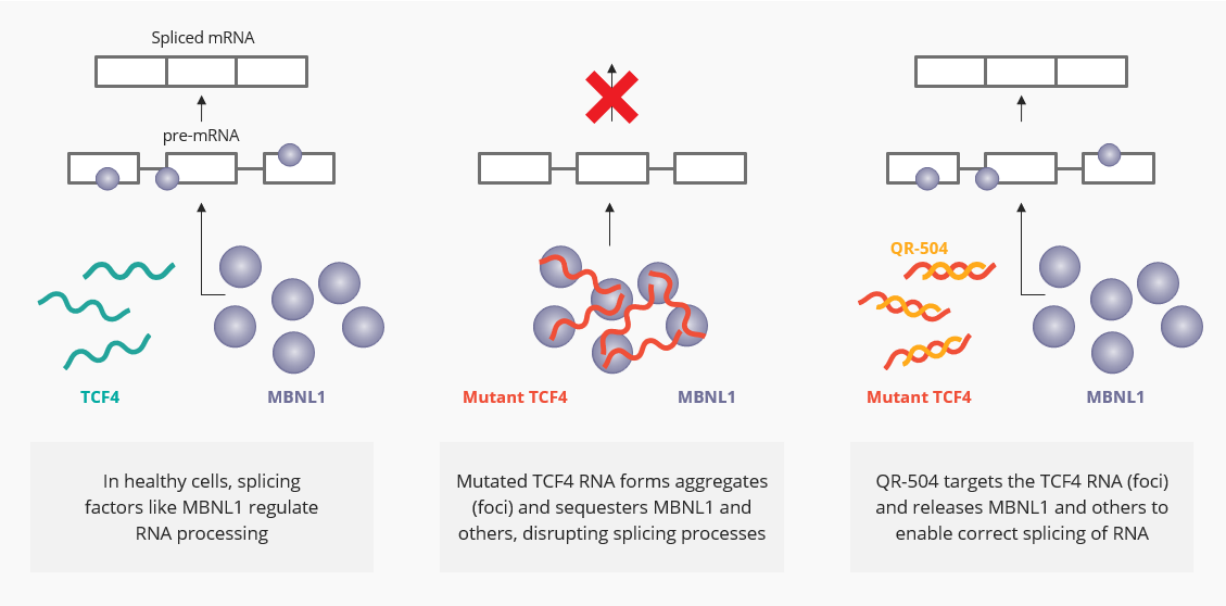
Figure 14: Levels of monkey WT RHO mRNA were measured by qRT-PCR 14 days after IVT injections. The RHO levels of individual animals were normalized to CRX mRNA levels. Values are presented as % of mean of the vehicle group.

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.

Representation of the TNR mutation causing FECD3, and TCF4 trinucleotide repeat expansion targeting by QR-504a



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 trinucleotide repeat (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 the Treatment of FECD3

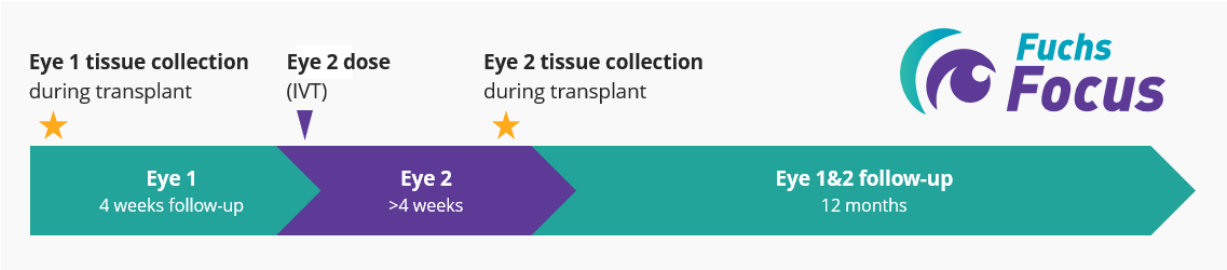
The primary goal of the development plan for QR-504a is to provide a therapy to prevent or slow down the corneal degeneration in patients with FECD3. QR-504a is designed to target the intronic TNRs in the *TCF4*RNA. The aim is to reduce aggregation and the formation of RNA foci in order to normalize 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 2021, pending lifting of restrictions due to COVID-19 at the study site. The study, named *Fuchs Focus*, 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 approximately 10 patients with advanced FECD3 scheduled for corneal transplant (Descemet Membrane Endothelial Keratoplasty, or DMEK) with paralleled lens replacement, as shown in figure 15.

Following DMEK surgery of the first eye (Eye 1), corneal endothelium will be collected to assess selected molecular biomarkers. At least 4 weeks prior to the scheduled DMEK in Eye 2, the participant will receive a single intravtreal (IVT) injection of QR-504a in Eye 2. Following the DMEK in Eye 2 corneal endothelium will be collected for molecular biomarker assessments. Data generated from Eye 1 (untreated) will serve as intra-subject control for data generated from Eye 2 (treated).

Figure 15: Design of Fuchs Focus Study



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 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 16).
- 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

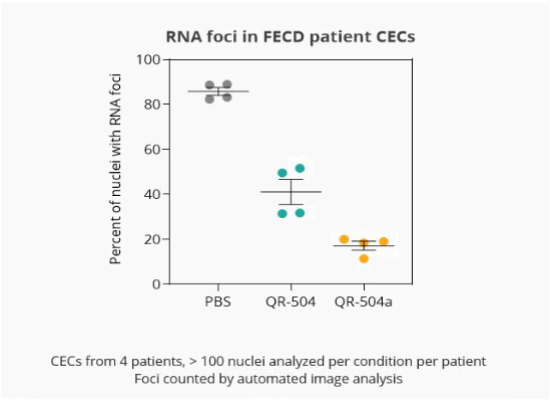


Figure 16: Percentage of nuclei that contain RNA foci after treatment with either PBS (control), QR-504a-surrogate (QR-504) or QR-504a.

Other Pipeline Programs
Beyond the clinical-stage programs mentioned above, we have additional early stage programs in our pipeline.

QR-1011 for Stargardt Disease
Stargardt 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.

QR-411 for USH2A PE40 mutation
QR-411 is intended to be administered by intravitreal injection and to restore functional usherin protein in the eye to restore vision. Similar to the approach of sepofarsen, QR-411 is targeted at correcting the splicing of a pseudoexon. In patients, the specific c.7595-2144A>G (PE40) mutation leads to aberrant inclusion of this pseudoexon in the mature mRNA and consequently absence of a functional usherin protein. Correction of splicing with QR-411 could potentially lead to restoration of normal, wild-type usherin protein. In the Western world, approximately 1,000 patients are affected by the PE40 mutation. QR-411 is currently in preclinical testing. It has received orphan drug designation for the FDA and EMA.

QRX-461 for an undisclosed mutation in USH2A
QRX-461 is a discovery-stage program for another mutation in USH2A.

QRX-136 for an undisclosed mutation in LCA
Beyond sepofarsen, we have an additional discovery-stage program, QRX-136, for another mutation in *CEP290*.

Human Resources
We believe in passion and commitment and we have built a strong team of ProQRians from all walks of life and approximately 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.

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 agreement 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 (iii) 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.

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 2020, our operating costs increased compared to last year while our liquidity and solvency decreased. At December 31, 2020, ProQR's cash and cash equivalents amounted to € 75,838,000 compared to € 111,950,000 at December 31, 2019. During the year 2020, cash used in operating activities amounted to € 47,060,000, compared to € 43,970,000 in 2019. Total equity decreased to € 56,546,000.

As at December 31, 2020, we had borrowings of € 17,324,000, which consisted of convertible loans and borrowings from a government body. 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, 2020 and 2019, we incurred net losses of € 46,614,000 and € 56,746,000, respectively. As at December 31, 2020, we had an accumulated deficit of € 257,747,000. 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, QR-1123 and QR-504a, 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.

In 2020, other income amounted to € 9,452,000 compared to € 1,933,000 in 2019. In 2020 ProQR received a final waiver of the full amount of the Innovation credit for the Company's cystic fibrosis program. Consequently, other income included a gain of € 8,423,000 relating to this waiver. In 2020, other income also included grant income from the Foundation Fighting Blindness (FFB) for the purpose of developing QR-421a. FFB grant income amounted to € 624,000 in 2020 compared to € 1,312,000 in 2019.

Research and development costs decreased to € 38,135,000 in 2020 compared to € 46,491,000 in 2019. 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, QR-1123 and QR-504a, and our innovation unit. Our research and development

expenses are highly dependent on the development phases of our product candidates and are expected to stay at the same level, although they may fluctuate significantly from period to period.

The decrease in research and development costs in the year ended December 31, 2020 compared to the year ended December 31, 2019 is mainly due to:

- in 2019, we made payments to Ionis Pharmaceuticals, Inc. under the terms of the license agreement for QR-1123. We made no such payments in 2020.
- costs we incurred for the Phase 2/3 clinical trial for sepofarsen, which decreased in 2020 compared to 2019 due to delays caused by the COVID-19 pandemic;
- costs we incurred for the first-in-human clinical trial for QR-421a, which decreased in 2020 compared to 2019 due to delays caused by the COVID-19 pandemic;
- decreased costs for externally conducted studies, which included various in vivo studies, proof of concept studies and dose ranging and toxicity studies in 2019. We conducted fewer such studies in 2020;
- the above effects are partly offset by 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 € 13,685,000 in 2020 compared € 12,887,000 in 2019. 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 2020 share-based compensation amounted to € 7,838,000, compared to € 5,948,000 in 2019. Net financial expenses amounted to € 3,716,000, compared to net financial income of € 402,000 in 2019. Financial income & expenses mainly result from foreign exchange differences on cash and loan balances 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 2021, 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 realize 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 materially and adversely affects our business and our financial results
The continued effects of the COVID-19 pandemic 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, have heightened exposure to COVID-19 . For instance, the COVID-19 pandemic has resulted in the delay of all of our ongoing and scheduled trials, including our ongoing pivotal trial of sepofarsen for LCA10. While we have implemented mitigation procedures designed to enable us to resume our development activities when the disruption resolves, there can be no assurance that these procedures will continue to be successful or that we can avoid a material and adverse disruption to our business in case a further spike in the number of infections would occur. As the pandemic continues, we have experienced the prioritization of hospital resources toward the treatment of COVID-19 patients and restrictions in travel. Furthermore, persons living with indications that are targeted by ProQR's product candidates may be unwilling to enroll in our trials or be unable to comply with clinical trial protocols if quarantines or travel restrictions continue to impede patient movement or interrupt healthcare services. COVID-19 also negatively

affects 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. Two vaccines for COVID-19 were granted Emergency Use Authorization by the FDA in late 2020, and more are likely to be authorized in the coming months. The resultant demand for vaccines and potential for manufacturing facilities and materials to be commandeered under the Defense Production Act of 1950, or equivalent foreign legislation, may make it more difficult to obtain materials or manufacturing slots for the products needed for our clinical trials, which could lead to delays in these trials. While we do not currently believe our supply chain has been affected, there can be no assurances that we will not experience supply disruptions in the future. The negative impact COVID-19 has had and may continue to have 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 requiring most of our employees to work remotely, suspending all non-essential travel worldwide for our employees and attending industry events and in-person work-related meetings remotely. These measures could negatively affect our business. For instance, requiring employees to work remotely may result in decreased efficiency and effectiveness of our operations and increases 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 continues to impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the duration of any ongoing governmental measures and local lockdowns across the world, the potential occurrence of future spikes in the spread of the virus or the effectiveness of actions to contain and treat for COVID-19, including the speed and effectiveness of vaccine development and vaccination programs globally. We cannot presently predict the scope and severity of any potential business shutdowns or disruptions in case of potential future waves of increased infections, if any. If we or any of the third parties with whom we engage, however, 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 24, 2021

On behalf of the Management Board,

Daniel de Boer
CEO

Supervisory Board Report

ProQR Therapeutics has chosen a so-called two-tier system for its governance structure. In such a structure, 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 the Company.

During the 2020 financial year, the Supervisory Board and its sub-committees held frequent and productive interactions with the Management Board. Where required by ProQR's articles of association, shareholder approvals or Dutch law, Management Board decision making was approved or 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 2020 and other relevant information on its functioning.

Activities of the Supervisory Board
The Supervisory Board and the Management Board held one in-person meeting and three video conferences in 2020. During these meetings, the progress of the various projects, the main risks of the business, the funding and the strategic direction of the Company were discussed. The meetings were well attended with all meetings having an attendance rate of 100%. In addition, there were various informal meetings between the Supervisory Board and the Management Board during the course of 2020. In addition, the committees reported back on their activities to the full Supervisory Board on a regular basis.

Committees of the Supervisory Board
During 2020, the Supervisory Board had an audit committee, a compensation committee and a nominating and corporate governance committee. We have previously adopted charters for each of these committees. As of January 1, 2021, subject to shareholders' approval of an amendment of the Company's articles of association, the Supervisory Board has an audit committee, a compensation, nominating and corporate governance committee (reflecting a merger of the compensation committee and nominating and corporate governance committees), and a new research and development committee, each of which has an adopted charter. The below description of the committees' activities applies to the 2020 financial year.

Compensation Committee
The Compensation Committee met twice in 2020.

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 in the form of a fixed annual salary combined with variable, performance related, short- and long-term incentive elements. The Compensation Policy is designed based on the following principles:

- Three compensation pillars consisting of:
  - Annual Base Salary;
  - Short Term Incentive (annual cash bonus); and
  - 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.

Compensation report 2020

In line with the practice of regularly reviewing the Compensation Policy, the Compensation Committee evaluated and reviewed the Compensation Policy in 2020. Based on the outcomes of the review, in order to ensure the Management Board is rewarded fairly in line with the principles of the Compensation Policy, the Compensation Committee proposed to give the Supervisory Board the discretionary power to grant the Management Board Restricted Stock Units (RSUs), options, or a mix of both, provided that the total fair value of the equity grant shall not exceed the fair value of an option-only equity grant. It was also proposed to allow for a grant of RSUs, options or a mix of both to the Company's employees under the Equity Incentive Plan, and to the Supervisory Board itself, under the same conditions. In June 2020, the General Meeting of Shareholders adopted the above revisions to the Compensation Policy for the Management Board, the Compensation principles for the Supervisory Board and the Equity Incentive Plan. At the November 2020 Compensation Committee meeting it was decided to introduce the RSUs in a 50/50 split between RSUs and options in the January 2021 grant for all employees and MT members except for the Supervisory Board and CEO.

The following summarizes the decisions made with respect to the Management Board's 2020 compensation:

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 2020 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 2020 that the Company has achieved 110% of the objectives that had been set to determine the individual bonus awards for the year 2020. For 2020 the individual bonus has been set at € 240,000 for Daniel de Boer. This bonus will be paid in cash in the first quarter of 2021.

Long Term Incentive

Based on the recommendation of the Compensation Committee, the Supervisory Board decided to grant stock options to Daniel de Boer. Based on this decision, in 2020 stock options with an exercise price of € 8.82 have been granted to Daniel de Boer with respect to 395,561 shares.

Pensions

The pension contributions for Daniel de Boer paid during 2020 amount to € 10,000.

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 19:1 for 2020.

Supervisory Board remuneration
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 or USD 77,500 in cash, as set out in Note 24 to the financial statements.

Nominating and Corporate Governance Committee
The Supervisory Board continuously assesses its composition and in 2020 it was concluded that the current 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 five times in 2020. The main topics that were addressed include the quarterly results, financial risk management, compliance (including SOx) , the audit plan and management letter of the current external auditor, the appointment of a new 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. The financial statements for 2020 have been audited and provided with an unqualified opinion by our external auditor, Deloitte Accountants B.V. (Deloitte), and were extensively discussed with the auditors in the meetings of the Supervisory Board, Audit Committee and Management Board on March 23, 2021. The Supervisory Board is of the opinion that the 2020 Financial Statements meet all the applicable requirements and recommends that the Annual General Meeting of Shareholders adopt 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. In 2020, the audit committee decided to nominate KPMG Accountants N.V. (KPMG) as the Company's external auditor from financial year 2021 onwards. KPMG was appointed as the Company's external auditor for financial year 2021 in the Annual General Meeting of Shareholders in June 2020.

The Supervisory Board is responsible for the quality of its own performance and it discusses, once a year on its own, without the Management Board present, both its own functioning and that of the individual members, and the functioning of the Management Board. The Supervisory Board discussed its functioning and competencies and concluded that its 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 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 24, 2021

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 revised 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 Innovation Officer, the Chief Business and Financial Officer, the Chief Medical Officer and the Chief Scientific 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

In 2020, the Supervisory Board had an audit committee, a compensation committee and a nominating and corporate governance committee. We adopted a charter for each of these committees. As of January 1, 2021, the Supervisory Board has an audit committee, a compensation, nominating and corporate governance committee, and a research and development committee and for each of these committees a charter has been adopted.

Audit Committee

In 2020, our audit committee consisted 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 five people, one female and four 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 can be held in Leiden, Amsterdam, Rotterdam, Schiphol Airport (municipality Haarlemmermeer), The Hague, Oegstgeest, Leidschendam, Katwijk, Noordwijk or Wassenaar, the Netherlands, or via video conference. 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 2020, 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 2020 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, 2020, and of the 2020 consolidated income statement of ProQR Therapeutics N.V.;
- the annual report provides a true and fair view of the situation as at December 31, 2020, and the state of affairs during the financial year 2020, together with a description of the principal risks faced by the Company.

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 2020, 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 convertible debt, third party collaboration agreements and government subsidies.	Volatility of the Company's share price, failure to deliver under loan or 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 2020. 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 2020

Consolidated statement of financial position at December 31, 2020

	Note	December 31, 2020	December 31, 2019
		€ 1,000	*€ 1,000*
ASSETS			
Non-current assets			
Property, plant and equipment	7	18,601	2,440
Investments in associates	8	107	429
		18,708	**2,869**
Current assets			
Social securities and other taxes	9	421	850
Prepayments and other receivables	10	3,762	1,866
Cash and cash equivalents	11	75,838	111,950
		80,021	**114,666**
TOTAL ASSETS		**98,729**	**117,535**
EQUITY			
Share capital		2,165	2,159
Share premium		288,757	287,214
Reserves		23,916	16,702
Accumulated deficit		(257,747)	(211,746)
Equity attributable to owners of the Company		**57,091**	**94,329**
Non-controlling interests		(545)	(496)
TOTAL EQUITY	**12**	**56,546**	**93,833**
LIABILITIES			
Non-current liabilities			
Borrowings	13	16,189	12,709
Lease liabilities	22	15,693	--
		31,882	**12,709**
Current liabilities			
Borrowings	13	1,135	343
Lease liabilities	22	1,260	508
Derivative financial liabilities		839	--
Trade payables		221	445
Current tax liabilities	20	--	64
Social securities and other taxes		22	108
Pension premiums		6	2
Deferred income		700	711
Other current liabilities		6,118	8,812
	14	**10,301**	**10,993**
TOTAL LIABILITIES		**42,183**	**23,702**
TOTAL EQUITY AND LIABILITIES		**98,729**	**117,535**

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, 2020

	Note	2020	2019
		€ 1,000	*€ 1,000*
Other income	**15**	**9,452**	**1,933**
Research and development costs	16	(38,135)	(46,491)
General and administrative costs		(13,685)	(12,887)
Total operating costs		**(51,820)**	**(59,378)**
Operating result		**(42,368)**	**(57,445)**
Financial (expense) and income	18	(3,716)	402
Results related to financial liabilities measured at fair value through profit or loss	19	(84)	--
Results related to associates	8	(322)	429
Result before corporate income taxes		**(46,490)**	**(56,614)**
Corporate income taxes	20	(124)	(132)
Result for the year		**(46,614)**	**(56,746)**
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		(340)	43
Total comprehensive loss for the year		**(46,954)**	**(56,703)**
Result attributable to			
Owners of the Company		(46,565)	(56,480)
Non-controlling interests		(49)	(266)
		(46,614)	**(56,746)**
Share information	21		
Weighted average number of shares outstanding[1]		50,060,565	41,037,244
Earnings per share attributable to the equity holders of the Company (expressed in Euro per share)			
Basic earnings per share[1]		(0.93)	(1.38)
Diluted earnings per share[1]		(0.93)	(1.38)

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, 2020

		Attributable to owners of the Company							
	Share Capital	Share Premium	Equity settled employee Benefit reserve	Option premium on convertible loan	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	€ 1,000
Balance at January 1, 2019	**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**
Result for the year	--	--	--	--	--	(46,565)	(46,565)	(49)	(46,614)
Other comprehensive income	--	--	--	--	(340)	--	(340)	--	(340)
Recognition of share-based payments	4	538	7,838	--	--	--	8,380	--	8,380
Issue of ordinary shares	2	270	--	--	--	--	272	--	272
Equity component of convertible loan	--	--	--	280	--	--	280	--	280
Share options lapsed	--	--	(91)	--	--	91	--	--	--
Share options exercised	--	735	(473)	--	--	473	735	--	735
					--				
Balance at December 31, 2020	**2,165**	**288,757**	**23,825**	**280**	**(189)**	**(257,747)**	**57,091**	**(545)**	**56,546**

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, 2020

	Note	2020	2019
		€ 1,000	*€ 1,000*
Cash flow from operating activities			
Result for the year		(46,614)	(56,746)
Adjustments for:			
— Depreciation	7	2,355	2,052
— Other income		(8,423)	--
— Share-based compensation	12	7,838	9,108
— Financial income and expense	18	3,716	(402)
— Results related to associates	8	322	(429)
— Results related to financial liabilities measured at fair value through profit or loss	19	84	--
— Net foreign exchange gain / (loss)		(340)	43
— Income tax expenses	20	124	132
Changes in working capital		(5,134)	1,651
Cash used in operations		*(46,072)*	*(44,591)*
Corporate income tax paid		(188)	(64)
Interest received		313	758
Interest paid		(1,113)	(73)
Net cash used in operating activities		***(47,060)***	***(43,970)***
Cash flow from investing activities			
Purchases of property, plant and equipment		(924)	(580)
Net cash used in investing activities		***(924)***	***(580)***
Cash flow from financing activities			
Proceeds from issuance of shares, net of transaction costs	12	--	48,550
Proceeds from exercise of share options		735	193
Proceeds from borrowings	13	579	2,027
Proceeds from convertible loans	13	13,791	690
Repayment of lease liability	13	(605)	(1,261)
Net cash generated by financing activities		***14,500***	***50,199***
Net increase/(decrease) in cash and cash equivalents		**(33,484)**	**5,649**
Currency effect cash and cash equivalents		(2,628)	721
Cash and cash equivalents at the beginning of the year	11	111,950	105,580
Cash and cash equivalents at the end of the year	**11**	**75,838**	**111,950**

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

Notes to the consolidated financial statements for the year ended December 31, 2020

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, 2020, 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.

1. 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 2020 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 not capitalized. Development expenses are currently 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.

(ii) Convertible debt

The terms of our convertible debt agreements are evaluated to determine whether the convertible debt instruments contain both liability and equity components, in which case the instrument is a compound financial instrument. Convertible debt agreements are also evaluated to determine whether they contain embedded derivatives, in which case the instrument is a hybrid financial instrument. Judgement is required to determine the classification of such financial instruments based on the terms and conditions of the convertible debt agreements, the currencies in which the debt instruments are denominated and the Company's functional currency.

Estimation methods are used to determine the fair values of the liability and equity components of compound financial instruments and to determine the fair value of embedded derivatives included in hybrid financial instruments. The determination of the effective interest used for the host contracts of hybrid financial instruments and the liability components of compound financial instruments is dependent on the outcome of such estimations. Evaluating the reasonableness of these estimations and the assumptions and inputs used in the valuation methods requires a significant amount of judgement and is therefore subject to an inherent risk of error.

(f) Changes in accounting policies

The following Standards and Interpretations became effective for annual reporting periods beginning on or after January 1, 2020:

- Interest Rate Benchmark Reform amendments to IFRS 9 and IFRS 7;
- Covid-19-Related Rent Concessions Amendment to IFRS 16;
- Amendments to References to the Conceptual Framework in IFRS Standards;
- Amendments to IFRS 3 Definition of a business;
- Amendments to IAS 1 and IAS 8 Definition of material.

None of these new Standards and Interpretations had a material impact on our financial statements.

2. 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 Company. The Company 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 Company 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 Company '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 Company 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 Company’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. Changes in the fair value of derivatives are generally recognized in profit or loss. If the Company is involved with hybrid contracts, the Company applies the following with regard to the embedded derivatives in the hybrid contract. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and the following criteria are met:

- the economic characteristics and risk of the embedded derivative are not closely related to the economic characteristics and risks of the host contract;
- a separate instrument with the same terms as the embedded derivative would meet the definition of a derivate; and
- the hybrid contract is not measured at fair value with changes in fair value recognized in profit or loss.

If an embedded derivative is separated from the hybrid contract, the host contract is accounted for in accordance with the determined policies for such a contract. The embedded derivative is accounted for in accordance with the Company's principles for the applicable derivatives.

(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 translated at the exchange rate prevailing at the date of the transaction.

(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 Company 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. Right-of-use 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 Company 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 Company, 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 readily 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 Company 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 component parts of convertible loan notes issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognized in equity will be transferred to share premium. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognized in equity will be transferred to accumulated losses. No gain or loss is recognized in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the lives of the convertible loan notes using the effective interest method.

Interest related to the financial liability is recognized in profit or loss.

(iii) Financial liabilities at fair value through profit or loss
Financial liabilities held for trading are classified as at fair value through profit or loss (FVTPL). A financial liability is classified as held for trading if it is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities at FVTPL are measured at fair value, with any gains or losses arising on changes in fair value recognized in profit or loss. The net gain or loss recognized is included in the 'results related to financial liabilities measured at fair value through profit or loss' line item in profit or loss.

Fair value is determined in the manner described in note 5.

(iv) 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
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. In the cash flow statement, repayments of the principal portion of the lease liability are included in financing activities. Payments relating to the interest component of the lease liability are included in operating activities. Short-term lease payments and payments for leases of low-value assets are included in operating activities.

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.

3. 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, 2021 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 Company in the current or future reporting periods and on foreseeable future transactions. The Company does not plan to adopt these standards early.

4. Financial Risk Management

4.1. Financial risk factors

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

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, 2020 there was a net asset in U.S. dollars of € 22,237,000 (2019: € 39,004,000. 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 2020 and 2019 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, 2020 would have increased our net loss by € 2,224,000 (2019: € 3,900,000). 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 € 17,324,000 at December 31, 2020 (2019: € 13,052,000). 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, 2020 and December 31, 2019, 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, 2020				
Borrowings	2,391	6,674	13,808	--
Lease liabilities	2,079	2,079	6,235	11,432
Trade payables and other payables	7,067	--	--	--
	11,537	**8,753**	**20,043**	**11,432**

	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**

4.2. Capital risk management

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

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

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

4.3. Fair value measurement

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

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

Fair value of financial liabilities that are measured at fair value on a recurring basis

Some of the Company's financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial liabilities are determined (in particular, the valuation technique and inputs used).

Financial liabilities	Valuation technique and key inputs	Significant unobservable inputs	Relationship and sensitivity of significant unobservable inputs to fair value
Warrants and conversion options	Black-Scholes model. The following variables were taken into consideration: current underlying price of the Company's shares, options strike price, expected life, historical volatility of ProQR share returns over a period equal to the expected life, risk-free rate: based on the US Treasury yield curve rates per the valuation date (interpolated) for the expected life.	None	Not applicable

Warrants and conversion options are measured using valuation methods based on so-called Level 2 inputs. Level 2 inputs are inputs other than quoted prices that are observable for the liability, either directly or indirectly.

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.

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.

5. 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 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.

6. 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, 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 22)	(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**
Additions	244	655	25	924
Depreciation	(1,750)	(498)	(107)	(2,355)
Recognition of right-of-use asset	16,332	--	--	16,332
Effect of lease modification (note 22)	1,260	--	--	1,260

Disposals	--	--	--	--
Movement for the period	**16,086**	**157**	**(82)**	**16,161**
Balance at December 31, 2020				
Cost	21,644	3,634	1,347	26,625
Accumulated depreciation	(4,333)	(2,419)	(1,272)	(8,024)
Carrying amount	**17,311**	**1,215**	**75**	**18,601**

The depreciation charge for 2020 is included in the research and development costs for an amount of € 1,789,000 (2019: €1,583,000) and in the general and administrative costs for an amount of € 566,000 (2019: € 469,000).

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 € 16,775,000 at December 31, 2020 (2019: € 606,000).

7. 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, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Balance at January 1	429	--
Investment in associate	---	949
Share in result	(322)	(520)
Balance at December 31	**107**	**429**

8. Social Security and Other Taxes

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Value added tax	421	557
Wage tax	--	293
	421	**850**

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

9. Prepayments and Other Receivables

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Prepayments	3,383	1,526
Other receivables	379	340
	3,762	**1,866**

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

10. Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Cash at banks	75,838	111,950
Bank deposits		--
	75,838	**111,950**

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

11. Shareholders' Equity

(a) Share capital

	Number of ordinary shares	
	2020	2019
Balance at January 1	53,975,838	43,149,987
Issued for cash	53,708	10,454,545
Issued for services	102,007	371,306
Exercise of share options	303,408	46,900
Treasury shares issued (transferred)	(303,408)	(46,900)
Balance at December 31	**54,131,553**	**53,975,838**

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, 2020, 54,131,553 ordinary shares were issued and fully paid, of which 3,926,743 were held by the Company as treasury shares (2019: 4,230,151).

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.

In March 2020, the Company terminated its sales agreement with H.C. Wainwright & Co and entered into a sales agreement, which permitted the offering, issuance and sale by the Company of up to a maximum aggregate offering price of $ 75,000,000 of its ordinary shares that may be issued and sold in one or more at-the-market offerings with Citigroup Global Markets, Inc. and Cantor Fitzgerald & Co. In 2020, no shares were issued pursuant to this ATM facility.

(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 € 7,838,000 in 2020 (2019: € 5,948,000), of which € 4,423,000 (2019: € 3,323,000) was recorded in general and administrative costs and € 3,415,000 (2019: € 2,625,000) 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.

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 2020	Options granted in 2019
Risk-free interest rate	1.432%	2.430%
Expected dividend yield	0%	0%
Expected volatility	78.7%	80.2%
Expected life in years	5 years	5 years

The resulting weighted average grant date fair value of the options amounted to € 5.01 in 2020 (2019: € 7.71). 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:

	2020		2019	
	Number of options	Average exercise price	Number of options	Average exercise price
Balance at January 1	5,575,454	€ 5.80	4,511,512	€ 4.24
Granted	1,851,056	€ 7.88	1,237,506	€ 11.77
Forfeited	(85,584)	€ 7.14	(119,338)	€ 9.35
Exercised	(303,408)	€ 2.34	(46,900)	€ 4.18
Expired	(16,283)	€ 8.26	(7,326)	€ 8.76
Balance at December 31	**7,021,235**	**€ 6.47**	**5,575,454**	**€ 5.80**
Exercisable	3,401,449		2,521,477	

The options outstanding at December 31, 2020 had an exercise price in the range of € 1.11 to € 20.34 (2019: € 1.11 to € 20.34) and a weighted-average contractual life of 7.0 years (2019: 7.2 years).

The weighted-average share price at the date of exercise for share options exercised in 2020 was € 7.11 (2019: € 12.47).

Please refer to note 24 for the options granted to key management personnel.

12. Non-current liabilities

(a) Borrowings

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Innovation credit	2,770	7,191
Accrued interest on innovation credit	307	3,124
Convertible loans	13,812	2,473
Accrued interest on convertible loans	435	264
Total borrowings	**17,324**	**13,052**
Current portion	(1,135)	(343)
	16,189	**12,709**

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 was interest-bearing at a rate of 10% per annum. In June 2020, ProQR received a final waiver of the full amount of the Innovation credit, including accumulated interest. Consequently, the carrying amount of € 8,423,000, including accumulated interest, was recognized in other income (under grant income) in 2020.

On December 10, 2018 ProQR was awarded an Innovation credit for the sepofarsen program. Amounts will be drawn under this facility from 2018 through 2022. The credit of € 4,755,000 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 € 2,770,000 had been received at December 31, 2020. 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 credit are subject to a right of pledge for the benefit of RVO.

Convertible loans
In July 2020, the Company entered into a convertible debt financing agreement with Pontifax Medison Debt Financing. Under the agreement, the Company will have access to up to $ 30 million in convertible debt financing in three tranches of $ 10 million each that will mature over a 54-month period and have an interest-only period of 24 months. One tranche of $ 10 million had been drawn down as at December 31, 2020. A second close of the convertible debt financing agreement was completed in August 2020 with Kreos Capital. Under the second agreement, the Company will have access to up to € 15 million in convertible debt financing in three tranches of € 5 million each that will mature over a 54-month period and have an interest-only period of 24 months. One tranche of € 5 million had been drawn down as at December 31, 2020.

Pontifax and/or Kreos may elect to convert the outstanding loans into ProQR ordinary shares at any time prior to repayment at a fixed conversion price of $7.88 per share. ProQR also has the ability to convert the loans into its ordinary shares, at the same conversion price, if the Company's stock price reaches a pre-determined threshold. In connection with the loan agreement, the Company issued to Pontifax and Kreos warrants to purchase up to an aggregate of 302,676 shares of its common stock at a fixed exercise price of $7.88.

Pontifax' conversion option and warrants are accounted for as embedded derivatives and are recognized separately from the host contract as financial liabilities at fair value through profit or loss. The host contract is recognized at amortized cost.

The Kreos loan is accounted for as a compound financial instrument. The liability component is recognized at amortized cost. The equity component is initially recognized at fair value as option premium on convertible loan and will not be subsequently remeasured. Kreos' warrants are accounted for as embedded derivatives and are recognized as financial liabilities at fair value through profit or loss.

As security for the Pontifax and Kreos convertible loans, the Company has pledged the following items, with their respective carrying amounts as at December 31, 2020: cash at banks with a carrying amount of € 75,838,000, other receivables with a carrying amount of € 379,000, investments in associates with a carrying amount of € 107,000, leasehold improvements with a carrying amount of € 536,000 and equipment with a carrying amount of € 1,215,000.

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, pursuant to which we borrowed an aggregate of € 260,000 from the lender. The loan bore interest at a rate of 3% per annum. The outstanding principal and interest under the loan were converted into ordinary shares in May 2020.

13. Current Liabilities

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Borrowings	1,135	343
Lease liabilities	1,260	508
Derivative financial instruments	839	--
Trade payables	221	445
Current income tax liability	--	64
Social securities and other taxes	22	108
Pension premiums	6	2
Deferred income	700	711
Accrued expenses and other liabilities	6,118	8,812
	10,301	**10,993**

At December 31, 2020, current liabilities included derivative financial instruments consisting of conversion options and warrants issued in connection with our convertible loans, which are described in Note 13.

At December 31, 2020 and 2019, 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.

14. Other income

	2020	2019
	€ 1,000	*€ 1,000*
Grant income	9,307	1,778
Other income	145	155
	9,452	**1,933**

In June 2020, ProQR received a final waiver of the full amount of the Innovation credit for the Company's cystic fibrosis program. Consequently, the carrying amount of € 8,423,000, including accumulated interest, was recognized in grant income in 2020.

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 € 624,000 in 2020 compared to € 1,312,000 in 2019.

15. Research and Development Costs

Research and development costs amounted to € 38,135,000 in 2020 (2019: € 46,491,000) 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.

16. Employee Benefits

	2020	2019
	€ 1,000	*€ 1,000*
Wages and salaries	13,251	13,187
Social security costs	1,710	1,433
Pension costs – defined contribution plans	1,037	910
Equity-settled share based payments	7,838	5,948
	23,836	**21,478**
Average number of employees for the period	156.3	139.8

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

	December 31, 2020	December 31, 2019
Research and Development	113.8	118.3
General and Administrative	36.6	36.1
	150.4	**154.4**

Of all employees 135.3 FTE are employed in the Netherlands (2019: 143.1 FTE).

Included in the wages and salaries for 2020 is a credit of € 1,379,000 (2019: € 714,000, 2018: € 1,294,000) with respect to WBSO subsidies.

17. Financial Income and Expense

	2020	2019
	€ 1,000	*€ 1,000*
Interest income		
Current accounts and deposits	313	763
Interest costs		
Current accounts and deposits	(129)	--
Interest on loans and borrowings	(1,911)	(1,083)
Foreign exchange result		
Net foreign exchange benefit/(loss)	(1,989)	722
	(3,716)	**402**

18. Results related to financial liabilities measured at fair value through profit or loss

In 2020, results related to financial liabilities measured at fair value through profit or loss represent changes in the fair value of derivative financial instruments since their initial recognition. These derivative financial

instruments consist of conversion options and warrants issued in connection with our convertible loans, which are described in Note 13.

19. Income Taxes

The calculation of the tax charge is as follows:

	2020	2019
	€ 1,000	*€ 1,000*
Income tax provision based on domestic rate	11,542	14,261
Tax effect of:		
Different tax rates in foreign jurisdictions	16	17
Non-deductible expenses	(2,742)	(1,501)
Share- and loan issue expenditures that are deductible	174	843
Current year losses for which no deferred tax asset was recognized	(9,029)	(13,703)
Change in unrecognized deductible temporary differences	(44)	(7)
True-up for prior year	(41)	(42)
Income tax charge	**(124)**	**(132)**
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, 2020, the Company has a total amount of € 254.2 million (2019: € 218.1 million, 2018: € 162.6 million) tax loss carry-forwards available for offset against future taxable profits. According to current tax regulations, an amount of € 0.5 million of our total loss carry-forwards will expire in 2021. On October 5, 2020, the Dutch State Secretary for Finance submitted an amendment to the Tax Plan 2021 to the House of Representatives, which provides for changes in the loss offset rules. Effective from January 1, 2022, losses may be carried forward indefinitely. However, the offset of losses will be limited in a given year against the first € 1 million of taxable profit. For taxable profit in excess of this amount, losses may only be offset up to 50% of this excess.

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.

	2020	2019
Result attributable to equity holders of the Company (€ 1,000)	(46,565)	(56,480)
Weighted average number of shares outstanding	50,060,565	41,037,244
Basic (and diluted) earnings per share (€ per share)	**(0.93)**	**(1.38)**

(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 4,795 square meters at Zernikedreef in Leiden, the Netherlands, where our headquarters and our laboratories are located. The current lease agreement for these facilities terminates on June 30, 2031 and may be renewed for subsequent 5-year terms. The lease agreement 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.

A new lease agreement was put in place on July 1, 2020 for a 10-year period. The lease liability and the corresponding right-of-use asset for this new lease contract, initially recognized on July 1, 2020, amounted to €16,203,000 and € 16,332,000, respectively. The original 10-year period was extended by 1 year to an 11-year period in December 2020. This modification resulted in an increase in the carrying amounts of the lease liability and the right-of-use asset of € 1,260.

The following table summarizes the relevant disclosures in relation to our leases in 2020 and 2019:

	2020	2019
	€ 1,000	*€ 1,000*
Depreciation charge for right-of-use asset	1,422	1,187
Interest expense on lease liability	409	48
Expense relating to short-term leases	141	189
Total cash outflow for leases	1,014	1,310
Additions to right-of-use assets during the period	17,591	--

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, 2020 amounts to € 21,825,000 until 2031. 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.

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, the Company 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 low 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 (Radboud) in the field of antisense oligonucleotide-based therapy for Leber's Congenital Amaurosis (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 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 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 contained in the license agreement, the amount of which depends 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 of the relevant 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 is subject to other analogous proceedings. Radboud may also terminate the license 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, the Company 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 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 contained in the license agreement, the amount of which depends 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 of the relevant 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 is subject to other analogous proceedings. Radboud may also terminate the license 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 not conflicting with the public order or ethical obligations of Inserm Transfert SA or any co-owner and not tarnishing the image of Inserm Transfert SA or any co-owner. In January 2020, the license agreement with Inserm Transfert SA and Assistance-Publique-Hôpiteaux de Paris was amended so as to include a world-wide, non-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 for us in a method for antisense oligonucleotide-mediated exon skipping in the retina. In partial consideration of the rights and licenses granted by the license agreement, the Company is required to pay a lumpsum payment and an annual license maintenance fee, as well as 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 other 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 (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 interest.

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 February 2019, the Company entered into an agreement with the University of Rochester, New York, which gives us a world-wide, exclusive, royalty-bearing, sublicensable license in the field of antisense oligonucleotides for use in nucleotide specific RNA editing through pseudouridylation, under certain patent rights of University of Rochester. This license agreement contains certain diligence obligations for the Company coupled to milestone payments and complements the Company's intellectual property relating to the Axiomer/pseudouridylation program.

In September 2020, the Company entered into an agreement with Vico Therapeutics B.V., which gives us a world-wide, exclusive, royalty-bearing, sublicensable license in the field of the prophylactic and therapeutic use of antisense oligonucleotide for the treatment of Fuch's Endothelial Corneal Dystrophy (FECD) caused by a trinucleotide repeat, under certain patent rights of Vico Therapeutics B.V. In partial consideration of the rights and licenses granted by the license agreement, the Company is required to make annual maintenance payments. Unless terminated earlier in accordance with this the license agreement, the agreement will stay in effect until the expiration of all of the licensed patent rights. The license agreement may be terminated by

either party in the event of an uncured breach by the breaching party. Vico Therapeutics B.V. may terminate the license agreement if the Company applies for an order or an order is made declaring the Company bankrupt or granting the Company suspension of payments, or a liquidator is appointed for the Company, or the Company is dissolved, liquidated, or ceases to carry on all or a substantial part of its business or a decision is taken to that effect, or in the event uncured payment defaults.

(c) Clinical support agreements

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 (€ 6.1 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 (€ 30.6 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 (€ 12.2 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.

In August 2014, the Company entered into an agreement with Cystic Fibrosis Foundation Therapeutics, Inc. (CFFT), a subsidiary of the Cystic Fibrosis Foundation, pursuant to which CFFT agreed to provide the Company with up to $ 3 million (€ 2.4 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 (€ 13 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 (€ 2.4 million) if net sales of eluforsen exceed $ 500 million (€ 407 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.

(d) Research and development commitments

The Company has research and development commitments, mainly with CRO's, amounting to € 12,003,000 at December 31, 2020 (2019: € 19,472,000). Of these obligations an amount of € 6,491,000 is due in 2021, 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 2020 is set out in the table below:

	2020			
	Short term employee benefits	Post employment benefits	Share-based payment	Total
	€ 1,000	*€ 1,000*	*€ 1,000*	*€ 1,000*
Mr. Dinko Valerio	--	--	123	123
Mr. Antoine Papiernik	--	--	—	—
Ms. Alison Lawton	34	--	123	157
Mr. James Shannon	45	--	125	170
Mr. Bart Filius	41	--	104	145
Ms. Theresa Heggie	36	--	99	135
	156	--	**574**	**730**

In 2020, Mr. Valerio and Mr. Papiernik waived their short-term benefits in support to the Company during the COVID-19 pandemic.

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**

As at December 31, 2020:

- Mr. Dinko Valerio holds 693,420 ordinary shares in the Company, as well as 155,458 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 2020, Mr. Valerio was granted 24,615 options under the Option Plan to acquire depositary receipts issued for ordinary shares at an exercise price of € 8.82 per option. In 2019, Mr. Valerio was granted 14,918 options at an average 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 at the option of the holder or the Company in case financing criteria are met. The unconverted loan became 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 136,006 options. In 2020, Ms. Lawton was granted 24,615 options under the Option Plan to acquire depositary receipts issued for ordinary shares at with an exercise price of € 8.82 per option. In 2019, Ms. Lawton was granted 14,918 options with an average 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 equal annual tranches of 25%, commencing at the first anniversary of the date of grant.

- Mr. James Shannon holds 61,538 ordinary shares in the Company and 132,266 options. In 2020, Mr. Shannon was granted 24,615 options under the Option Plan to acquire depositary receipts issued for ordinary shares at an exercise price of € 8.82 per option. In 2019, Mr. Shannon was granted 14,918 options 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 equal annual tranches of 25%, commencing at the first anniversary of the date of grant.

- Mr. Bart Filius holds 37,370 options. These options vest in four equal annual tranches of 25%, commencing at first anniversary of the date of grant. In 2020, Mr. Filius was granted 24,615 options under the Option Plan to acquire depositary receipts issued for ordinary shares at with an exercise price of € 8.82 per option. In 2019, Mr. Filius was granted 12,755 options at an exercise price of € 10.47 per option.

- Ms. Theresa Heggie holds 37,949 options. These options vest in four equal annual tranches of 25%, commencing at the first anniversary of the date of grant. In 2020, Ms. Heggie was granted 24,615 options under the Option Plan to acquire depositary receipts issued for ordinary shares at with an exercise price of € 8.82 per option. In 2019, Ms. Heggie was granted 13,334 options at 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 2020 amounted to € 7,693,000.

The details are set out in the table below:

	2020			
	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]	689	10	1,925	2,624
Management Board	**689**	**10**	**1,925**	**2,624**
Senior Management	1,620	55	3,394	5,069
	2,309	**65**	**5,319**	**7,693**

1 Short term employee benefits includes a bonus for Mr. Daniel de Boer of € 240,000 based on goals realized in 2020.

The total remuneration of the Management Board and senior management in 2019 amounted to € 6,117,000 with the details 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 realized in 2019.

As at December 31, 2020:

- Mr. Daniel de Boer holds 705,309 ordinary shares in the Company as well as 1,477,376 options. In 2020, Mr. de Boer was awarded 395,561 options to acquire ordinary shares at an exercise price of € 8.82 per option. In 2019, Mr. de Boer was awarded 253,192 options 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 7.2 years as at December 31, 2020.

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

24. Subsequent events

In January 2021, the Company issued 585,398 ordinary shares under our sales agreement for at-the-market offerings with Citigroup Global Markets Inc. and Cantor Fitzgerald & Co. The gross proceeds from this sale amounted to € 2,767,000.

In January 2021, Wings Therapeutics Inc. merged into Phoenicis Therapeutics Inc. by means of a non-cash transaction. ProQR holds a 3.9% interest in Phoenicis Therapeutics Inc.

Company balance sheet at December 31, 2020

(Before appropriation of result)

	Note	December 31, 2020	December 31, 2019
		€ 1,000	*€ 1,000*
ASSETS			
Non-current assets			
Financial fixed assets	28	107	798
		107	**798**
Current assets			
Social securities and other taxes	29	420	528
Prepayments and other receivables	30	32,362	36,126
Cash and cash equivalents	31	69,410	107,716
		102,192	**144,370**
TOTAL ASSETS		**102,299**	**145,168**
EQUITY			
Shareholders' equity			
Share capital		2,165	2,159
Share premium reserve		288,757	287,214
Equity settled employee benefits reserve		23,825	16,551
Option premium on convertible loan		280	--
Translation reserve		(189)	151
Accumulated deficit		(209,195)	(154,345)
Unappropriated result		(46,142)	(55,414)
	32	**59,501**	**96,316**
LIABILITIES			
Provisions	**33**	**29,824**	**39,753**
Non-current liabilities			
Borrowings	34	11,606	8,086
		11,606	**8,086**
Current liabilities			
Derivative financial instruments at fair value through profit or loss		839	--
Trade payables		1	30
Social securities and other taxes		19	60
Other current liabilities		509	923
		1,368	**1,013**
TOTAL LIABILITIES		**42,798**	**48,852**
TOTAL EQUITY AND LIABILITIES		**102,299**	**145,168**

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

Company income statement for the year ended December 31, 2020

	Note	2020	2019
		€ 1,000	*€ 1,000*
Share in results of participating interests, after taxation	28	(45,491)	(50,618)
Other result after taxation		(651)	(4,796)
Net result for the year		**(46,142)**	**(55,414)**

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

Notes to the Company financial statements for the year ended December 31, 2020

25. General

The company financial statements are part of the 2020 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 60 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 Company, 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 unrealized, they have not been recognised.

Provisions

Group companies with a negative net equity value are valued at nil. If the Company fully or partly guarantees the liabilities of a group company or has the effective obligation to enable the group company to pay its (share of the) liabilities, a provision is formed. Any receivables from the group company are offset.

27. Financial fixed assets

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Participating interests in group companies	107	798
	107	**798**

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, 2020	798	798
Share in result of participating interests, after taxation	(45,491)	(45,722)
Exchange differences	(340)	(340)
Change in provisions for negative net asset value	45,140	45,371
Net asset value as of December 31, 2020	**107**	**107**

At December 31, 2020, 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 20% 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, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Value added tax	420	528
	420	**528**

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

29. Prepayments and Other Receivables

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Accounts receivable from group companies	31,867	36,053
Prepayments	492	73
Other receivables	3	--
	32,362	**36,126**

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

30. Cash and Cash Equivalents

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Cash at banks	69,410	107,716
Bank deposits	--	--
	69,410	**107,716**

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

31. Shareholders' equity

	Share Capital	Share Premium	Equity Settled Employee Benefit Reserve	Option premium on convertible loan	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*	*€ 1,000*
Balance at January 1, 2019	**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**
Retained result	--	--	--	--	--	(55,414)	55,414	--
Foreign exchange differences	--	--	--	--	(340)	--	--	(304)
Recognition of share-based payments	4	538	7,838	--	--	--	--	8,380
Issue of ordinary shares	2	270	--	--	--	--	--	272
Equity component convertible loan	--	--	--	280	--	--	--	280
Share options lapsed	--	--	(91)	--	--	91	--	--
Share options exercised	--	735	(473)	--	--	473	--	735
Result for the year	--	--	--	--	--	--	(46,142)	(46,142)
Balance at December 31, 2020	**2,165**	**288,757**	**23,825**	**280**	**(189)**	**(209,195)**	**(46,142)**	**59,501**

The 2019 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 2020 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, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Shareholders' equity according to the consolidated balance sheet	**56,546**	**93,833**
Share in results of participating interests with negative equity for which no provision is recognized	2,955	2,483
Shareholders' equity according to the company balance sheet	**59,501**	**96,316**

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Net result according to the consolidated profit and loss account	**(46,614)**	**(56,746)**
Share in results of participating interests with negative equity for which no provision is recognized	472	1,332
Net result according to the company profit and loss account	**(46,142)**	**(55,414)**

32. Provisions

Provision for negative equity group companies	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Balance at January 1	**39,753**	**30,214**
Provisions (released) made during the year	(9,929)	9,539
Balance at December 31	**29,824**	**39,753**

33. Borrowings

	December 31, 2020	December 31, 2019
	€ 1,000	*€ 1,000*
Innovation credit	--	5,000
Accrued interest on innovation credit	--	3,086
Convertible loans	11,606	--
Total borrowings	**11,606**	**8,086**

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 was interest-bearing at a rate of 10% per annum. In June 2020, ProQR received a final waiver of the full amount of the Innovation credit, including accumulated interest. Consequently, the carrying amount of € 8,423,000, including accumulated interest, was recognized in as income in 2020.

Convertible loans
In July 2020, the Company entered into a convertible debt financing agreement with Pontifax Medison Debt Financing. Under the agreement, the Company will have access to up to $ 30 million in convertible debt financing in three tranches of $ 10 million each that will mature over a 54-month period and have an interest-only period of 24 months. One tranche of $ 10 million had been drawn down as at December 31, 2020 and is recognized at amortized cost. A second close of the convertible debt financing agreement was completed in August 2020 with Kreos Capital. Under the second agreement, the Company will have access to up to € 15 million in convertible debt financing in three tranches of € 5 million each that will mature over a 54-month period and have an interest-only period of 24 months. One tranche of € 5 million had been drawn down as at December 31, 2020 and is recognized at amortized cost.

Pontifax and/or Kreos may elect to convert the outstanding loans into ProQR ordinary shares at any time prior to repayment at a fixed conversion price of $7.88 per share. ProQR also has the ability to convert the loans into its ordinary shares, at the same conversion price, if the Company's stock price reaches a pre-determined threshold. In connection with the loan agreement, the Company issued to Pontifax and Kreos warrants to purchase up to an aggregate of 302,676 shares of its common stock at a fixed exercise price of $7.88.

Pontifax' conversion option and warrants are accounted for as embedded derivatives and are recognized separately from the host contract as financial liabilities at fair value through profit or loss. The host contract is recognized at amortized cost.

The Kreos loan is accounted for as a compound financial instrument. The liability component is recognized at amortized cost. The equity component is initially recognized at fair value as option premium on convertible loan and will not be subsequently remeasured. Kreos' warrants are accounted for as embedded derivatives and are recognized as financial liabilities at fair value through profit or loss.

34. Employee benefits

ProQR Therapeutics N.V. has one employee: Daniel de Boer. The disclosure of his remuneration is included in Note 24 to the consolidated financial statements.

35. 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 (€ 2.4 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 (€ 13 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 (€ 2.4 million) if net sales of eluforsen exceed $ 500 million (€ 407 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.

36. 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:

	2020	2019
	€ 1,000	*€ 1,000*
Audit fees	487	515
Audit-related fees	24	57
Tax fees	--	--
All other fees	--	--
	511	**572**

Audit 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. Audit-related fees consist of procedures relating to share offerings, such as comfort letters, as well as consents and review of documents filed with the SEC.

Signing of the Annual Report

Leiden, March 24, 2021,

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 the Company's articles of association 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 2020

Our opinion
We have audited the accompanying financial statements 2020 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, 2020, and of its result and its cash flows for 2020 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, 2020, and of its result for 2020 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, 2020.
2. The following statements for 2020: 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, 2020.
2. The company income statement for the year ended December 31, 2020.
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.

Materiality
Based on our professional judgement we determined the materiality for the financial statements as a whole at € 2,000,000. 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 € 100,000 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.

Scope of fraud and non-compliance with laws and regulations within our audit
In accordance with the Dutch Standards on Auditing, we are responsible for obtaining reasonable assurance that the financial statements taken as a whole are free from material misstatements, whether due to fraud or error. Non-compliance with law and regulation may result in fines, litigation or other consequences for the Company that may have a material effect on the financial statements.

Consideration of fraud
In identifying potential risks of material misstatement due to fraud, we obtained an understanding of ProQR and its environment, including the entity's internal controls. We evaluated ProQR's fraud risk assessment and made inquiries with, management, those charged with governance and others within the group, including but not limited to, General Counsel and VP Finance. We evaluated several fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud. Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Executive Board, the executive leadership team and other members of management, which may represent a risk of material misstatement due to fraud.

As part of our audit procedures to respond to these fraud risks, we evaluated the design and implementation and tested the operating effectiveness of the internal controls relevant to mitigate these risks. We performed substantive audit procedures, including testing of journal entries and evaluating the accounting estimates for bias. The procedures described are in line with the applicable auditing standards and are not primarily designed to detect fraud. Our procedures to address fraud risks did not result in a Key Audit Matter.

Consideration of compliance with laws and regulations
We assessed the laws and regulations relevant to the Company through discussion with the General Counsel, reading minutes and internal management reports.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered adherence to (corporate) tax law and financial reporting regulations, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-

IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the related financial statements. We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, ProQR is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to ProQR's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with regulations in the field of patient data protection, animal welfare and other pharmaceutical and life science regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Supervisory Board, the Executive Board and others within ProQR's as to whether the ProQR is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Because of the characteristics of fraud, particularly when it involves sophisticated and carefully organized schemes to conceal it, such as forgery, intentional omissions, misrepresentation and collusion, an unavoidable risk remains that we may not detect all fraud during our audit.

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.

Convertible Debt Financing Agreements

Description

In July 2020, the Company entered into a convertible debt financing agreement with Pontifax Medison Debt Financing ("Pontifax") for up to $ 30 million in three tranches of $ 10 million each that will mature over a 54-month period and have an interest-only period of 24 months. One tranche of $10 million was drawn as at December 31, 2020.

In August 2020 a second close of the convertible debt financing agreement was completed with Kreos Capital ("Kreos") for up to €15 million in three tranches of €5 million each based on similar terms and conditions as the Pontifax convertible debt financing agreement. One tranche of €5 million was drawn as at December 31, 2020.

Pontifax and/or Kreos may elect to convert the outstanding loans into the Company's ordinary shares at any time prior to repayment at a conversion price $ 7.88 per share. The Company also has the ability to convert the loan into its ordinary shares, at the same conversion price if the Company's stock price reaches a pre-determined threshold. In connection with the loan agreement, the Company issued warrants to Pontifax and Kreos to purchase up to an aggregate of 302,676 shares of its common stock at a $ 7.88 per share.

As part of the IAS 32 Financial Instruments – Presentation ("IAS 32") and IFRS 9 Financial Instruments ("IFRS 9") analysis, the Company determined the classification and initial measurement for the host contract, the conversion option and the warrants. For the classification this is considered complex since the Company's functional currency differs from the currency used in the convertible debt financing agreement with Pontifax Medison Debt Financing.

a) Accounting Treatment Pontifax Medison Debt Financing

The host contract is recognized at amortized costs. Pontifax' conversion options and warrants are accounted for as embedded derivatives and are recognized separately from the host contract at fair value through profit or loss.

For the initial recognition of the host contract, conversion option and warrants the Company determined the relative fair values of these instruments. The relative fair value of the host contract is based on level 2 inputs, where the relative fair value of the conversion option and warrants is based upon the Black & Scholes model.

The host contract is subsequently measured on amortized costs using the effective interest rate method. The conversion option and warrants are subsequently measured at fair value based on the Black & Scholes model.

b) Accounting Treatment Kreos Capital

The Kreos convertible debt financing agreement is accounted for as a compound financial instrument. The host contract is recognized at amortized costs. The conversion option is classified as equity and recognized at fair value as an option premium on the convertible loan and will not be subsequently remeasured.

For the initial recognition of the host contract, conversion option and warrants the Company determined the relative fair values of these instruments. The relative fair value of the host contract is based on level 2 inputs, where the relative fair value of the conversion option and warrants is based upon the Black & Scholes model.

The host contract is subsequently measured on amortized costs using the effective interest rate method. The warrants are subsequently measured at fair value based on the Black & Scholes model.

The evaluation of the reasonableness of management's estimates and assumptions related to these specific critical judgements and accounting estimates require a high degree of auditor judgement and an increase extent of effort, including the need to involve our internal accounting specialists.

The determination of the classification, initial recognition and subsequent measurement of the financial instruments is complex and required critical judgements in the following areas:

Classification of the convertible debt financing agreements, including warrants

- Classification of the convertible debt financing agreements, including warrants based on the terms and conditions of the agreements and the functional currency of the Company.

Initial measurement of convertible debt financing agreements, including warrants

- Assessment of the relative fair value of the host contracts and embedded derivatives related to the conversion option and warrants, based upon level 2 inputs and the Black & Scholes model.

Subsequent measurement of convertible debt financing agreements, including warrants

- Determination of the effective interest rate of the host contracts of the convertible debt financing agreement
- Fair value assessment of the embedded derivatives related to the conversion option and warrants based on the Black & Scholes valuation model.

How the Critical Audit Matter Was Addressed in the Audit
Our audit procedures to address the critical judgements and estimates related to the Convertible Debt Financing Agreements, included reading the Loan and Security Agreements and the Warrant Agreements and management's accounting position papers to understand the terms of each contract and evaluate management's conclusions on classification, initial recognition and subsequent measurement.

In relation to management's critical judgements and estimates related to the Convertible Debt Financing Agreements, our audit procedures included the following:

Classification of the convertible debt financing agreements, including warrants

- We tested the effectiveness of controls over the classification of the host contracts, conversion options and warrants, as part of management's controls over the application of IAS 32 and IFRS 9.
- With the assistance of our internal specialists we evaluated the classification of the convertible debt financing agreements by testing source information to verify the underlying classification of financial instruments in accordance with IAS 32.

Initial measurement of the convertible debt financing agreements, including warrants

- We tested the effectiveness of controls over the appropriateness of the accounting of the convertible debt financing agreements for initial measurement, as part of management's controls over the application of IFRS 9.
- We evaluated the reasonableness of the (i) valuation methodology and (ii) observable and unobservable inputs of most significance to the valuation by:
    - Testing the source information underlying the level 2 inputs and testing the mathematical accuracy of the calculation.
    - Testing the source information underlying the Black and Scholes valuation model and testing the mathematical accuracy of the calculation.

Subsequent measurement of convertible debt financing agreements, including warrants

- We tested the effectiveness of controls over the appropriateness of the accounting of the convertible debt financing agreements for subsequent measurement, as part of management's controls over the application of IFRS 9.
- We (i) evaluated the reasonableness of the valuation model to determine the effective interest rate on the host contract by testing the source information and testing the mathematical accuracy of the calculation, (ii) tested the outstanding balance, including accrued interest as per December 31, 2020 and (iii) obtained third party confirmations of the outstanding balances as at December 31, 2020.
- We evaluated the reasonableness of the (i) valuation methodology and (ii) observable and unobservable inputs of most significance to the valuation by:
  - Testing the source information underlying the level 2 inputs and testing the mathematical accuracy of the calculation.
  - Testing the source information underlying the Black and Scholes model and testing the mathematical accuracy of the calculation.

Observation
The scope and nature of the procedures performed were sufficient and appropriate to address the risks of material misstatement recognized for convertible debt financing agreements.

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 among others:

- 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 24, 2021

Deloitte Accountants B.V.

I.A. Buitendijk