ONXEO

THE ORPHAN ONCOLOGY INNOVATOR

Dear Shareholders,

As we enter the 4th quarter of 2016, it is my pleasure to update you on our recent clinical and operational advancements and, as importantly, our upcoming milestones. I am pleased to report that we are executing our strategic development plans both clinically and operationally, and we are progressing toward our primary objectives of building Onxeo into a global leader in the orphan oncology space, improving the lives of people with rare cancers and creating value for all of the Company's stakeholders.

As you are all likely aware, a confluence of political and economic events, in Europe and throughout the rest of the world, has created substantial headwinds across the financial markets. This market weakness has been especially pronounced in the biotech sector, with many biotechnology companies facing extreme pressure in recent months despite steady streams of robust clinical data and other positive news.

2016 is the year in which we stepped into the exciting area of DNA repair inhibition through the February acquisition of DNA Therapeutics and its novel, first-in-class, signal-interfering DNA product candidate, AsiDNA™. AsiDNA™ breaks the cycle of tumor DNA repair, leading to tumor cell death while sparing healthy cells. At the end of the second quarter, we announced a comprehensive plan to accelerate the development of AsiDNA™, including preclinical and manufacturing work followed by the initiation of a clinical trial as early as 2017. This represents a major catalyst of AsiDNA™'s value. On page 3, you will find all details about this new program.

Looking at our pipeline, we reached a number of important milestones in 2016. The ReLive Phase III study of Livatag® in hepatocellular carcinoma (HCC) is running well, more than 80% of patients were randomized end of July and preliminary data are expected to be available mid-2017.

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At the 2016 AACR Annual Meeting in New Orleans, we presented final data from a mechanistic study of Livatag®, which showed the benefits of nanoformulation in terms of immune-oncology agents, preferential affinity for the liver as well as increased exposure to doxorubicin compared to free doxorubicin, reinforcing the rationale of Livatag®'s development in advanced HCC.

Shortly after, as part of the preclinical initiative to explore further applications for Livatag® and optimize its value, we announced that Livatag® showed enhanced effect when combined with immune oncology agents.

In June, we also announced that we had obtained the first set of positive results from a preclinical pharmacokinetic study to support the development of an oral formulation of belinostat (Beleodaq®). This oral formulation aims at opening new opportunities in indications for which an oral formulation of belinostat would be relevant, as well as creating a clear competitive advantage. Similarly to Livatag®, we have also initiated a preclinical plan to assess the interest of potential combinations of Beleodaq® with other anti-cancer agents, with the same objective to maximize Beleodaq®'s value through expanded application. First outcomes of this plan are expected in the coming weeks.

Lastly, we recently took an important step forward by successfully raising €12.5 million in a private placement with large US and European institutional investors. This transaction, executed in a difficult financial environment, is an important success for Onxeo since it provides additional resources to pursue and accelerate the development of our pipeline, extends our cash-runway to Q2 2018 and also contributes to the long-term reinforcement and diversification of our shareholder base. On page 5 of this shareholder letter, you will find more information on this important transaction.

I want to thank you for your continued support of and interest in Onxeo, particularly at the investor events we regularly attend. Be sure that all of Onxeo's teams are steadfast in our commitment to maximizing shareholder value, while working to bring innovative therapeutic options to treat patients.

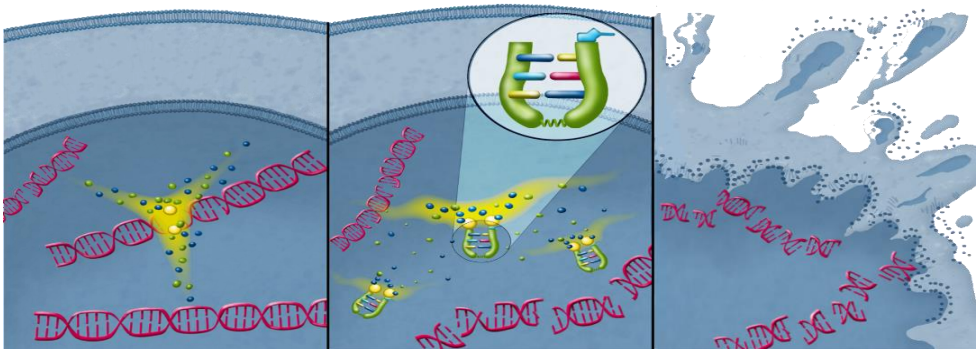
Judith Greciet
Chief Executive Officer

AsiDNA™ – Breaking the Cycle of Tumoral DNA Repair

AsiDNA™ is a first-in-class clinical signal-interfering DNA (siDNA) molecule breaking the cycle of tumor DNA repair while sparing healthy cells. Most therapies against cancer, like chemo- or radiation-therapies, induce DNA damage to tumor cells. DNA damage also occurs spontaneously and is more frequent in certain types of genetically unstable cancers. Yet cancer cells have the ability to recognize DNA damage and activate multiple DNA repair pathways or proteins to repair damage, allowing the tumor cell to continue to multiply. These DNA repair processes contribute to the aggressiveness of cancer and to resistance.

AsiDNA™ is a double-stranded DNA molecule linked to a cholesterol molecule

The AsiDNA™ molecule is a short double-stranded DNA molecule that acts as a decoy, providing a false DNA break signal to attract DNA repair proteins, which prevents the recruitment of repair enzymes to the site of actual DNA damage. Cancer cells do not have the ability to stop division in the face of DNA damage; they will continue dividing with the damaged DNA and therefore die. Healthy cells, on the other hand, will halt cell division until the compound is no longer present and the damaged DNA can be repaired.



Multiple DNA repair pathways are activated in cancer cells to repair damaged DNA and escape cell death

AsiDNA™ activates DNA repair signals and prevents repair mechanisms in tumor cells

Cancer cells continue dividing with damaged DNA, resulting in cell death

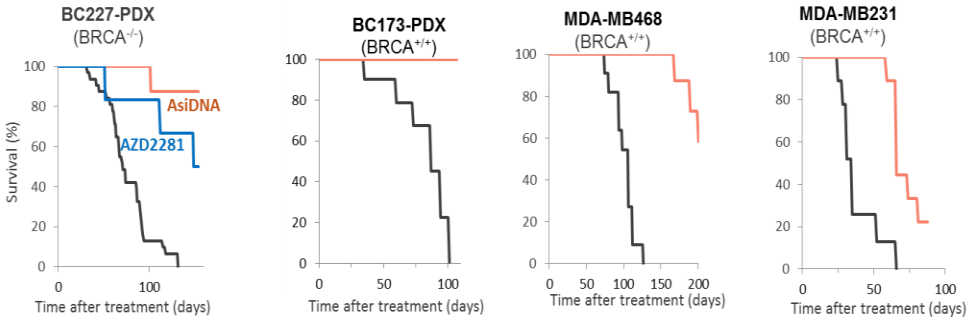
Approaches to prevent the repair mechanisms allowing cancer cells to escape treatments have been identified as one of the most promising new avenues in cancer treatment. More than that, the Nobel Prize in Chemistry 2015 was awarded jointly to Tomas Lindahl, Paul Modrich, and Aziz Sancar *"for mechanistic studies of DNA repair",* making it a very hot scientific topic.

AsiDNA™: Heading to Systemic Effect Demonstration

AsiDNA™ has the potential to be active both in monotherapy (especially in genetically unstable tumors) or in combination with radiotherapy and certain anti-cancer agents.

A first-in-human Phase I/IIa trial (DRIIM study) performed in metastatic melanoma demonstrated that AsiDNA™, in combination with radiotherapy showed good tolerance and safety when administered locally (in or around tumors). Efficacy outcomes were also positive with an ORR reaching 59% and complete response (CR) of 30% (CR with radiotherapy alone is expected to be less than 10%). Another interesting finding from this study is the effect shown on metastasis at distance from the injected tumors, raising strong evidence of systemic efficacy.

The interest of AsiDNA™ in combination with various anti-cancer agents has been widely demonstrated preclinically and most recently with PARP inhibitors (first-in-class olaparib approved in refractory ovarian cancer, also aimed at preventing the DNA repair process, but the restricted population of BRCA mutated patients). Indeed, AsiDNA™ has shown in triple-negative breast cancer models in mice to be effective on various tumors, including non-BRCA mutated tumors. In addition, when combined with PARP Inhibitors, a synergistic effect was observed, with an increase in unrepaired DNA breaks and cell death in all tumor cells, regardless of genetic status, which indicates that AsiDNA™ can bypass genetic restrictions associated with PARP inhibitors. Associated with a favorable safety profile, this confirms the opportunity of combining AsiDNA™ with cytotoxics to amplify and extend treatment response.



Preclinical *in vivo* efficacy of AsiDNA™ vs. PARP inhibitors in mouse triple negative breast cancer model(1)

The next step for us now is to confirm the clinical activity of our first-in-class product by the systemic route (IV route) in order to broaden the product potential. This will be done in a Phase I study, to assess safety and tolerance as well as systemic activity, initially in monotherapy and then in combination. This clinical development program will be implemented after first optimizing the manufacturing process, elaborated with top US manufacturing experts. These first experiments are planned as soon as next year.

Onxeo Raises €12.5 Million through Capital Increase with US and European Investors

At the end of September, we took an important step forward by successfully raising €12.5 million in a Private Placement. With this transaction, the Company issued 5,434,783 new ordinary shares at a price of €2.30 per share, representing 13% of the share capital of the Company. Following this capital increase, the total issued share capital of the Company will consist of 46,905,643 shares. This transaction was based on resolution # 17 voted at our last General Assembly of Shareholders on April 6, 2016, which allowed Onxeo to raise a maximum of 30% of share capital.

With total proceeds of €12.5 million, this capital increase was sized so that it will further extend Onxeo's cash runway to Q2 2018, securing the company in the longer run. This capital will fund the ongoing development of our pipeline assets, including our AsiDNA™ and Livatag® programs, as well as advance key preclinical product candidates such as the combination therapies we are currently evaluating, while also enabling the acceleration of certain key programs.

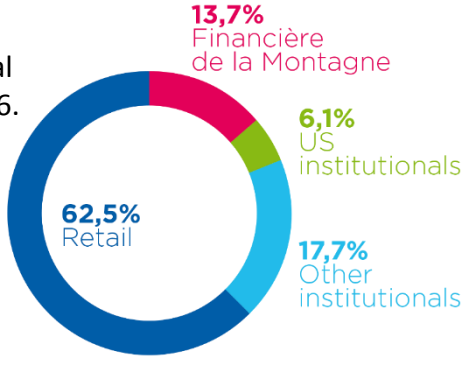
Among the different equity financing options available to a public company such as Onxeo, we specifically retained this Private Placement structure for several reasons:

- Our financial needs at this stage in the development of the Company requires the support of specialized institutional investors and the access to the US capital market, which is much larger than the European market and also more open to small cap and biotech financing.
- The company also aimed a improving the balance between retail and institutional shareholders, bringing the good mix of liquidity and long-term commitment as well as increased visibility on the financial markets.
- Last but not least, the very condensed format of our private placement (Accelerated Book Building) enabled us to take advantage of a favorable market window in a rather difficult financial market.

From this perspective, our transaction is an important achievement for Onxeo since it strengthens our shareholder base with new institutional investors, especially prominent US healthcare investors, experts in biotech, with deep investment capabilities:

- Today, retail shareholders represent around 62.5% of our total capital and institutional investors represent roughly 37.5% (vs. 28% before the transaction).
- Today, US investors represent more than 7% of our capital compared to less than 1.0% at the beginning of year 2016.

Shareholder structure as of Oct 5, 2016*



**At closing of the €12.5M capital increase*

Anticipated Milestones in 2016/2017

- Starting from Q3 2016: Results of the combination studies of Livatag® and Beleodaq® with other anti-cancer agents
- Q4 2016: Results of the 9th DSMB of the Phase III of Livatag® and optimization of AsiDNATM production
- End 2016: Launch of Beleodaq® Phase III trial in 1st-line PTCL
- Mid-2017: Preliminary results of Phase III for Livatag®
- In 2017: Initiation of Phase I of AsiDNATM in monotherapy and systemic administration

Next Events and Releases

- October 18-19, 2016: BIO Investor Forum - San Francisco, CA, USA
- October 25, 2016: Quarterly information as of September 30, 2016
- November 7-9, 2016: BIO Europe, Cologne, Germany
- November 17-18, 2016: ACTIONARIA retail conference - Paris, France
- January 9-13, 2017: JP Morgan Healthcare Conference - San Francisco, CA, USA

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