

March 15, 2017



Harris & Harris Group Issues Its Financial Statements as of December 31, 2016, Posts Its Annual Shareholder Letter, And Will Host a Conference Call for Shareholders on Friday, March 17, 2017

NEW YORK, March 15, 2017 (GLOBE NEWSWIRE) -- Harris & Harris Group, Inc. (NASDAQ:TINY), reported today that, as of December 31, 2016, its net asset value and net asset value per share were \$72,255,610 and \$2.34, respectively. The Company's Annual Report on Form 10-K may be accessed at <http://ir.hhvc.com/sec.cfm>.

The Company will hold a conference call to discuss its financial results for 2016, to update shareholders and analysts on our business and to answer questions on Friday, March 17, 2017, at 9:00 a.m. Eastern Time. The dial-in and webcast information is as follows:

Live Call: (877) 303-9855, domestic
(408) 337-0154, international

Webcast: <http://ir.hhvc.com/events.cfm>

Review of 2016

During 2016, we continued to take steps to position the Company for potential future growth. We believe a number of accomplishments, including those of our privately held portfolio companies during the year, have the potential to contribute to this goal. These steps and accomplishments include:

- We increased our investment income by 95 percent and decreased our net operating loss by 37 percent during 2016 as compared with 2015.
- We decreased our operating expenses for the third consecutive year. Additionally, in 2017 and pending approval from shareholders, we are positioned to significantly reduce our net operating loss primarily through the withdrawal of our election to be treated as a Business Development Company ("BDC") and transition to a Registered Closed-End Fund.
- We announced changes in our business that we believe will enable us to generate income and grow net asset value per share for shareholders over shorter, more predictable timeframes than those we have experienced over the past several years. More specifically, our go-forward focus will be on investing in and providing value-add assistance through constructive activism to what management believes are substantially undervalued small, publicly traded companies that have potential for aggressive growth. Our goal is that the result of our constructive activism leads to a reversal in direction for the share prices of these investee companies, thereby creating

value for our shareholders.

- We paid off all of our outstanding obligations associated with the Loan Facility with ORIX Corporate Capital, Inc. As of December 31, 2016, the Company did not have outstanding debt.
- We executed an agreement whereby Metabolon, Inc., repurchased all our securities of Metabolon for proceeds of \$10,802,329, versus our cost basis of \$7,231,212.
- We sold our shares of Magic Leap, Inc., to two undisclosed buyers for aggregate gross proceeds of \$640,928, versus our cost basis of \$338,604.
- We launched our first two co-investment funds offered by H&H Co-Investment Partners, LLC, an entity formed to provide shareholders who are accredited investors and other accredited investors the opportunity to invest alongside us in our portfolio companies on an individual portfolio company basis.
- A number of our portfolio companies announced financings and/or business milestones during the year, including:
- D-Wave Systems, Inc., announced details of its most advanced quantum computing system, the D-Wave 2000Q™, at the inaugural users group conference in Santa Fe, New Mexico. During the first quarter of 2017, D-Wave Systems announced the sale of its first D-Wave 2000Q™ to Temporal Defense Systems, a cybersecurity firm. D-Wave Systems also announced the formation of D-Wave Government Inc., a U.S. subsidiary formed to provide D-Wave Systems' quantum computer systems to the U.S. government. D-Wave Systems also announced the members of the subsidiary's independent board, which include prominent executives with extensive experience at U.S. government agencies including the Department of Energy, the Department of Defense, the National Science Board, the Defense Science Board and the Intelligence Community.
- AgBiome, LLC, announced the award of a multi-year grant from the Bill & Melinda Gates Foundation for the evaluation and development of lead, proprietary biological fungicides in the fields of African smallholder farmers. The aim of the project is to identify and validate biological fungicides to control one or more of three major crop diseases of importance in Sub-Saharan Africa: sorghum anthracnose, black Sigatoka in banana, and aflatoxin contamination in maize.
- Mersana Therapeutics, Inc., expanded its partnership with Takeda Pharmaceutical Company Limited, providing Mersana Therapeutics with an upfront payment of \$40 million and an additional payment of \$20 million upon clearance of the IND (Investigational New Drug application) for XMT-1522 by the FDA. Subject to the success of the XMT-1522 and antibody-drug conjugate programs, Mersana Therapeutics is eligible to receive milestone payments of more than \$750 million combined as well as royalties. Takeda also agreed to invest up to \$20 million in Mersana Therapeutics's future equity rounds of financing.
- Additionally, Mersana Therapeutics, Inc., raised an equity round of capital from new and current investors at a higher price per share than the company's prior round of financing. Lodo Therapeutics Corporation completed the second tranche of its initial equity round of financing. HZO, Inc., and NGX Bio, Inc., raised capital through issuance of convertible notes to new and existing investors.
- The acquisition of Bridgelux, Inc., by a consortium of buyers that was initially announced in July 2015, closed on August 1, 2016.
- Several of our portfolio companies announced new partnerships, including ORIG3N, Inc., with the National Football League's San Francisco 49ers; Ensemble Therapeutics

Corporation with Novartis; Nanosys, Inc., with Hitachi; and Enumeral Biomedical Holdings, Inc., with Pieris Pharma.

- TARA Biosystems, Inc., appointed serial entrepreneur and leading researcher, Professor Robert Langer of the Massachusetts Institute of Technology, to its board of directors.
- HZO, Inc., announced a collaboration with Rakuten Kobo to protect its latest eReader, the Kobo Aura ONE.
- Interome, Inc. (renamed HALE.life Corporation in 2017) announced that it is a co-organizer of the UnDx Consortium™. The UnDx Consortium brings together five precision medicine technology providers and prominent experts from medical centers and universities across the country to collaborate in an effort to produce new hypotheses for a group of seven patients struggling with undiagnosed diseases. The UnDx Consortium met to explore results of cutting-edge tests analyzing samples from these patients and their families. That meeting was the beginning of what is expected to evolve into an ongoing forum to explore the potential of combining precision medicine technologies to diagnose and treat disease. Interome subsequently announced that collaborators and organizers of the UnDx Consortium met again at the 14th annual Future in Review (FiRe) conference in Park City, UT. The meeting included a summary of the UnDx Consortium, a discussion of hypotheses resulting from the analysis of data, and the proposed next steps for the Consortium.
- Muses Labs, Inc., presented data from a pilot study of its MEND Protocol for the treatment of early Alzheimer's disease at the Alzheimer's Association International Conference 2016. MEND Protocol is a multi-step cognitive evaluation process that uses advanced data processing technology to initially assess an individual's existing risk factors. Additionally, Muses Labs and Metabolon, Inc., announced a partnership to study and apply metabolomics in individuals with pre- and early-symptomatic cognitive decline and Alzheimer's disease. Muses Labs and Metabolon stated that they expect to bring new clinical trial services and updated care protocols to the market.
- EchoPixel, Inc., announced that its medical virtual reality system is ready for clinical implementation. The system is being distributed to customers in collaboration with the HP Zvr Interactive Virtual Reality Display and workstation. Additionally, EchoPixel's 3D visualization technology was profiled in an article and video by ABC News.

We also faced the following challenges during the year:

- Our net asset value per share decreased from \$2.88 as of December 31, 2015, to \$2.34 as of December 31, 2016.
- Our share price decreased from \$2.20 as of December 31, 2015, to \$1.38 as of December 30, 2016, the last trading day of the year, and \$1.34 as of March 14, 2017.
- Two of our portfolio companies, Cambrios Technologies Corporation and Ullora, Inc., completed auctions of their respective assets by a trustee appointed to conduct such liquidations for the benefit of creditors. We did not receive any proceeds from the liquidation of assets of either company.
- Senova Systems, Inc., sold substantially all of its assets to an undisclosed buyer for an upfront payment and potential future milestone payments. Even if all of the milestone payments are received in full, we do not expect to recover our cost basis of approximately \$4 million. The Company received proceeds of \$356,336 as repayment of the principal and accrued interest of its outstanding bridge notes of Senova

Systems.

- The values of public equities, particularly those of microcapitalization companies, are highly volatile. The price per share and market capitalization of Adesto Technologies Corporation decreased in value from \$7.71 as of December 31, 2015, to \$1.85 as of December 30, 2016, the last trading day of the year, and closed at \$4.10 as of March 14, 2017. Enumeral Biomedical Holdings, Inc., decreased in value from \$0.23 as of December 31, 2015, to \$0.13 as of December 30, 2016, the last trading day of the year, and closed at \$0.13 as of March 14, 2017.
- The change in the price per share of Adesto Technologies Corporation between December 30, 2016, the last trading day of the year, and March 14, 2017, equals an increase of approximately \$0.13 in net asset value per share.
- The prices per share of Adesto Technologies Corporation's and Enumeral Biomedical Holdings, Inc.'s common stock continue to trade below the price per share at the time of each company's initial public listing. Additionally, the stock prices of comparable public market companies that impact the market's valuation of certain of our portfolio companies also decreased during the year.
- The Company sold 1,409,796 shares of OpGen, Inc., a publicly traded portfolio company, in open market transactions for net proceeds, after commission, of \$2,382,008, or an average sale price of \$1.69 per share. Our average cost basis in OpGen was \$4.02 per share. As of December 31, 2016, the Company no longer owned any shares of common stock of OpGen, but continues to hold 332,039 warrants to purchase common stock of OpGen.
- The Company sold 243,540 shares of Champions Oncology, Inc., a publicly traded portfolio company, in open market transactions for net proceeds, after commission, of \$407,344, or an average sale price of \$1.67 per share. Our average cost basis in Champions Oncology was \$6.66 per share. As of December 31, 2016, the Company no longer owned any shares of common stock of Champions Oncology, but continues to hold 5,500 warrants to purchase common stock of Champions Oncology.
- The Company sold 500,000 warrants to purchase common stock of Enumeral Biomedical Holdings, Inc., a publicly traded portfolio company, for net proceeds of \$40,000, or an average sale price per warrant of \$0.08. Our average cost basis per warrant was \$0.36. As of December 31, 2016, the Company continues to hold 7,966,368 shares of common stock and 1,255,120 warrants to purchase common stock of Enumeral Biomedical Holdings.
- Even though financings of some of our portfolio companies may have occurred at increases in price per share from prior rounds of financing, such increases in value may not be reflected in full in our values owing to other rights and preferences afforded to investors in those rounds of financing. This challenge, in part, led to a decrease in our net asset value per share during 2016.
- IPOs of small companies are difficult to complete, and, when they are completed, they often occur at valuations lower than publicly traded comparable companies and rounds of private financing.
- The downturn in the oil and gas sector negatively affected the business operations of at least one of our portfolio companies, Produced Water Absorbents, Inc.

Please also see our 2016 Annual Letter to Shareholders posted on our website at <http://ir.hhvc.com/letters.cfm>.

SUMMARY OF FINANCIAL POSITION

	December 31, 2016 (Audited)	December 31, 2015 (Audited)	September 30, 2016 (Unaudited)
Total Assets	\$ 74,622,068	\$ 96,461,286	\$ 82,422,674
Net Assets	\$ 72,255,610	\$ 88,711,671	\$ 75,322,949
Net Asset Value per Share	\$ 2.34	\$ 2.88	\$ 2.44
Shares Outstanding	\$ 30,904,209	\$ 30,845,754	\$ 30,880,829

Harris & Harris Group is a publicly traded, internally managed BDC. Detailed information about Harris & Harris Group and its holdings can be found on its website at www.HHVC.com, on Facebook at www.facebook.com/harrisharrisvc and by following on Twitter @harrisandharrisgroup.

This press release may contain statements of a forward-looking nature relating to future events. These forward-looking statements are subject to the inherent uncertainties in predicting future results and conditions. These statements reflect the Company's current beliefs, and a number of important factors could cause actual results to differ materially from those expressed in this press release. Please see the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2016, as well as subsequent filings, filed with the Securities and Exchange Commission for a more detailed discussion of the risks and uncertainties associated with the Company's business, including, but not limited to, the risks and uncertainties associated with venture capital investing and other significant factors that could affect the Company's actual results. Except as otherwise required by Federal securities laws, the Company undertakes no obligation to update or revise these forward-looking statements to reflect new events or uncertainties. The references to the websites www.HHVC.com and www.Facebook.com have been provided as a convenience, and the information contained on such websites is not incorporated by reference into this press release. The Company is not responsible for the contents of third party websites.

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