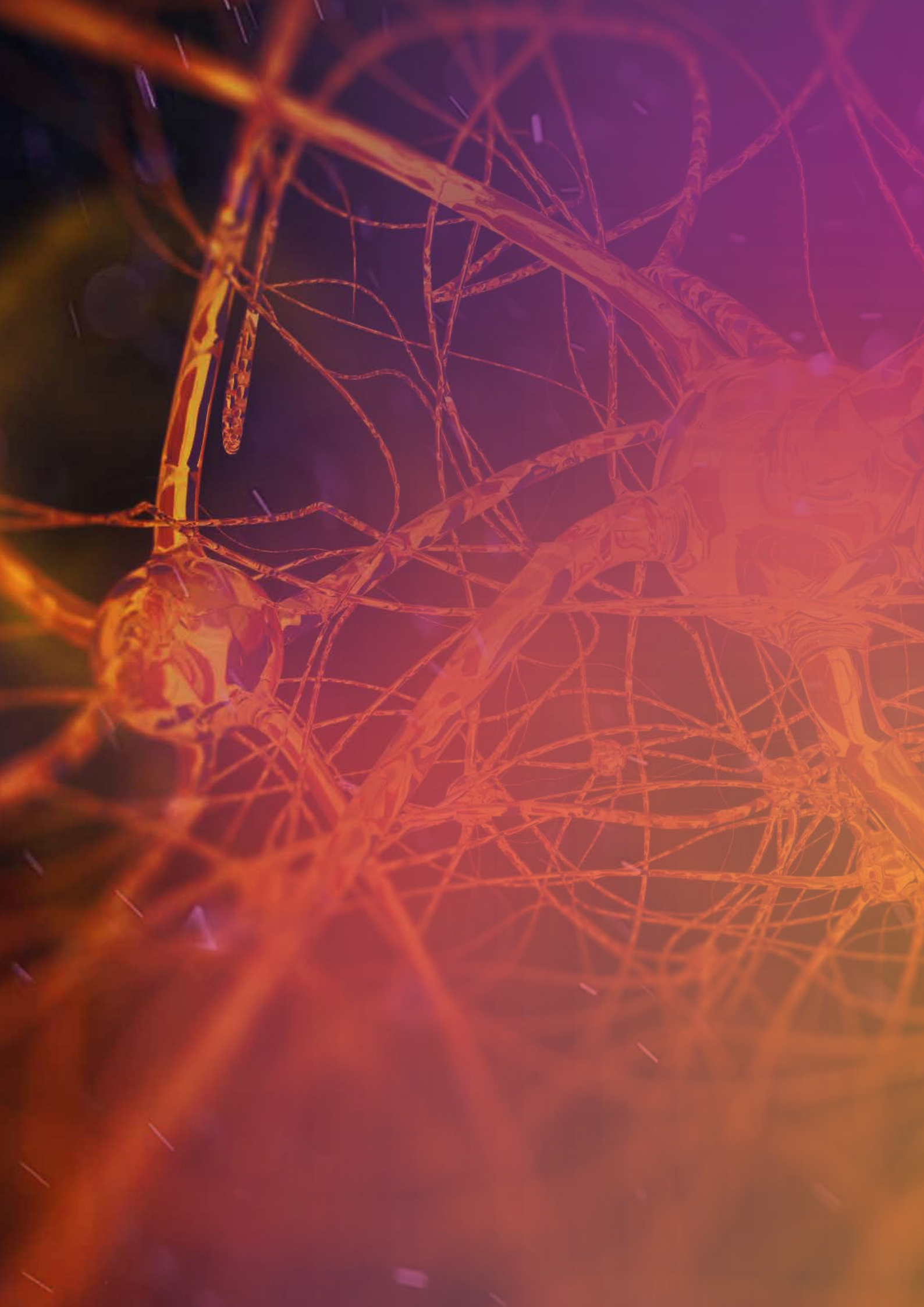
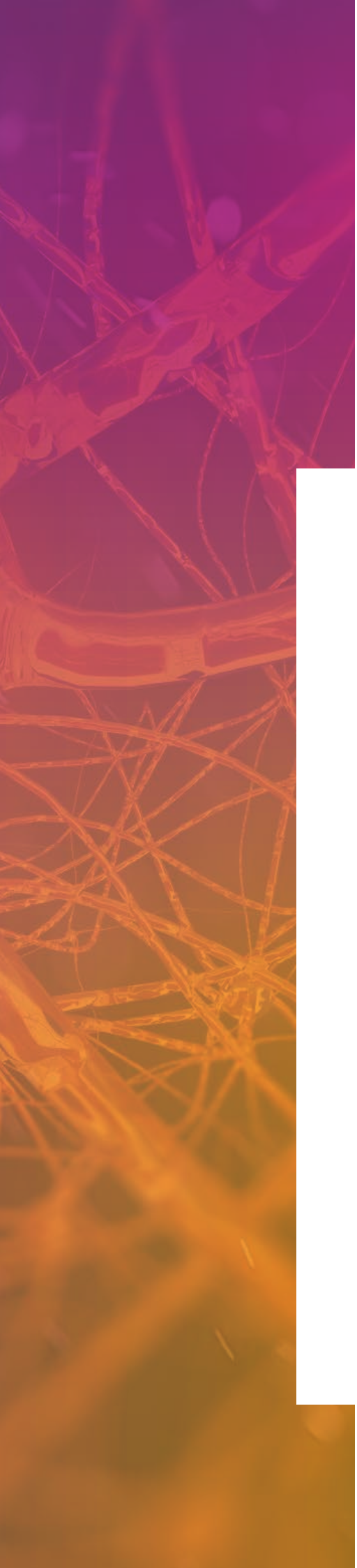
ANNUAL REPORT

2019

A CHANCE
TO AGE
HEALTHY

vivoryon
therapeutics





WHO WE ARE

Our Mission is *"Healthy Aging - Pioneering Innovation"*!

We have an experienced discovery and development team with a strong track record in delivering therapies to patients. We have product candidates in both clinical and preclinical development and are focusing on age-related diseases with unmet medical need.

We are relentless and focused on putting patients at the center of everything we do and strive to develop life-changing medicines.

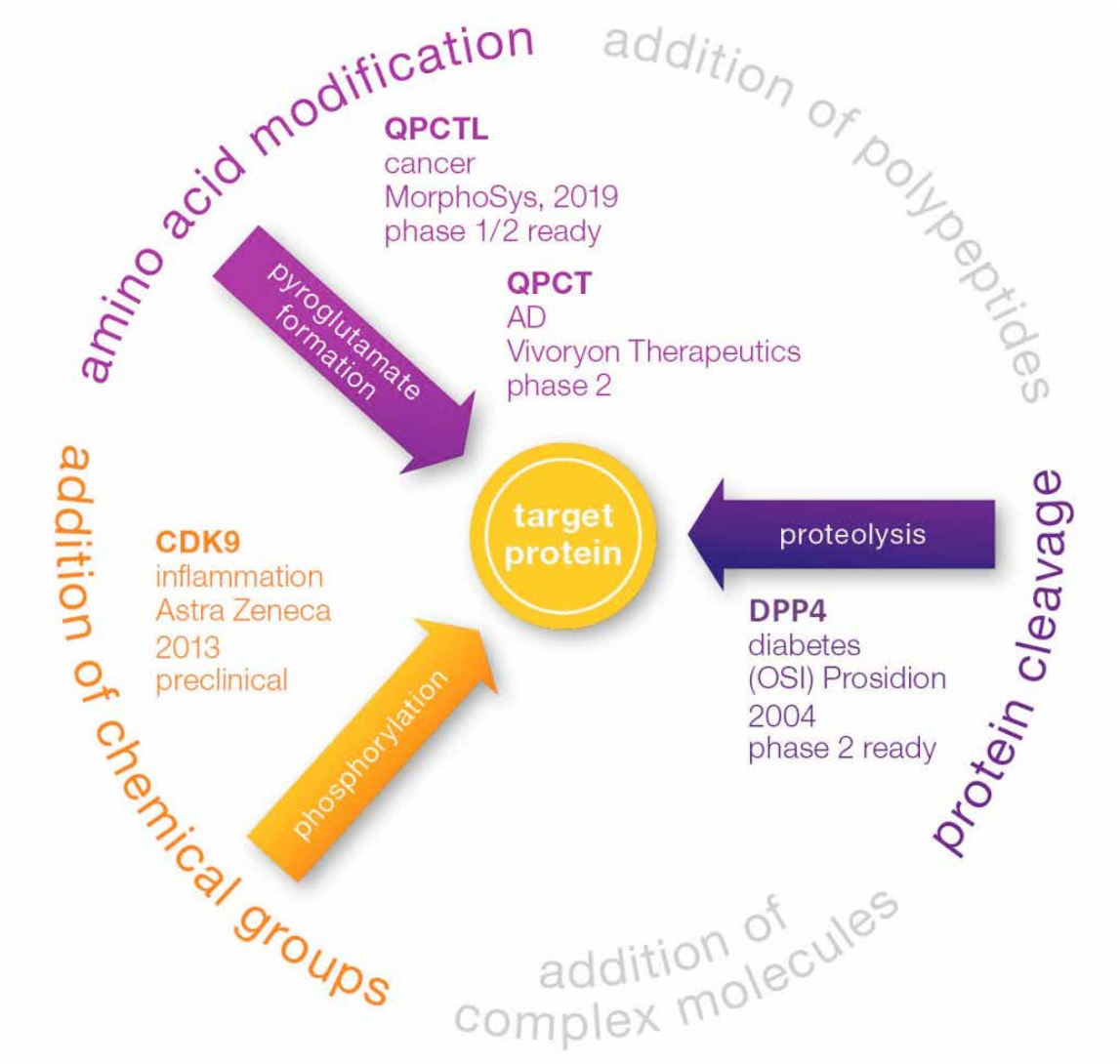
OUR SCIENCE

Vivoryon Therapeutics is focusing on the discovery of therapeutics with action on disease relevant enzymes. Our active research programs are focusing on Glutaminyl cyclases. One of the two homologs is QPCT or QC and is primarily expressed in brain, the other one, isoQC (QPCTL), is more broadly expressed in healthy and cancer tissues. Both enzymes are catalyzing the transformation of an N-terminal residing Glutamine or Glutamate amino acid into their cyclic form called pyroglutamate.

The main physiological functions of this cyclization could be exemplified by PQ912 mode of Action in Alzheimer's Diseases and cancer respectively.

Novel approaches beyond Abeta and Tau

Recent developments and insights points towards a need for new AD strategies focusing on the aimed effect (improve cognition) instead of observable disease hallmarks / pathology.



MANAGEMENT

DR. ULRICH DAUER

CHIEF EXECUTIVE OFFICER

Dr. Ulrich Dauer joined as CEO on May 1, 2018. He has had a career spanning more than 20 years in the biopharmaceutical industry in both public and private companies.

As one of the founders, Dr. Dauer previously worked for 14 years as CEO of 4SC AG, attracting multiple private and, upon the company's listing at the Prime Standard segment of Deutsche Börse in 2005, public investors. Under his leadership, 4SC closed multiple industry partnerships with international biopharmaceutical companies. In subsequent leadership positions in the biotech industry, he executed in 2014 the €130 M trade sale of Activaero and later took up CEO positions of two privately held biotech companies.

Dr. Dauer holds a PhD in Chemistry from the Julius-Maximilians University of Würzburg.

DR. MICHAEL SCHAEFFER

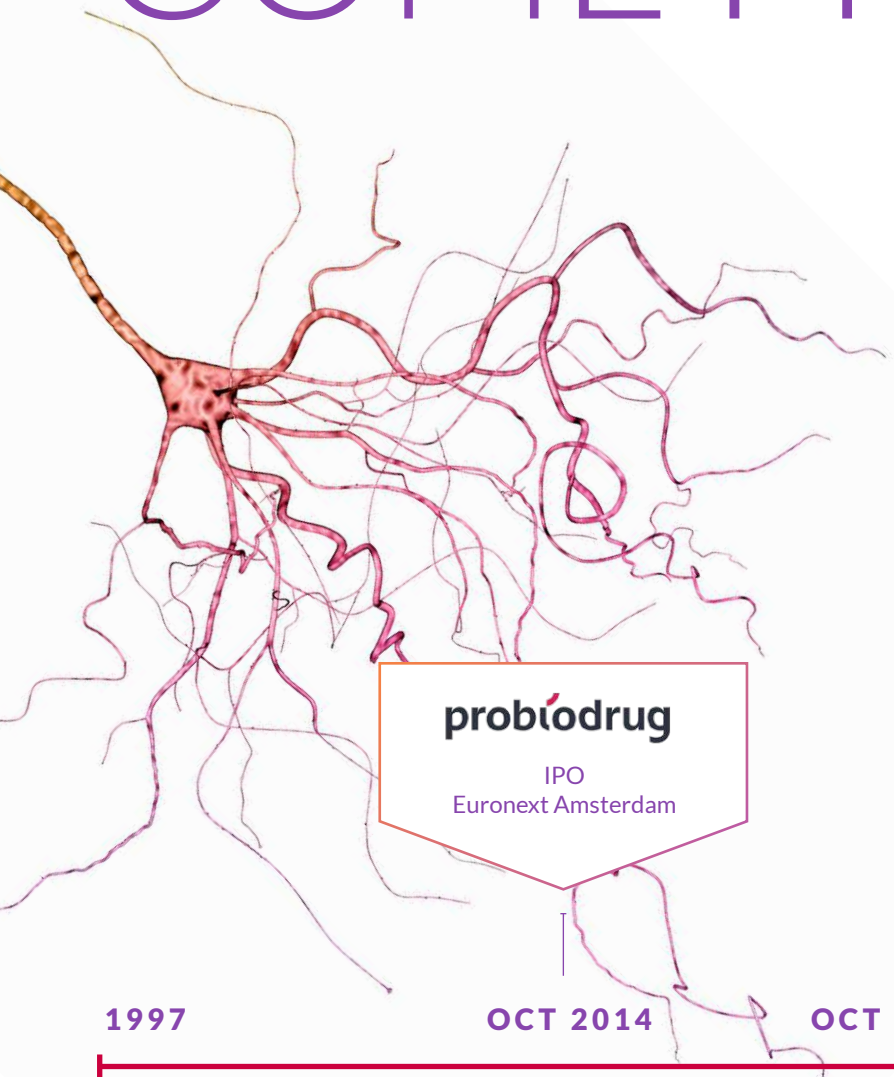
CHIEF BUSINESS OFFICER

Dr. Michael Schaeffer has been Chief Business Officer since October 1, 2018. Dr. Schaeffer brings more than 15 years of experience across pharma and biotech in strategic business development, scientific project and alliance management to Vivoryon Therapeutics.

Dr. Schaeffer is a highly experienced serial entrepreneur and was prior to joining Vivoryon, – amongst others – Founder, CEO and Managing Director of biotech companies, CRELUX GmbH and SiREEN AG. Following the acquisition of CRELUX by WuXiAppTec in 2016, Dr. Schaeffer was responsible for integrating CRELUX into the world-leading Shanghai based CRO with over 25,000 employees globally.

Dr. Schaeffer received his PhD in Molecular Biology from Ludwig-Maximilians-Universität in Munich, Germany and is an exceptionally skilled Operations- and Innovation Manager.

WHERE WE COME FROM



probiodrug

IPO
Euronext Amsterdam

1997 — **OCT 2014** — **OCT 2018** — **MAR 2019**

Groundbreaking R&D in AD and neurodegenerative diseases

Clinical development of PQ912

Foundation of ProBioTec that became Probiodrug in 2001

Publication of SAPHIR Phase 2a results with cognition signal

USD 15m grant for phase 2b

NATIONAL INSTITUTES OF HEALTH

VIVORYON MADE SIGNIFICANT PROGRESS

Vivoryon Therapeutics has two decades of successful history in bringing pharmaceutical innovation to patients in need. Our programs are based on dedicated research, top-level discovery and determined development.

We develop first-in-class medicines that target post-translational modifying enzymes. Our pipeline contains several product candidates across various stages of development, focused on Alzheimer's Disease and oncology.

APR 2019

EUR 8.2m capital raise with reputable biotech investors

JUN 2019

Probiodrug became vivoryon therapeutics

JUL 2019

Partnership / equity commitment of up to EUR 15m

morphosys

OKT 2019

EUR 43m capital raise from a rights offering

WHERE WE STAND TODAY

ONE OF THE MOST ADVANCED DRUG CANDITATES IN AD

WHAT IF ALL OF US GET A CHANCE TO AGE HEALTHY?

1

PHASE 2B READY LEAD ASSET IN ALZHEIMER'S DISEASE

- Building on strong safety package and first sign of improvement of cognition
- Well-informed Phase 2b trial could lead to results in 2022 in Europe and potential conditional approval by 2024

2

FURTHER UPSIDE FROM PARTNERED ONCOLOGY PROGRAM

morphosys

- News flow expected to come from option and clinical milestones

3

OPPORTUNITY TO MONETIZE IP PORTFOLIO

- Broad patent portfolio with global coverage on technology platform

PARTNER MORPHOSYS WILL DRIVE ONCOLOGY

EXCLUSIVE OPTION AGREEMENT ON PQ912 AND QPCTL PLATFORM IN ONCOLOGY

EUR 15m commitment in the ongoing rights issue:

- Commitment in the rights issue of up to EUR 15m, regardless of option exercise
- Acquisition of exclusive option to license QPCTL inhibitors for use in oncology

Additional milestone and royalty payments to be negotiated if the option is exercised:

- During the option period MorphoSys will conduct preclinical studies to validate the use of QPCTL inhibitors
- Vivoryon retains rights to develop the compounds in AD and other indications

Opportunity to leverage close market Tafasitamab in oncology:

FDA breakthrough designation Tafasitamab (MOR208) is a monoclonal antibody against CD19, expressed on B cell related blood cancers:

- Diffuse large B cell lymphoma (DLBCL)
  Phase III ongoing
- Chronic lymphocytic leukemia (CLL)
  Phase II ongoing.

WHERE WE ARE HEADING TO

IP PORTFOLIO ALLOWS FOR FURTHER MONETIZATION OF GLUTAMINYL CYCLASE PLATFORM

01

GLUTAMINYL CYCLASE PLATFORM

40

patent families around GC inhibitors

02

MEDICAL TREATMENTS

Use of QPCT inhibitors for treatment of:

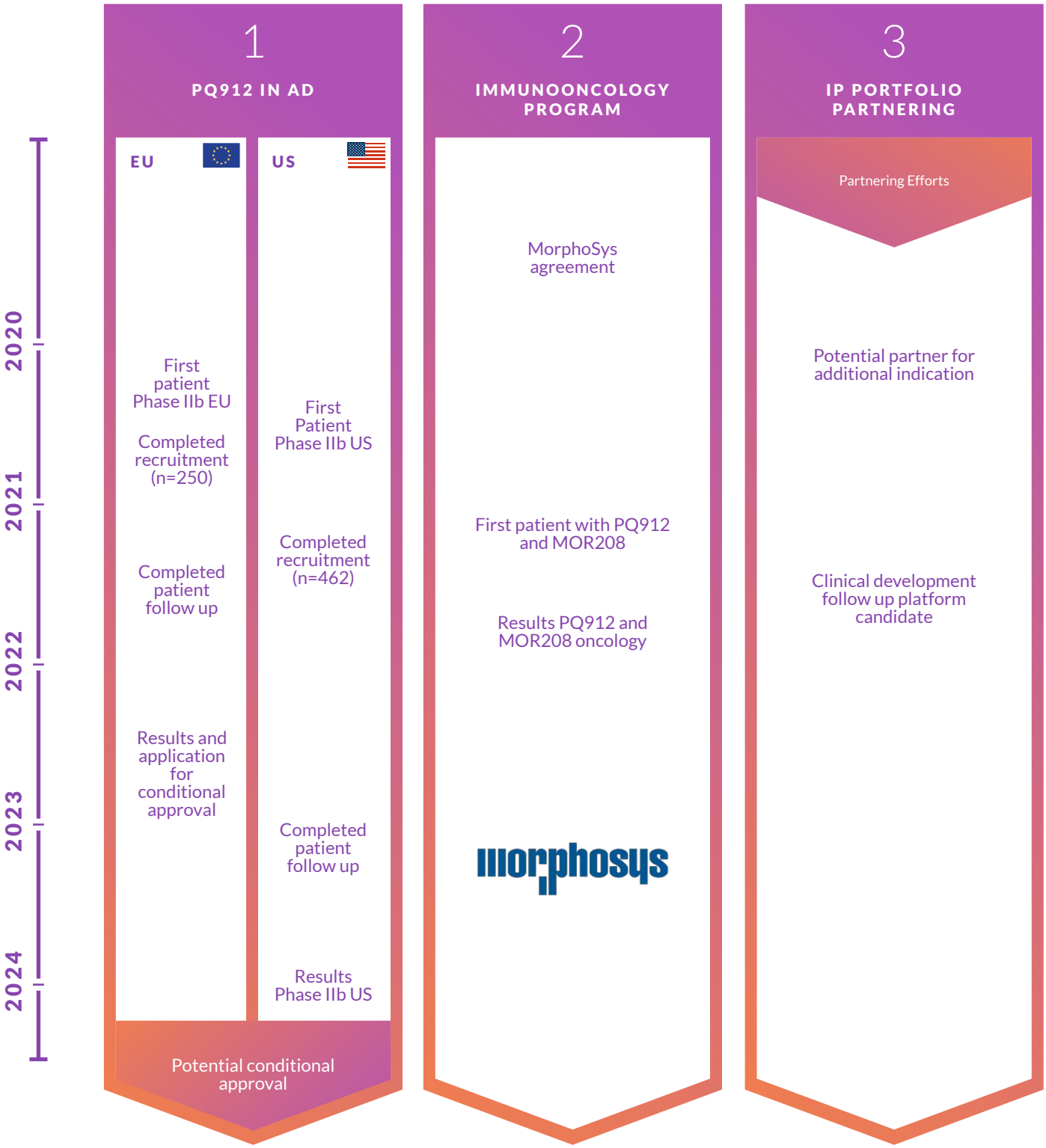
- AD / Neurodegenerative diseases
- Down Syndrome / Genetic diseases
- Inflammatory diseases

03

OTHER

- Proprietary glutaminyl transgenic
- and knock out mice models,
- combination treatment and other

NEAR TERM NEWS FLOW COMING FROM PQ912



WHAT IF ALL OF US GET A CHANCE TO AGE HEALTHY?

11%

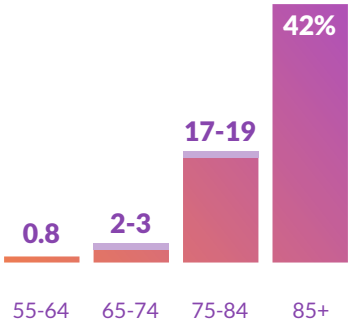
of elderly is estimated to get Alzheimer's

Global AD healthcare costs are

~$1 TRILLION/YEAR

Age of Onset

Estimated percentage of Americans in each age froup who suffer from Alzheimer's:



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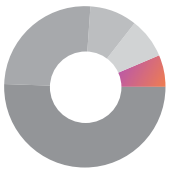
disease modifying treatments are on the market



5th

Alzheimer's is the leading cause of death worldwide

Only 4

Alzheimer's drugs are approved, which are only treating symptoms

A NEW APPROACH TO KEEP MEMORY VIVID

REMEMBRANCE

One of the most common signs of Alzheimer's is memory loss, especially forgetting recently learned information. Others include forgetting important dates or events, asking for the same information over and over, and increasingly needing to rely on memory aids (for example, reminder)

LEARNING

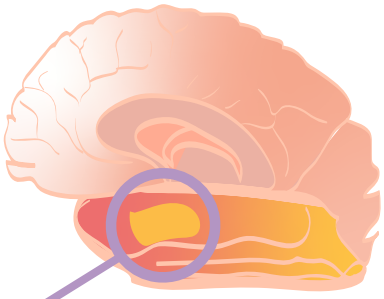
People with Alzheimer's may have trouble following or joining a conversation. They may stop in the middle of a conversation and have no idea how to continue or they may repeat themselves. They may struggle with vocabulary, have problems finding the right word or call things by the wrong name (e.g., calling a watch a "hand clock").

FEELINGS

The mood and personalities of people with Alzheimer's can change. They can become confused, suspicious, depressed, fearful or anxious. They may be easily upset at home, at work, with friends or in places where they are out of their comfort zones.

FINDING SOLUTIONS

Some people experience changes in their ability to develop and follow a plan or work with numbers. They may have trouble following a familiar recipe, keeping track of monthly bills or counting change. They may have difficulty concentrating and take much longer to do things than they did before.



Glutaminyl cyclase (QPCT) expression is predominantly localised in the *temporal cortex* and *entorhinal cortex* which are the **learning and memory centres of the brain**

vivoryon Therapeutics

PQ912

QPCT inhibitor

Role in beneficiary cellular functions

Glutaminyl cyclase (QPCT)

Amyloid beta (Aβ) monomers (various lengths)

APP Amyloid precursor protein

Neuron

Secretory vesicles containing Aβ monomers, Tau and QPCT

Tau protein

pGlu - Aβ

pGlu - Aβ induces seed aggregation with other oligomers

pGlu - Aβ oligomers induce synaptic toxicity

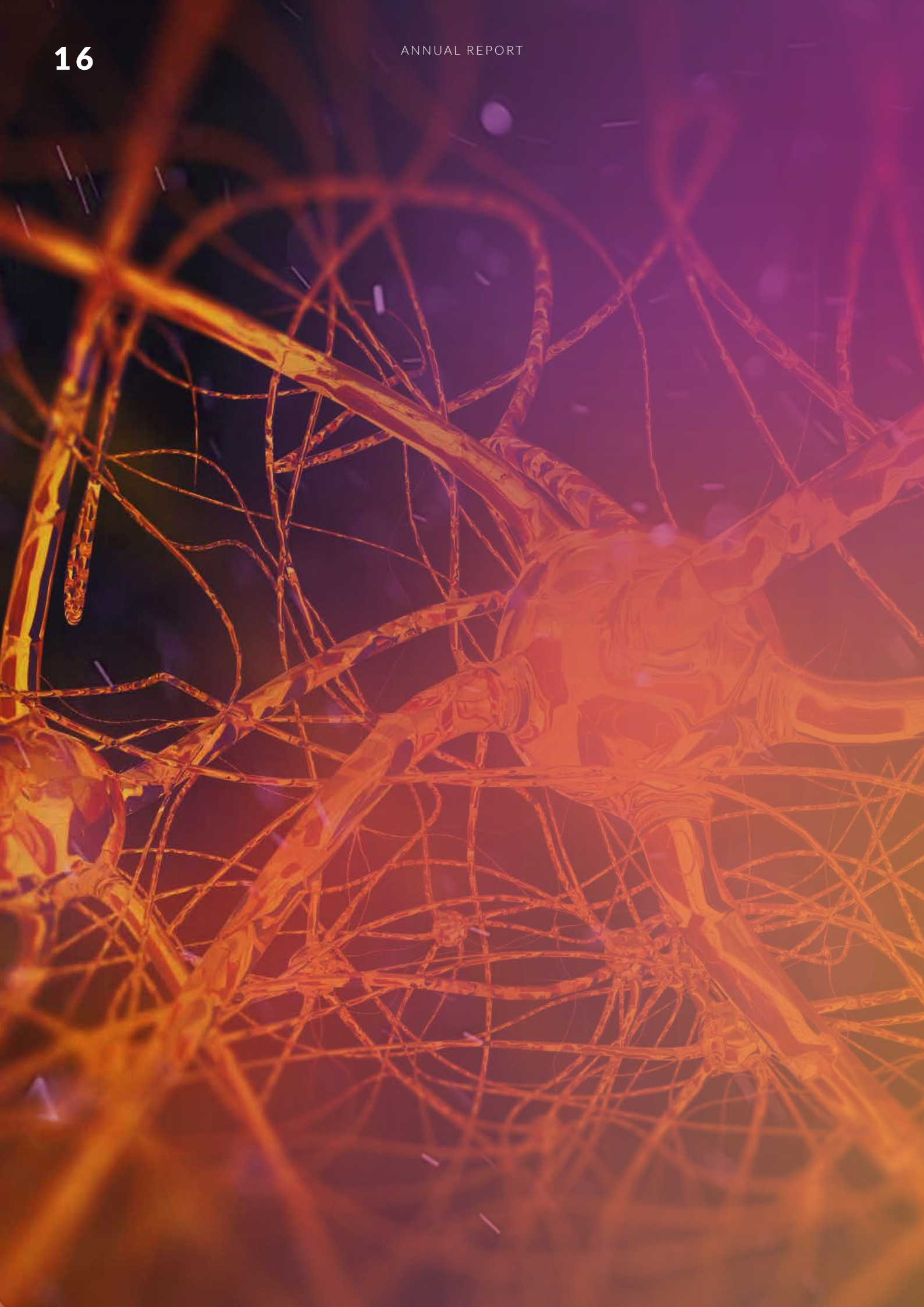
pGlu - Aβ induces neurotoxicity

Tau neuropathy

pGlu - Aβ oligomers induce neuroinflammation

Microglia secretes QPCT

Microglia



TO OUR SHAREHOLDERS

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LETTER TO THE SHAREHOLDERS

Dear Shareholders,

The year 2019 was without doubt a year of transformation for Vivoryon Therapeutics marked by a series of achievements that substantially boost our ability to further deliver on our growth strategy going forward.

In the past year, the Company made exceptional progress in various important business activities built upon on our scientific roots and key strength in the modulation of post translational modifying enzymes. In particular, we expanded our therapeutic reach past Alzheimer's disease to include immuno-oncology targets in our pipeline. In addition, we secured the funding needed to take our lead candidate, PQ912, through the next phase of clinical testing.

Looking from an external perspective, a distinct visible change in 2019 was our name change from Probiodrug to Vivoryon Therapeutics. Vivoryon, composed of 'Vivid Memory On', expresses our strong commitment to developing a first in class and disease modifying therapy for patients suffering from Alzheimer's Disease against the backdrop of multiple late-stage industry disappointments.

We are delighted to have been awarded a 15m USD grant from the National Institutes of Health (NIH) in cooperation with the Alzheimer's Disease Cooperative Study (ADCS) to support our U.S. Phase 2b core program for PQ912. We appreciate this funding as important endorsement and validation for our innovative approach to the treatment of Alzheimer's Disease.

In April we started to fundamentally rebuild and strengthen our shareholder base. After extending the trading of our shares to the German XETRA platform, we successfully completed a private placement of new shares by raising EUR 8.2 million with the support of new strategic investors.

In a cooperation with the Universitätsklinikum Schleswig-Holstein, Campus Kiel in June in the field of myeloid immune checkpoint based cancer immune therapies, we obtained promising research results with our QPCTL inhibitor portfolio. This entrance into one of the most exciting fields of current drug development adds an important element to the growth trajectory of Vivoryon Therapeutics.

Consequently, in July we entered into an exclusive option agreement with MorphoSys providing our new partner the right to license Vivoryon Therapeutics´ small molecule QPCTL inhibitors in the field of oncology. We are excited to explore the potential of our drug candidates including PQ912 with the goal to synergize with Tafasitamab (MOR208) and further anti-body based drugs. With this collaboration we are pioneering the new field of CD47-SIRPalpha checkpoint research with a novel small molecule-antibody combination.

In October we successfully raised capital of approximately EUR 43 million through a Rights Offering to existing shareholders and a private placement to select qualified investors in Europe. With this outstanding financing success, we presumably secured our runway beyond completion of our European phase 2b clinical development program with PQ912 in patients diagnosed with early stages of Alzheimer's Disease. With this capital increase, we also onboarded MorphoSys as additional strategic shareholder, who implemented their commitment for a 15m EUR equity investment as a component of our option agreement.

The presentation of the poster (chaired by Prof. Howard Feldman) "A seamless phase 2a-2b randomized double-blind placebo-controlled trial to evaluate the efficacy and safety of PQ912 in patients with early Alzheimer's Disease: design and methods," at the CTAD (Clinical Trials on Alzheimer's Disease) in

San Diego, a world leading conference in the field of new developments in Alzheimer's Disease was a great opportunity for us to continue our dialogue with leading KOL's and potential partners in.

The financial year 2019 was successfully concluded with the inclusion of Vivoryon Therapeutics into the AScX index of the Euronext, Amsterdam which additionally raises the profile of Vivoryon Therapeutics in the financial community.

In 2019, the Company´s key achievements are to a great extend relying on the scientific excellence, hard work, loyalty and creativity of our employees. I truly perceive it as a privilege to be able work with such an outstanding team.

In summary, Vivoryon Therapeutics is poised to enter the next chapter of its growth story and I look forward to 2020 with great optimism. I'm confident that with the support of our new strategic shareholders and your continued commitment, we have gathered all important success ingredients to continue progressing on our successful path forward.

To conclude this Annual Report focused on our year of transformation I will conclude this letter with a quote from John F. Kennedy: "Change is the law of life. And those who look only to the past or present are certain to miss the future."

Yours sincerely,

Dr. Ulrich Dauer

Chief Executive Officer

REPORT OF THE SUPERVISORY BOARD

REPORT OF THE SUPERVISORY BOARD OF VIVORYON THERAPEUTICS AG, HALLE (SAALE) FOR THE FINANCIAL YEAR 2019

COOPERATION OF SUPERVISORY BOARD AND MANAGEMENT BOARD

During the 2019 financial year, the Supervisory Board comprehensively performed the duties assigned to it by law, the Articles of Association, Rules of Procedure and the recommendations of the German Corporate Governance Code (hereinafter referred to as the "Code"). We regularly advised and continually oversaw the Management Board in its management of the Company and dealt extensively with the operational and strategic development of the Group. The Management Board fulfilled its duty to inform and furnish us with periodic written and verbal reports containing timely and detailed information on all business transactions and events of significant relevance to the Company.

In our Committee meetings and plenary sessions, we had the opportunity to fully discuss the Management Board's reports and the proposed resolutions. The Management Board answered our questions on strategic topics affecting the Company with a great level of detail and submitted the relevant documents in a timely manner. Any deviations from the business plan were thoroughly explained to us, and we were directly involved at an early stage in all decisions relevant to the Company.

All relevant topics and strategic decisions, including those where consent was needed, were intensely discussed and mutually agreed.

SUPERVISORY BOARD MEETINGS AND KEY ITEMS OF DISCUSSION

In 2019, 6 meetings of the Supervisory Board took place); all members of the Supervisory Board did participate, unless a conflict of interest prevented this. A detailed overview of the membership of all Supervisory Board members in the respective Supervisory Board and Committee meetings can be found in the Management Report of the HGB, which is available on the Company's website under the heading: www.vivoryon.com/investors-news/financial-information.

In those meetings, the main topics were the status of the research and development programs and next steps, relevant events in the industry, the budget for 2019/2020, the financial needs and the financing strategy. We also deliberated on the achievement of goals for the Management Board members for 2018, set goals for the Management Board members for 2020 and kept ourselves informed regarding the risk management and internal controls system. Also outside of the Supervisory Board meetings, the chairman of the Supervisory Board was informed by the Chief Executive Officer of the current development of the business situation, significant business events and relevant events in the strategic environment of the company.

During the 2019 financial year, the Supervisory Board paid particular attention also to the following topics and passed resolutions on these topics after a thorough review and discussion:

- agenda and proposed resolutions for the 2019 Annual General Meeting,
  - The discharge of the members of the Management and Supervisory Boards with respect to the 2018 financial year
  - The appointment of KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the 2019 financial year
  - Resolution on the Change of the Name of the Company to "Vivoryon Therapeutics AG".
  - Resolutions on the Increase of the Share Capital of the Company for Cash Contributions
  - Adoption of a Resolution on the Creation of the Authorized Capital 2019 as well as the Corresponding Amendments to the Articles of Association
- increasing the share capital of the Company in financial year 2019 by issuing 11,767,473 new ordinary shares. Capital increase from EUR 8,208,009.00 by EUR 4,093,367.00 to EUR 12,301,376.00 by issuing 4,093,367 new shares against cash contributions, represented 50% of its existing share capital. The New Shares was issued from the Company's authorized capital, where the pre-emptive rights of the Company's existing shareholders are excluded in accordance with the articles of association of the Company. And further capital increase from 7,674,106 new ordinary bearer shares, each with a nominal value of EUR 1.00 and full dividend rights from 1 January 2019, at the offer price of EUR 5.61 per New Share.
- Exclusive Option Agreement with MorphoSys AG under the terms of which MorphoSys has obtained an exclusive option to license Vivoryon's small molecule QPCTL inhibitors in the field of oncology. MorphoSys has committed to investing up to EUR 15 million in a minority stake in Vivoryon Therapeutics as part of a capital raise planned for later this year.
- Review of management board remuneration and confirmation of the appropriateness of management board remuneration by an independent remuneration expert
- New Employee Stock Option Plan
  The stock-option programme 2020 serves to promote the tong-term loyalty of the beneficiaries to Vivoryon. It is intended to issue options prior to the 2020 annual general meeting subject to the condition that the general meeting approves the creation of this stock option programme 2020 and creates a corresponding Conditional Capital.
- defining the corporate targets for the financial year 2020;
- budget for the financial year 2020.

Further, the Supervisory Board regularly held closed sessions without participation of the Management Board as part of their Supervisory Board meetings.

ACTIVITIES AND MEETINGS OF SUPERVISORY BOARD COMMITTEES

To ensure that its duties are performed efficiently, the Supervisory Board has established the Audit Committee to prepare the issues that fall within the Supervisory Board's respective areas of responsibility for the Supervisory Board plenum. The chair of the Committee reports to the Supervisory Board on the Committees' work in the next Supervisory Board meeting after each audit committee meeting. The minutes of the Committee meetings are made available to all Supervisory Board members.
The audit committee comprises Dr. von der Osten, Charlotte Lohmann and Dr. Neermann; Dr. von der Osten is the Chairperson. All members have the corresponding expertise and independence. The audit committee met twice in 2019 by telephone. The primary discussion points in these meetings were the audit of the 2018 financial statements pursuant to HGB and IFRS as well as the 2019 half-year financial statements.

AUDIT OF THE ANNUAL FINANCIAL STATEMENTS

For the 2019 financial year, the Company commissioned KPMG AG Wirtschaftsprüfungsgesellschaft („KPMG") as its auditor. The audit contract was awarded by the Supervisory Board in accordance with the resolution of the Annual General Meeting on May 29, 2019. In accordance with the Code, the Supervisory Board obtained a declaration of independence from the auditor in advance.
The documents that had been audited and the audit reports of the auditor were delivered on a timely basis to each member of the Supervisory Board. The auditor attended the meeting of the Supervisory Board on March 03, 2020 where the 2019 annual financial statements were presented, and reported on the material findings of his audit. The key topics of the audit of the annual financial statements for the 2019 financial year were: www.vivoryon.com/investors-news/financial-information.
The auditor also performed an audit of the risk monitoring system. The conclusion of the audit was that the Management Board has taken all suitable measures according to Section 91 (2) of the AktG, and that the risk monitoring system is capable of recognizing in due course developments that may impair the ability of the company to continue as a going concern.
The Supervisory Board took note of the report of KPMG as auditor of the company. The result of the review of the annual financial statements by the Supervisory Board fully corresponds with the result of the audit by the auditor. The Audit Committee has discussed the audit results and annual financial statements in a detailed manner and proposed that the Supervisory Board approves the annual financial statements of Vivoryon Therapeutics AG prepared by the Management Board. Following its own examination, the Supervisory Board does not see any reason for raising any objections against the Management Board and the submitted annual financial statements.
In the meeting on March 25, 2020, the Supervisory Board approved the annual financial statements of Vivoryon Therapeutics AG prepared by the Management Board. The annual financial statements are thus adopted.

CORPORATE GOVERNANCE AND DECLARATION OF CONFORMITY

Also within the reporting year 2019, the Supervisory Board discussed with the Management Board the Company's compliance with the Code's recommendations and justified exceptions to the Code's recommendations. Based on this consultation, the Management Board and the Supervisory Board issued a declaration of conformity pursuant to section 161 AktG (Aktiengesetz - German Stock Corporation Act) which is available on the website of Vivoryon Therapeutics AG. The Supervisory Board further devoted its attention to Vivoryon Therapeutics's corporate governance. In its corporate governance report, the Management Board concurrently reports on the corporate governance of Vivoryon Therapeutics also on behalf of the Supervisory Board.

CONFLICTS OF INTEREST IN THE SUPERVISORY BOARD

There are conflicts of interest in the Supervisory Board within the reporting year 2019.
Charlotte Lohmann is Senior Vice President and General Counsel at MorphoSys AG. The conflict of interest was resolved by the fact that Ms. Lohmann did not take part in the relevant meetings with a focus on " Exclusive Option Agreement with MorphoSys AG" and in the decision-making process at the Supervisory Board meetings.

CHANGES IN THE COMPOSITION OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

There were no changes in the composition of the Supervisory board in the reporting period.
There were no changes in the composition of the Management Board in the reporting period.
The Supervisory Board thanks the Management Board, all employees, advisors and partners of Vivoryon Therapeutics AG for their commitment and their performance.

Halle (Saale), in March 2020
for the Supervisory Board:

Dr. Erich Platzer
Chairman of the Supervisory Board

MANAGEMENT REPORT

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2.1 OPERATIONS AND BUSINESS ENVIRONMENT

STRATEGY AND GROUP MANAGEMENT

Vivoryon Therapeutics AG (previously known as Probiodrug AG, until June 11, 2019) – hereinafter referred to as "Vivoryon Therapeutics", "Vivoryon" or "the Company" and its wholly owned subsidiary Vivoryon Therapeutics Inc., (until August 9, 2019 Probiodrug Inc.) Chicago, USA – comprises Vivoryon Therapeutics AG. Vivoryon's shares are publicly traded on the Euronext/Amsterdam, with the ticker symbol VVY (until June 11, 2019 PBD), and the Open Market of the Frankfurt Stock Exchange, XETRA, the electronic trading platform of Deutsche Börse AG, since April 4, 2019.

Vivoryon is a clinical-stage biopharmaceutical company leveraging its unmatched understanding in identifying post-translational modifying enzymes that play a critical role in disease initiation and progression. The Company is advancing a mid-development-stage clinical program for a novel Alzheimer's disease (AD) therapy and rapidly capitalizing on a unique proprietary position in cancer and beyond. The Company's vision is to leverage its versatile scientific approach to advance precision intervention medicines derived from the cutting-edge discovery engine.

Vivoryon´s main value drivers are the proprietary drug candidates led by the first-in-class, highly specific and potent small molecule inhibitor of Glutaminyl cyclase, PQ912, which is being developed for the treatment of AD.

The proprietary development segment focuses on developing therapeutic agents based on the Company's proprietary technology platforms. During clinical development, the Company determines whether and at which point it will pursue a partnership for later development and commercialization. The drug candidate can then be either completely out-licensed or developed further in cooperation with a pharmaceutical or biotechnology company (co-development).

Key elements of Vivoryon´s strategy to achieve this goal are the following:

PQ912

PQ912 is a first-in-class, highly specific and potent small molecule inhibitor of Glutaminyl cyclase (QC, QPCT). A Phase 2a study (SAPHIR) revealed significant improvements in a cognition parameter. Vivoryon currently initiates a Phase 2b trial in Europe in early stage Alzheimer's disease. A second Phase 2b trial is planned in the US and is supported by a significant grant from the NIH.

ENTER INTO PARTNERSHIPS WITH BIOTECHNOLOGY AND PHARMACEUTICAL COMPANIES

Vivoryon remains open to all opportunities including potential partnerships with biotechnology and pharmaceutical companies. Such partnerships can provide significant clinical and technical expertise as well as financial support and would allow Vivoryon not only to continue to focus on the development of its product candidates but also to pursue the possibilities of developing other product candidates and/or to explore the efficacy of its product candidates in other indications.

STRENGTHEN VIVORYON THERAPEUTICS' INTELLECTUAL PROPERTY POSITION

Vivoryon continuously strengthens its intellectual property position in relation to QC-inhibitors and antibodies against pGlu-Abeta by filing patent applications in major commercially relevant jurisdictions and, where deemed appropriate, is prepared to contest any infringements. The Company is hereby pursuing the strategy of focusing the patent portfolio on development relevant and commercially promising areas.

Vivoryon Therapeutics´ goal is to maximize the portfolio's value by investing in proprietary drug candidates while maintaining financial discipline and strict cost control to ensure increasing enterprise value.

STRENGTHEN VIVORYON THERAPEUTICS' FINANCIAL POSITION

At Vivoryon, the primary goal of financial management is to ensure sufficient liquidity reserves at all times to advance its assets up to a certain stage of development. This approach requires significant financial resources, which Vivoryon aims to raise via capital increases and the utilization of other financial instruments, e.g. loans, convertibles etc.

LEGAL STRUCTURE OF VIVORYON

The Company is registered with the name Vivoryon Therapeutics AG (until June 11, 2019 as Probiodrug AG) with the commercial register of the local court (Amtsgericht) of Stendal under the registration number HRB 213719. Its commercial name is Vivoryon Therapeutics. The Company's registered office and business address is Weinbergweg 22, 06120 Halle (Saale), Germany. Currently Vivoryon Therapeutics Inc. (until August 9, 2019 Probiodrug Inc.) in Chicago, Illinois, USA, has neither operating activities nor assets.

The management of the Company consisted of two board members: Dr. Ulrich Dauer (Dipl. Chemiker [degreed Chemist]) – CEO and Dr. Michael Schaeffer (Dipl. Molekularbiologe [degreed Molecular Biologist]) – CBO.

SIGNIFICANT CORPORATE EVENTS OF THE COMPANY IN 2019

Name of the Company to "Vivoryon Therapeutics AG"

As of June 11, 2019, with entry into the commercial register Stendal, the Company officially changed its name to Vivoryon Therapeutics AG. The name change is a result of a shareholder resolution passed at the Company's Annual General Meeting held on May 29, 2019.

Exclusive Option Agreement with MorphoSys AG

In October 2019, the company announced that they have entered into an agreement under the terms of which MorphoSys has obtained an exclusive option to license Vivoryon's small molecule QPCTL inhibitors in the field of oncology. The option covers worldwide development and commercialization for cancer of Vivoryon's family of inhibitors of the glutaminyl-peptide cyclotransferase-like (QPCTL) protein, including its lead compound PQ912. In exchange, MorphoSys has committed to investing up to EUR 15 million in a minority stake in Vivoryon Therapeutics as part of a capital raise planned for later this year.

Accounting for the capital raises in the financial year 2019

In April 2019, Vivoryon Therapeutics successfully completed a capital increase from EUR 8,208,009 by EUR 4,093,367 to EUR 12,301,376 by issuing 4,093,367 new shares against cash contributions, representing 50% of its existing share capital. The New Shares were issued from the Company's authorized capital, where the pre-emptive rights of the Company's existing shareholders are excluded in accordance with the articles of association of the Company.

In October 2019 Vivoryon Therapeutics announced that it successfully raised capital of EUR 43 million via a Rights Offering to existing shareholders and a private placement to select qualified investors in Europe. Vivoryon issued a total number of 7,674,106 new ordinary bearer shares, each with a notional value of EUR 1.00 and full dividend rights from 1 January 2019, at the offer price of EUR 5.61 per New Share. The proceeds from the Offering will be used and are expected to be sufficient to fully finance the European Phase 2b clinical study with the Company's lead product PQ912 for Alzheimer's Disease, in particular for manufacturing the molecule PQ912 and testing it in approximately 250 patients, and bringing it through to Phase 2b results in 2022. The remaining proceeds will be used to prepare and initiate the US Phase 2b clinical trial with PQ912.

CORPORATE GOVERNANCE REPORT

The management board and the Supervisory Board expressly support the German Corporate Governance Code and the objectives it pursues. The Company largely complies with its requirements. In accordance with section 3.10 of the German Corporate Governance Code, we report below on corporate governance as practiced at Vivoryon. The declaration on corporate governance (Erklärung zur Unternehmensführung) in accordance with section 289a of the German Commercial Code (Handelsgesetzbuch – HGB) can be found in the management report relating to the Annual Financial Statements 2018 in the Annex "Financial Reports". In addition, the joint Compliance Statement (Entsprechungserklärung) acc. to section 161 German Stock Corporation Act (Aktiengesetz – AktG) of the management board and the Supervisory Board of Vivoryon is available on the Company's website under www.vivoryon.com.

IMPLEMENTATION OF THE GERMAN CORPORATE GOVERNANCE CODE

As a result of the initial public offering of Vivoryon Therapeutics with a listing on Euronext in Amsterdam on October 27th, 2014, the Corporate Governance Code has been applicable to Vivoryon Therapeutics since that date.

REASONABLE CONTROL AND RISK MANAGEMENT

For the leadership of Vivoryon, a continuous and systematic management of the entrepreneurial opportunities and risks is of essential importance. For this reason, Vivoryon implemented internal control and risk management. The management board reports to the Supervisory Board on a regular basis on the current developments in the Company. In the Audit Committee, the supervision of the effectiveness of the accounting processes as well as the supervision of the independence of the auditor are reviewed.

OBJECTIVES OF THE SUPERVISORY BOARD REGARDING ITS COMPOSITION

The Supervisory Board shall be composed in such a manner that its members – individually and collectively – have the required knowledge, skills and experience for the proper performance of their tasks. The Supervisory Board intends to take into consideration the following objectives relating to its composition:

- Experience in pharmacological research and research into the Alzheimer's disease and similar diseases
- Experience in research into the Alzheimer's disease and similar diseases
- Experience with the public capital market
- Due to the international positioning of the Company, experience with US markets
- Avoidance of substantial and not just temporary conflicts of interests and their reasonable handling
- Fixing of an age limit of 75 years, i.e. when a member of the Supervisory Board reaches the age of 75 during the term of office, he/she is supposed to withdraw from the Supervisory Board upon the end of the general shareholders' meeting after having reached the age of 75

As these requirements provide a challenge finding a sufficient number of qualified members for the Supervisory Board, the Supervisory Board did not determine any fixed diversity quota.

WOMEN'S QUOTA FOR THE SUPERVISORY BOARD AND MANAGEMENT BOARD

On December 7, 2018 the Supervisory Board of Vivoryon decided to achieve a quota for women on the Executive Board of one-third and on the Supervisory Board of one fifth until September 30, 2022.

Vivoryon's Executive Board did not establish any targets in terms of the proportion of women for the first and second management level below the Executive Board as, due to the organizational structure and number of employees below the Executive Board, there is no management level.

The Company continues to meet this target.

AVOIDANCE OF CONFLICTS OF INTEREST

Within the reporting year, there were conflicts of interest in the Supervisory Board because Charlotte Lohmann is Senior Vice President and General Counsel at MorphoSys AG. The conflict of interest was resolved by the fact that Ms. Lohmann did not take part in the relevant meetings with a focus on "Exclusive Option Agreement with MorphoSys AG" and in the decision-making process at the Supervisory Board meetings.

TRANSACTIONS IN SECURITIES SUBJECT TO REPORTING REQUIREMENTS AS WELL AS SHAREHOLDINGS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD

Pursuant to section 15a WpHG (German Securities Trading Act), the members of the management board and the Supervisory Board or persons closely related to them are obligated to report transactions in shares in the Company or financial instruments relating thereto to the Company if the value of any such transactions reaches or exceeds the amount of EUR 5,000.00 within one calendar year. Since the initial public offering of the Company with the listing at Euronext, Amsterdam, the following transactions have been reported to the Company:

HEADLINE

In EUR k	January 01, 2019	Additions	Sales	December 31, 2019
Dr. Erich Platzer	5´000.52	0	0	5´000.52
Platzer Invest (fully owned by Dr. Erich Platzer)	148´888	77´712	0	226´600
Dr. Dinnies von der Osten	5´000	15´000	0	20´000
Dr. Ulrich Dauer	4´800	29´002	0	33´802
Dr. Michael Schaeffer	0	3´567	0	3´567

HOLDINGS OF MANAGEMENT BOARD AND SUPERVISORY BOARD MEMBERS

To the knowledge of the Company, the members of the management board and the Supervisory Board hold more than 1% of the shares issued by the Company. All shares, performance shares, stock options and convertible bonds held by each member of the management board and the Supervisory Board are listed below.

HEADLINE

Party Subject to the Notification Requirement	Function	Date of Transaction	Type of Transaction	Aggregated Share Price	Aggregated Volume	Place of Transaction
Platzer Invest (owned by Dr. Erich Platzer)	Member of the Supervisory Board	Apr 10, 2019	Purchase	€ 2.00	102´000.00	Outside a trading venue
Dr. Ulrich Dauer	Chief Executive Officer	Apr 10, 2019	Purchase	€ 2.00	50´000.00	Outside a trading venue
Dr. Ulrich Dauer	Chief Executive Officer	Oct 18, 2019	Subscription rights	€ 0.00	€ 0.00	Outside a trading venue
Dr. Michael Schaeffer	Chief Business Officer	Oct 18, 2019	Subscription rights	€ 0.00	€ 0.00	Outside a trading venue
Platzer Invest (owned by Dr. Erich Platzer)	Member of the Supervisory Board	Oct 25, 2019	Purchase	€ 5.61	149´854.32	Outside a trading venue
Dr. Dinnies von der Osten	Member of the Supervisory Board	Oct 25, 2019	Purchase	€ 5.61	84´150.00	Outside a trading venue
Dr. Ulrich Dauer	Chief Executive Officer	Oct 25, 2019	Purchase	€ 5.61	22´451.22	Outside a trading venue
Dr. Michael Schaeffer	Chief Business Officer	Oct 25, 2019	Purchase	€ 5.61	20´010.87	Outside a trading venue

D&O INSURANCE

The Company took out a pecuniary loss liability insurance (D&O insurance) for the members of the management board with a reasonable retained amount pursuant to section 93 para. 2 sentence 3 AktG.

All members of the Supervisory Board are included in the D&O insurance. No retained amount is stipulated. As the Supervisory Board members, for the most part, only receive little remuneration, a retained amount would lead to an unreasonable result in financial terms for the Supervisory Board members.

For further details on corporate governance, please refer to the management report relating to the Annual Financial Statements 2019 (see Annex “Financial Reports”).

2.2 OVERVIEW OF THE COURSE OF BUSINESS

MACROECONOMIC DEVELOPMENT AND DEVELOPMENTS IN THE PHARMA AND BIOTECHNOLOGY INDUSTRY

The global economy grew at a much slower pace in 2019 than expected. This was due to a variety of geopolitical and trade-related conflicts, such as the trade dispute between the US and China and the ongoing uncertainty surrounding Brexit. The International Monetary Fund (IMF) believes that global GDP will increase by 3.0% in 2019 as a whole which marks a significant fall in growth compared to the previous year (3.6%). According to the IMF, the US economy recorded growth of 2.4% in 2019 (2018: 2.9%). The Eurozone economy is expected to have expanded by 1.2% (2018: 1.9%), whereas the German economy only achieved growth of 0.5% (2018: 1.5%) according to IMF estimates.

The healthcare sector is one of the most important elements of the global economy. A key growth factor in the sector is the increasingly ageing society which generates a growing demand for medical treatment. In this context, the demand for innovative products and therapies for a wide range of age-related diseases is also growing.

The pharmaceutical industry is an essential component of the German healthcare system. With around 130,900 employees, it generated revenues of over EUR 40.1 billion in 2018 (2018 BPI Pharma-Daten report). Germany is one of the world's leading research sites for internationally operating pharmaceutical companies. At present, the following disease indications of particular interest include: cancer, inflammatory diseases, cardiovascular diseases, metabolic diseases (such as type 2 diabetes), Alzheimer's disease as well as pharmaceutical forms and drug delivery devices.

Progress in Alzheimer's research remains inconsistent, with only four products approved to treat the symptoms of the disease since 1998. However, global demand for new treatment methods for this complex indication remains high, particularly as a result of the increasingly ageing global population. Once again, there was both good news and bad news in researching and developing new approaches to treating Alzheimer's in 2019.

2019 IN REVIEW - ALZHEIMER'S DRUG DEVELOPMENT

On the whole, 2019 was dotted with the failure of several Alzheimer's disease drug candidates while the year ended with cautious optimism.

The year started with Roche's announcement that they discontinued two Phase 3 clinical trials testing the investigational anti-beta-amyloid molecule, crenezumab, as it was unlikely to reach its primary endpoint of slowing cognitive decline. On a similar note, the pharmaceutical company, Biogen, announced the discontinuation of two Phase 3 clinical trials testing the investigational compound, aducanumab, based on an interim analysis that claimed this drug candidate was unlikely to perform better than placebo.

As the year progressed, other pharmaceutical companies announced related news, such as the discontinuation of two pivotal Phase 2/3 studies investigating the BACE1 inhibitor CNP520 (umibecestat) from the combined development effort from Amgen, Novartis and Banner Alzheimer's Institute.

However, the year ended on a more positive note when in October, Biogen announced that by increasing the doses of aducanumab, the full data painted a different picture than that from the start of the year, highlighting the positive effect aducanumab had on reducing cognitive decline in Alzheimer's patients. On top of this, the Chinese experimental seaweed-based drug, GV-971, was approved and entered the market on December 30th, 2019 on the basis of the drug slowing cognitive decline as observed in a Phase 3 trial. However, an international trial is being planned to further evaluate the drug with standard trial parameters.

In summary, 2019's advancements and setbacks in regards to Alzheimer's drug development emphasize the importance of cultivating, promoting and advancing novel treatment approaches to this highly complex and elusive neurodegenerative disease.

2019 IN REVIEW - FUNDING AND OPPORTUNITIES FOR ALZHEIMER'S INNOVATION

As per statistics drawn from the Alzheimer's Association, in 2019 alone, Alzheimer's in addition to other forms of dementia socioeconomical cost the United States an estimated $290 billion. These costs are expected to grow considerably, reaching an estimated $1.1 trillion in the year 2050.

These numbers highlight the economic burden this disease creates and underline the importance of funding the development of innovative therapeutic approaches. For example, the Dementia Discovery Fund is a $350 million venture capital fund dedicated to allocating its capital to finding breakthrough drugs for Alzheimer's and other dementias. It is the world's largest investment fund focused on one medical research area. Its supporters, who have invested £290 million, include Bill Gates, the United Kingdom government and seven top pharmaceutical firms, such as GSK and Pfizer. Moreover, Bill Gates is joining the Alzheimer's Association ´Part the Cloud´ global research grant program and awarding $10 million to companies in the Alzheimer's field. The recipients of such monetary awards are often smaller companies, such as AstronauTx Ltd, which received an investment of £6.5 million from the Dementia Discovery Fund in 2019.

Overall, despite 2019 being a difficult year for clinical trials from big pharmaceutical companies, Merck & Co nonetheless enhanced its early-stage pipeline by acquiring Calporta Therapeutics, a company also involved in developing treatments for Alzheimer's, for $576 million. Moreover, Biogen and C4 Therapeutics entered into a strategic collaboration to develop novel therapeutics for neurological disorders such as Alzheimer's. This continued movement in funding and business opportunities point to the consistent interest in financing research and development to tackle this disease.

BUSINESS ACTIVITIES

RESEARCH AND DEVELOPMENT PROCESS

Our primary focus in 2019 remained on the development of PQ912, an inhibitor of the enzyme QC for the treatment of Alzheimer's and other diseases. The main work was carried out by external service providers, contract research organizations and contract manufacturers, and cooperation partners in the areas of pharmaceutical accompanying research, manufacturing, preclinical and clinical testing as well as analytics.

Over the years, Vivoryon has prioritized the creation and maintenance of credibility within the scientific community including clinicians and pharmaceutical companies that pursue therapies for central nervous system and degenerative diseases such as AD.

In terms of its research and development activities in the field of AD, Vivoryon has not entered into any partnering or licensing arrangements in respect to any of its product candidates. The Company is currently mainly financed by equity and to lesser extent by grants and subsidies.

Grant 15 Million USD National from NIH for U.S. Phase 2b Core Program for PQ912 received
In March 2019 the Company received the approval of a USD 15 million National Institutes of Health (NIH) grant intended for a U.S. Phase 2b trial, further validating our differentiated therapeutic approach in AD. The grant was awarded by the National Institute on Aging, part of the NIH, for the p roject "A Seamless Phase 2A-B Randomized Double-Blind Placebo-Controlled Trial to Evaluate the Efficacy and Safety of PQ912 in Patients with Early Alzheimer's Disease." The funding is under award number R01AG061146 to the University of California, San Diego. Vivoryon is the sponsor of the U.S. study led by principal investigator, Howard Feldman, MD, Director of the ADCS, a national consortium of clinical sites, based at the University of California, San Diego.

Collaboration Agreement with University of Kiel
On 27 June 2019, Vivoryon entered into a research collaboration with the University of Kiel to further uncover the therapeutic potential of the QPCTL inhibitors in cellular cancer models. The Company's highly active compounds will be tested individually and in combination with therapeutic antibodies.

Exclusive Option Agreement with MorphoSys AG
On 8 July 2019, the Company entered into an exclusive option agreement with MorphoSys AG. Under the terms of the agreement, MorphoSys obtained an exclusive option to license Vivoryon's small molecule QPCTL inhibitors in the field of oncology. The option covers worldwide development and commercialization for cancer of Vivoryon's family of inhibitors of the glutaminyl-peptide cyclotransferase-like (QPCTL) protein, including its lead compound PQ912. If MorphoSys chooses to exercise the option, Vivoryon Therapeutics will receive an option fee, and is eligible for milestone payments and royalties.

PIPELINE UPDATE

Vivoryon Therapeutics is focused on the research and development as well as the potential future commercialization of new therapeutic products for age-related diseases. Our current drug development programs are concentrated on first-in-class therapeutics for the treatment of AD and cancer indications. The Company is developing a proprietary, focused pipeline of product candidates against AD.

Current approved drugs for AD treat symptoms of the disease only and neither halt the progression nor provide sustainable improvement of the disease. The positive effects of these treatments on cognitive functions and activities of daily living are at best modest and may have side effects.

Vivoryon's therapeutic approach targets pyroglutamate-Abeta (pGlu-Abeta,) as a therapeutic strategy to fight Alzheimer's disease. This modified Abeta is considered to be linked with disease initiation and progression by seeding the formation of soluble neurotoxic amyloid oligomers. Vivoryon is developing proprietary product candidates to target toxic pGlu-Abeta by inhibiting the production of pGlu-Abeta.

Vivoryon's innovative approach is based on the development of specific inhibitors for the enzyme Glutaminyl Cyclase (QC), which is instrumental in the creation of pGlu-Abeta. In addition, the Company is developing a monoclonal antibody targeting pGlu-Abeta to enhance its clearance.

PQ912

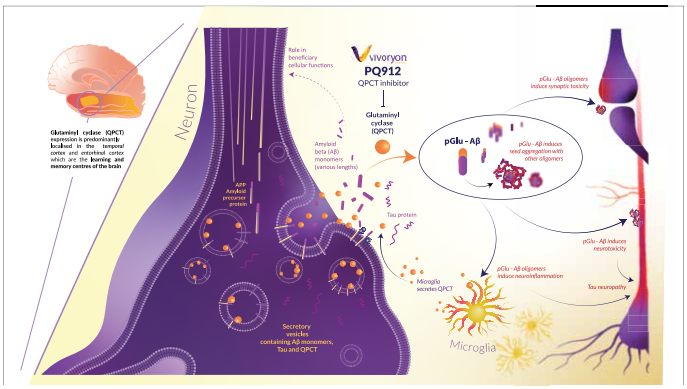
Alzheimer´s disease
PQ912 is a first-in-class inhibitor of the glutaminyl cyclase enzyme that plays a central role in the formation of synaptotoxic pyroglutamate-Abeta oligomers. The Company reported in 2017 on their clinical Phase 2a study with PQ912 in subjects with biomarker-proven AD. The aim of "SAPHIR", a Phase 2a study, was to determine the maximal tolerated dose, target occupancy and treatment-related pharmacodynamic effects. The exploratory efficacy readouts selected were tailored to the patient population with early AD.

The study revealed a positive benefit-to-risk ratio of PQ912 and provides important guidance on how to move advance the development of PQ912 as a disease-modifying drug for AD. Altogether, the results confirm the continued advabcenebt if the the program.

The planning of the Phase 2b study of PQ912 has been completed. This program includes a regional trial in Europe and will seek to also initiate a US trial thereafter. The European trial is planned with approximately 250 patients and treatment periods up to 84 weeks with stable doses of PQ912. The US trial is planned to enroll 462 patients with 18 months treatment on stable doses of PQ912. The selection of trial endpoints is planned to consider the outcome of the Phase 2a trial as well as the new regulatory guidelines for AD drug approvals by FDA and EMA introduced in 2018.

The European trial of the Phase 2b study and the proof-of-concept program will be led again by Philip Scheltens, Director of the Alzheimer Center VU University Medical Center Amsterdam, NL as Chairperson.

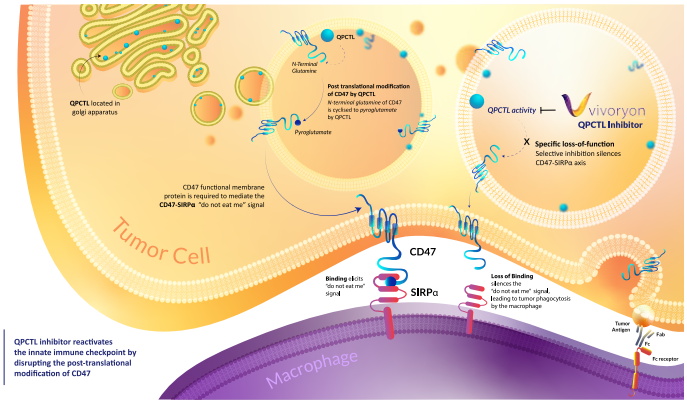
For the preparation of the US trial, the Company has entered into a letter of agreement with the University of California, San Diego Campus, as part of ADCS. Together with ADCS, the Company will receive a USD 15 million grant from NIH for the reimbursement of parts of the clinical costs which will be incurred in the course of the US trial. The US trail will be run by Professor Howard Feldman, Director of Alzheimer's Disease Cooperative Study (ADCS), in San Diego, USA.



CANCER

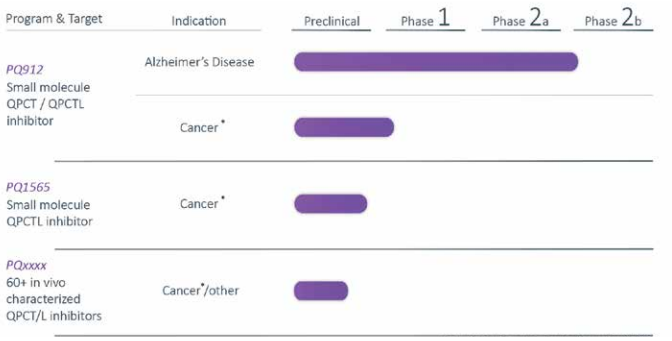
The option agreement with MorphoSys AG Vivoryon will enable the start of a cancer drug development program focused on modulating immune checkpoints. Checkpoint inhibitor therapy is a novel approach to cancer immunotherapy. This therapy targets key regulators of the immune system that stimulate or inhibit its actions, which tumors commonly use to protect themselves from attacks by the immune system. Published and internal research has shown that QPCTL is a powerful therapeutic target to silence the "do not eat me" signal provided by the interaction of CD47 expressed on cancer cells, with the protein SIRPα expressed on macrophages and other myeloid cells. Tumor immunotherapy targeting the CD47 SIRPα axis is a current focus in cancer drug development. Combining a therapeutic anti-cancer antibody of choice with the inhibition of the CD47 SIRPα interaction is expected to lead to significant therapeutic improvements.

Next to the option agreement with MorphoSys, Vivoryon entered into a Collaboration Agreement with the University of Kiel.



PQ1565

PQ1565 is a second-generation highly potent small molecule inhibitor of Glutaminyl cyclases QC and iso QC. As a pre-clinical stage drug candidate, the molecule's drug like properties are well characterized and it has shown a favorable in vivo toxic profile in rodents and non-rodents. PQ1565 displays excellent bioavailability and shows a high systemic exposure. It also is effective in cellular models for cancer and inflammatory models in vivo.



PRODUCT PIPELINE

Vivoryon´s current pipeline focuses on small molecule inhibitors for enzymes of the Glutaminyl cyclase family and has therapeutic potential in Alzheimer's disease and a broad spectrum of cancer indications.

PATENTS

Vivoryon has an extensive patent portfolio which it believes sufficiently protects its product candidates and the QPCT target by composition of matter and medical use claims in AD, cancer as well as in inflammatory diseases and other neurological indications. The continuously expanding patent portfolio currently consists of 40 patent families, which comprise of approximately 600 national patent applications and issued patents worldwide.

ANNUAL GENERAL SHAREHOLDER MEETING

The Supervisory Board and the management of Vivoryon Therapeutics AG welcomed the shareholders to the Company's Annual General Meeting that took place on May 29, 2019, at the Company's headquarter in Halle (Saale). 42.15 % of the voting shares were represented at the AGM.

The shareholders approved all resolutions with a large majority, proposed by the Company's management and Supervisory Board including:

- The discharge of the members of the management and Supervisory Boards with respect to the 2018 financial year.
- The appointment of KPMG AG Wirtschaftsprüfungsgesellschaft as auditor for the 2019 financial year.
- *Resolution on the Change of the Name of the Company to "Vivoryon Therapeutics AG".*
  The change of the company name is effective since the day of entry into the commercial register, June 11, 2019.
  The new name is representative of the evolving commitment of the Company to promote "Healthy-Aging – Pioneering Innovation", adding, Vivoryon, composed of 'Vivid Memory On', expresses the strong commitment to develop a transformational therapeutic option for patients with Alzheimer's Disease (AD) against the backdrop of multiple late stage industry disappointments. With the proprietary Glutaminyl cyclase (QC) inhibition platform Vivoryon is a leader in this field which has also opened up new opportunities to bring scientific excellence for the benefit of patients to other indications, as Vivoryon currently see in immuno-oncology.
- *Resolutions on the Increase of the Share Capital of the Company for Cash Contributions*
  The share capital of the Company should be increased for contributions in cash by up to EUR 36,904,128.00 to up to EUR 49,205,504.00 by issuing new no-par value common bearer shares with entitlement to participate in the profits as of January 1, 2019 at an issue price of EUR 1.00 per share to be issued.
  The proceeds from the Offering will be used and are expected to be sufficient to fully finance the European Phase 2b clinical study with the Company's lead product, PQ912, for Alzheimer's Disease. In particular, this will finance manufacturing the molecule PQ912, testing it in approximately 250 patients, and bringing it through to Phase 2b results in 2022. The remaining proceeds will be used to prepare and initiate the US Phase 2b clinical trial with PQ912.
- *Adoption of a Resolution on the Creation of the Authorized Capital 2019 as well as the Corresponding Amendments to the Articles of Association*
  The management board is given the authorization to increase the share capital of the Company –subject to the consent of the Supervisory Board – until May 28,2024 in one or several step(s) for contributions in cash or in kind by up to EUR 6,150,688.00 by issuing a total of 6,150,688 new no-par value common bearer shares (Authorized Capital 2019). The subscription right is excluded. Furthermore, subject to the consent of the Supervisory Board, the management board is given the authorization, to determine the further details of the capital increase, its implementation and the terms and conditions for the issue of the shares out of the Authorized Capital 2019.

2.3 SHARES AND THE CAPITAL MARKET

MARKET INFORMATION

Vivoryon shares are tradeable on the Euronext/Amsterdam under the symbol "VVY" (until June 11, 2019 under "PBD"). On April 4, 2019 the Company announced shares of Vivoryon are also listed on XETRA, the electronic trading platform of Deutsche Börse AG.

STOCK MARKET DEVELOPMENT

The year 2019 was dotted with the failure of several Alzheimer's disease drug candidates while the year ended with cautious optimism. The first capital increase was a positive signal to the market and ended in a significant increase of the share price. The price performance was further strengthened after the announcement of the option agreement with MorphoSys in July 2019.

The Euronext Next Biotech, representing the relevant benchmark for Vivoryon Therapeutics in The Netherlands, opened the year at 1,855.32 peaked at 2,994.72 (on December 24) and closed 2019 with 2,978.89. The US NASDAQ Biotechnology Index started into 2019 at 3,043.62, peaked at 3,878.91 (on December 24) and closed the year at 3,786.54. The DAX Biotechnology subindex, tracking the German biotech industry, started into 2019 with 390.58, reached its year high of 564.21 (on December 23 and 24) and ended the year at 534.97.

COMMON STOCK

The Company´s common stock increased to 19,975,482 shares or EUR 19,975,482,00 in the financial year 2019, by two capital increases.

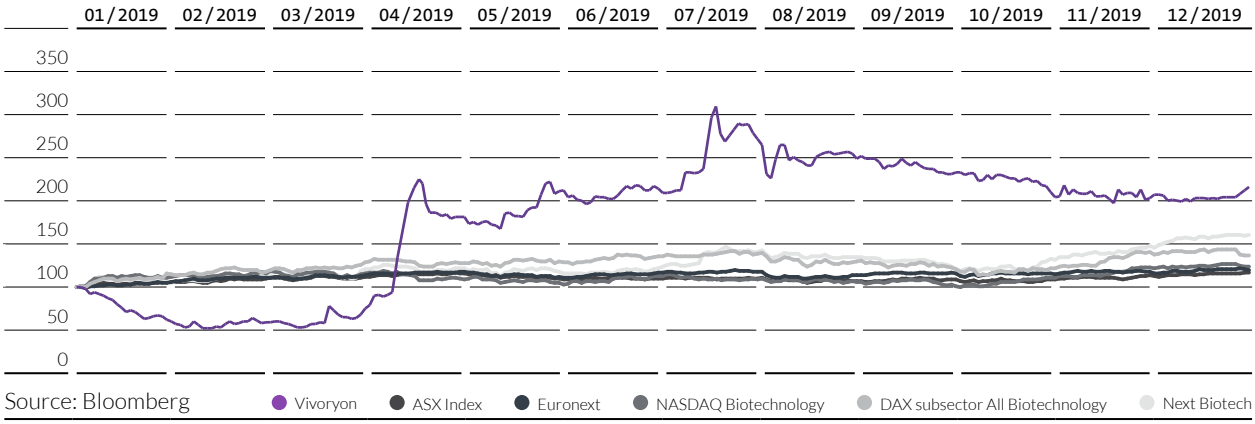
The price of the Vivoryon share opened the year 2019 at EUR 2.51. It reached its intrayear-high of EUR 7.81 on July 17, 2019 and closed the year 2019 at EUR 5.44. Vivoryon had a market capitalization of approximately EUR 108 million at the end of 2019.

Shares of Vivoryon have been listed on XETRA, the electronic trading platform of Deutsche Börse AG, since April 4, 2019. The Company has also been included in the AScX index since December 20, 2019. The AScX index is a stock market index of companies that trade on Euronext Amsterdam. Established in 2005, the AScX index is a stock market index of companies that trade on Euronext Amsterdam. The AScX index is composed of the 25 companies that trade on the exchange and have a certain market cap.

KEY FIGURES OF THE VIVORYON THERAPEUTICS SHARE AS OF 31 DECEMBER 2019

International Securities Identification Number (ISIN)	DE0007921835
German Securities Identification Number (WKN)	792183
Ticker Symbol:	VVY (until June 11, 2019 PBD)
Type of Shares:	Bearer shares
Number of shares:	19,975,482
Stock Exchange:	Euronext Amsterdam / XETRA, Frankfurt
Liquidity Provider:	Kempen & Co. / NIBC (since October 2019)
First Day of Trading:	27 October 2014
Closing Price on First Trading Day (January 2, 2019 (Euronext) (in EUR)	2.51
Annual High (Euronext) (in EUR)	7.81
Annual Low (Euronext) (in EUR)	1.29
Closing Price on Last Trading Day (December 31, 2019 (Euronext) (in EUR)	5,44
Market Capitalization (in EUR)	108.7 mio

RELATIVE PERFORMANCE OF THE VIVORYON SHARE IN 2019



INTERNATIONAL INVESTOR BASE

Vivoryon Therapeutics continued to enjoy the confidence of experienced blue chip investors. According to voting rights notifications received up to 31 December 2019, the following institutions were known to have exceeded the 3% threshold:

SHAREHOLDER STRUCTURE AS OF 31 DECEMBER 2019 (AS PER VOTING RIGHTS NOTIFICATIONS UNTIL END OF 2019)

MorphoSys AG	13.4%
Mr. Claus Christiansen	9.5%
Den Danske Forskningsfond	9.5%
T&W Holding	9.5%
Lupus alpha	6.9%
IBG Group	4.5%
Mackenzie Financial Corporation	3.3%
LSP	3.2%
Free float	40.2%
Total	**100.0%**

COMMUNICATION WITH THE CAPITAL MARKETS

At Vivoryon Therapeutics, a key principle of corporate communication is to inform institutional investors, private shareholders, financial analysts, employees and all other stakeholders, simultaneously and fully of the Company's situation through regular, transparent and timely communication. Shareholders have immediate access to the information provided to financial analysts and similar recipients and can obtain this information in both German and English. The Company is firmly committed to following a fair information policy.

Regular meetings with analysts and investors in the context of roadshows and individual meetings play a central role in investor relations at Vivoryon. Conference calls accompany publication of full year and half year results and give analysts and investors an opportunity to ask questions about the Company's development. Company presentations for on-site events, visual and audio recordings of other important events are also available on the Company's website to all interested parties. The Company's website www.vivoryon.com serves as a central platform for current information on the Company and its development. Financial reports, analyst meetings, as well as conference presentations and press releases, are also available at the Company´s homepage.

During the 2019 financial year, Vivoryon Therapeutics maintained close communication with the capital markets. Vivoryon also took part in around 10 international investor conferences.

Roadshows were held at various locations. The strongest interest in 2019 was Europe where a large number of specialized healthcare investors are located. Meanwhile, approximately 50% of Vivoryon Therapeutics AG shares are held by European institutional investors.

The management board also held conference calls in conjunction with the publication of the Annual and half year results, for reporting past and expected business developments and answer questions from analysts and investors.

At the end of 2019 Vivoryon Therapeutics was covered by analysts from the following institutions:

- Bank Degroof Petercam
- FMR Frankfurt Main Research AG
- goetzpartners Corporate Finance Ltd.
- NIBC
- Rx Securities

Further information can be found in the investor relations section on the Company homepage (Investor and News).

Vivoryon's communications and investor relations activities in 2019 were supported by MC Services and Trophic Communications. Contact details for media enquiries can be found in the publishing information.

2.4 SUSTAINABLE BUSINESS DEVELOPMENT

The financial statements of Vivoryon as of December 31, 2019 were prepared on a voluntarily basis in accordance with the International Financial Reporting Standards (IFRS/IAS) of the International Accounting Standards Board as well as in accordance with the Interpretations of the International Financial Reporting Interpretations Committee/Standing Interpretations Committee (IFRIC/SIC), as endorsed by the European Union for mandatory application as of the balance sheet date.

A) RESULTS OF OPERATIONS

The statement of comprehensive loss of Vivoryon for the year 2019 is set forth below:

STATEMENT OF COMPREHENSIVE LOSS FOR THE PERIOD 1 JANUARY 2018 TO 31 DECEMBER 2018 IFRS

	1 Jan. – 31 Dec.	
In EUR k	2019	2018
Research and development expenses	– 4,751	– 4,836
General and administrative expenses	– 3,023	– 2,891
Other operating income	59	29
Operating loss	**– 7,715**	**– 7,698**
Finance income	0	2
Finance expense	– 108	– 41
Finance Income/(expenses), net	**– 108**	**– 39**
Net loss for the period	**– 7,823**	**– 7,737**
Items not to be reclassified subsequently to profit or loss		
Remeasurement of the net defined benefit pension liability	– 157	– 18
Total other comprehensive income (loss)	**– 157**	**– 18**
Comprehensive loss	**– 7,980**	**– 7,755**
Loss per share in EUR (basic and diluted)	– 0.62	– 0.94

RESEARCH AND DEVELOPMENT EXPENSES

In financial year 2019 the research and development expenses of EUR 4,751k (2018: EUR 4,836k) comprise personnel costs, costs for internal research and development as well as services provided by third parties in relation to the preclinical and clinical programs, patent related legal and consulting fees as well as amortization and depreciation attributable to the research and development area.

GENERAL AND ADMINISTRATIVE EXPENSES

The general and administrative expenses of EUR 3,023k (2018: EUR 2,891k) comprise personnel costs and costs of office supplies, legal and consulting fees as well as amortization and depreciation attributable to the administrative area and other operating expenses.

OTHER OPERATING INCOME

The other operating income amounted to EUR 59k (2018: EUR 29k).

OPERATING LOSS

The resulting operating loss amounts to EUR 7,715k (2018: EUR 7,698k).

FINANCE INCOME / FINANCE EXPENSE

The finance income amounts to EUR 0k (2018: EUR 2k). The finance expense amounts to EUR – 108k (2018: EUR – 39k).

NET LOSS

The corresponding net loss amounts to EUR 7,823k (2018: EUR 7,737k).

OTHER COMPREHENSIVE INCOME/LOSS

The other comprehensive loss amounts to EUR 157k (2018: EUR 18k), reflecting re-measurements of the net defined benefit pension liability.

COMPREHENSIVE LOSS

The resulting comprehensive loss amounts to EUR 7,980k (2018: EUR 7,755k).

B) FINANCIAL POSITION

The statement of financial position of Vivoryon for the year 2019 is set forth below:

ASSETS

The assets amount to EUR 45,861k (2018: EUR 4,084k), consisting mainly of cash and cash equivalents of EUR 41,524k (2018: EUR 3,783k).

EQUITY

The equity amounts to EUR 42,665k (2018: EUR 1,230k), corresponding to an equity ratio of 93.0%.

NONCURRENT LIABILITIES

As of December 31, 2019, non-current liabilities amounted to EUR 2,266k (December 31, 2018: EUR 1,854k) and consist of pension obligations of EUR 1,951k (2018: EUR 1,854k) and long-term lease liabilities in accordance with IFRS 16, which was applicable for the first time in 2019 of EUR 315k. Short-term liabilities as of December 31, 2019 of EUR 930k remained almost the same as in the previous year (December 31, 2018 EUR 964k). Trade payables of EUR 539k (2018: EUR 772k) result from the normal course of business. They have a remaining term of up to one year. The short-term lease liabilities of EUR 91k reported for the first time on December 31 also result from the first-time application of the new IFRS 16.

CURRENT LIABILITIES

The current liabilities amount to EUR 930k (2018: EUR 964k), consisting primarily of trade payables and other current liabilities. The trade payables amounted to EUR 539k (2018: EUR 772k) resulting from of the ordinary conduct of business. They have a remaining term of up to one year.

STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2019

ASSETS IFRS

In EUR k	31 Dec. 2019	31 Dec. 2018
Noncurrent assets		
Intangible assets	16	7
Plant and equipment	465	56
Financial assets	3	3
Total noncurrent assets	**484**	**66**
Current assets		
Other assets	3,853	199
Cash and cash equivalents	41,524	3,783
Total current assets	**45,377**	**3,982**
Total assets	**45,861**	**4,048**

EQUITY AND LIABILITIES IFRS

In EUR k	31 Dec. 2019	31 Dec. 2018
Equity		
Share capital	19,975	8,208
Additional paid-in capital	86,388	48,740
Accumulated other comprehensive income	– 562	– 405
Accumulated deficit	– 63,136	– 55,313
Total equity	**42,665**	**1,230**
Noncurrent liabilities		
Pension liability	1,951	1,854
Lease liabilities	315	0
Total noncurrent liabilities	**2,266**	**1,854**
Current liabilities		
Provisions	12	12
Trade payables	539	772
Lease liabilities	91	0
Other current liabilities	288	180
Total current liabilities	**930**	**964**
Total liabilities	**3,196**	**2,818**
Total equity and liabilities	**45,861**	**4,048**

OVERALL ASSESSMENT OF ECONOMIC POSITION

Currently only a few factors have been identified which could, in the short-term, impair the development of Vivoryon. As per the Company's current planning, the cash and cash equivalents as of December 31, 2019 provide for the Company's financing into 2023. The Executive Board is satisfied with the overall corporate development and considers it positive but recognizes the need for further inflows of liquidity for the continuation of value-adding research and development activities.

2.5 EMPLOYEES

As of December 31, 2019, including the management board, Vivoryon Therapeutics had 17 (2018: 14) employees, of which 50% were female. In the reporting period, there were an average of 15 employees (2018: 14). In 2019, Vivoryon incurred personnel expenses of EUR 1.969 million (2018: EUR 2.396 million).

The Company has a balanced personnel policy whereby positions are filled with the most qualified individual.

2.6 INTELLECTUAL PROPERTY RIGHTS

A high-quality and stable patent portfolio is a decisive success factor for Vivoryon. Vivoryon has a very experienced patent management board which further developed the patent portfolio in 2019. In order to focus on the sustainable value drivers as well as to optimize costs and benefits, Vivoryon continuously reviews its patent portfolio.

As of December 31, 2019, 40 patent families were held (December 31, 2018: 40). Focus on the patent portfolio in non-core areas was offset by new applications in the development relevant areas. As such, Vivoryon's overall patent position was further improved.

2.7 RISK AND OPPORTUNITY REPORT

OPPORTUNITIES

Vivoryon Therapeutics operates in an industry characterized by constant change and innovation. The challenges and opportunities in the healthcare sector are influenced by a wide variety of factors. Global demographic changes, medical advances and the desire to increase quality of life provide excellent growth opportunities for the pharmaceutical and biotechnology industries. However, companies must also grapple with growing regulatory requirements in the field of drug development as well as cost pressure on healthcare systems.

The main opportunities for Vivoryon Therapeutics and its shareholders are based on an increasing interest in AD, the generation of additional positive data from Vivoryon`s proprietary programs, licensing agreements due to Vivoryon's very comprehensive and well-positioned patent portfolio as well as takeovers and M&A opportunities with Vivoryon as a potential target.

RISKS

On the other hand, Vivoryon Therapeutics is exposed to various individual risks, which are described in detail in the management report, relating to the Annual Financial Statements 2019. The occurrence of these risks can, individually or in the aggregate have a material adverse effect on the business activities, the realization of significant Company goals and/or Vivoryon's ability to refinance. Moreover, the risks could have substantial negative implications on the Company's net assets, financial position and results of operations. In the worst case, this could force the Company to file for insolvency. Currently only a few factors have been identified which could, in the short-term, impair the development of Vivoryon. Overall, the Company is well-positioned. As per the Company's current planning, the cash and cash equivalents as of December 31, 2019 provide for the Company's financing beyond the upcoming twelve months. Management believes that based on positive clinical study results of PQ912 additional cash inflows can be generated by 2023. Alternatively, the focus would be set on the two other preclinical compounds and a new target filed.

RISK MANAGEMENT

Vivoryon Therapeutics AG has an active, systematic risk management on the basis of which risks are to be identified, monitored and, on the basis of appropriate measures, minimized. Vivoryon's current business risks are primarily in the research and development of novel active pharmaceutical ingredients, the protection of intellectual property, the cooperation with a network of service providers and partners as well as maintaining equity in the Company's mid- to long-term financing. These risks are continuously assessed so as to optimize the Company's opportunities/risks position.

For further details on the opportunities, the risks and the risk management please refer to the management report relating to the Annual Financial Statements 2019 (Annex "Financial Reports").

2.8 REPORT ON POST-BALANCE SHEET DATE EVENTS

In January 2020 Vivoryon Therapeutics announced an agreement to collaborate with Nordic Bioscience for the clinical development of PQ912 for Alzheimer's Disease.

In addition to taking on the role as CRO (Clinical Research Organization) for Vivoryon Therapeutics' Phase 2b-study, Nordic Bioscience and Vivoryon will enter into a collaboration to benefit from Nordic Bioscience's world leading expertise in the development of blood-based biomarkers for the identification of specific patients that may benefit most from treatment with PQ912, the Company's Phase 2 clinical-stage candidate in AD.

2.9 COMPANY OUTLOOK

The mid-term focus of Vivoryon's business activities can be summarized as follows:

- Start Phase 2b clinical study program for PQ912 in Europe,
- Continuing the development of PQ912 in oncology,
- Conclusion of one or more industrial partnerships,
- Further scientific analysis of potential indications for the use of QC inhibitors,
- Further strengthening Vivoryon's financial resources.
- As a result of the continuing costs being incurred for development activities and the start of the Phase 2b-study which are not yet off-set by any sales, the Company also projects a net loss for the financial year 2020 which, based on the current budget, is expected to be higher than that of 2019.
- Due to its business model, Vivoryon is dependent upon additional capital to implement its development strategy until such time at which an industrial partnership is concluded and potentially beyond that. This can be provided in the form of equity on the basis of a capital increase or via alternative financing forms such as loans, convertible bonds, option bonds, etc. All appropriate provisions (e.g., approving sufficient authorized and conditional capital, eliminating pre-emptive rights) have been approved at the annual shareholders' meeting so as to provide the Company with sufficient flexibility to react to potential options.

The Company is well-positioned in the development of new therapeutic concepts for the treatment of Alzheimer's Disease. Through the continued program development, Vivoryon will lay the groundwork for a mid-term option for a lucrative industrial partnership or an M&A transaction as well as the further generation of substantial company value.

GLOSSARY

A
AD – Alzheimer´s disease

Amyloid beta – Protein produced by the body that can be deposited in the brain and is associated with the development of Alzheimer's disease

Abeta – Amyloid-beta denoted peptides of 36–43 amino acids that are either soluble or main components of the insoluble amyloid plaques found in the brains of Alzheimer patients

Abeta-oligomer – Soluble molecular Abeta aggregates of variable size

Amyloid – Amyloid are insoluble fibrous protein aggregates sharing specific structural traits

B
BACE – Beta-site APP cleaving enzyme is a family of beta secretases which family includes the aspartic proteases BACE- 1 (memapsin 2, EC=3.4.23.46) and BACE-2 (memapsin 1, EC=3.4.23.45) both capable to cleave APP at the N-terminal side of the Abeta peptide. The term is often synonymously used for BACE-1

C
Clinical trial – Clinical trials allow safety and efficacy data to be collected for new drugs or devices; depending on the type of product and the stage of its development, investigators enroll healthy volunteers and/or patients into small pilot studies initially, followed by larger-scale studies in patients

CRO – Clinical Research Organization

CD47 – Surface protein expressed on many cells in the human body with especially high expression levels on cancer cells

E
EMA – European Medicines Agency

F
FDA – Food and Drug Administration; US federal agency for the supervision of food and drugs

G
GCP – Good clinical practice; an international ethical and scientific quality standard for designing, conducting, recording and reporting trials that involve the participation of human subjects

GLP – Good laboratory practice; a formal framework for the implementation of safety tests on chemical products

GMP – Good manufacturing practice; term for the control and management of manufacturing and quality control testing of pharmaceutical products and medical devices

I
IFRS – International Financial Reporting Standards; accounting standards issued by the IASB and adopted by the EU

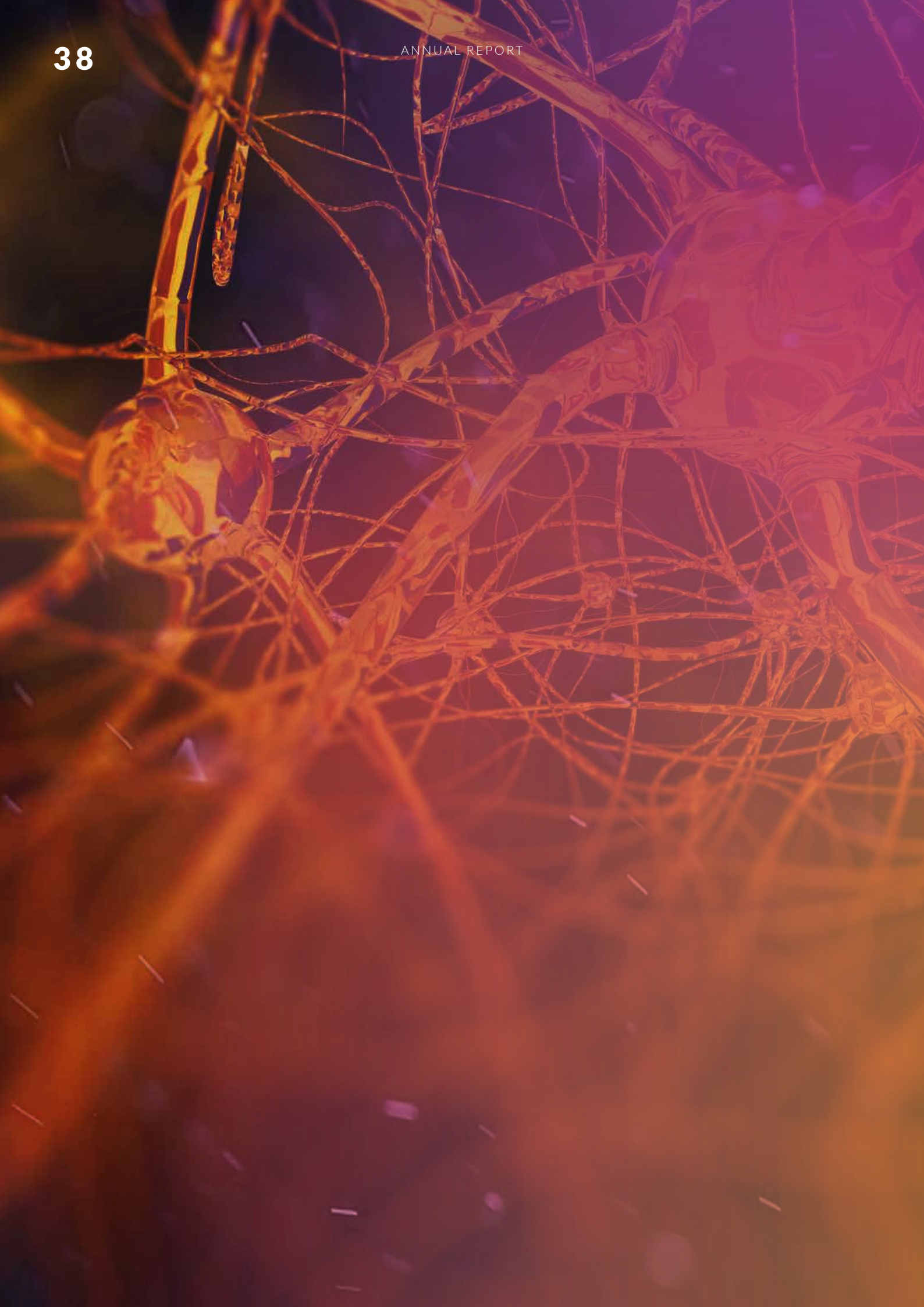
Q
QC – Glutaminyl Cylclase

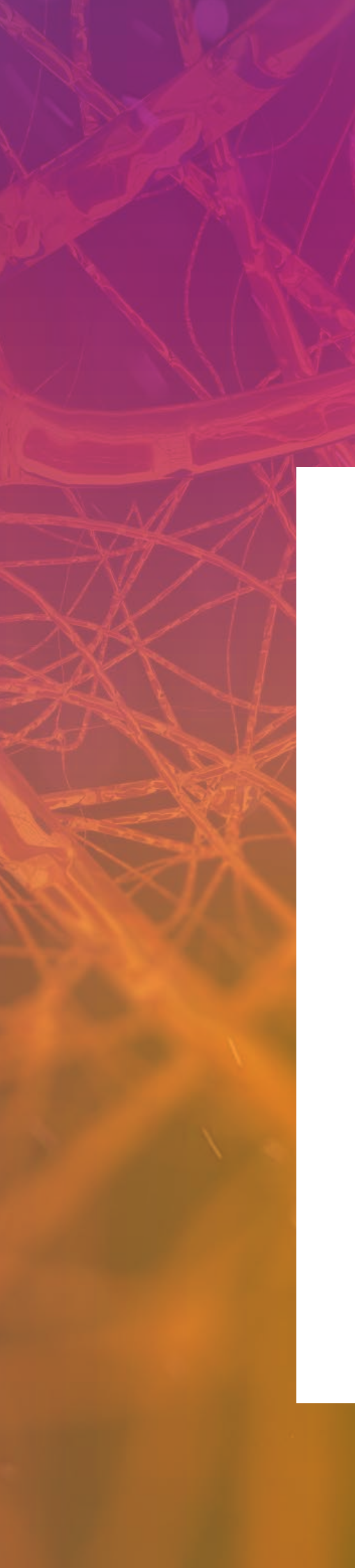
P
Probiodrug AG – Active under this name until June 11, 2019

R
Royalties – Percentage share of ownership of the Revenue generated by drug products

S
Small molecules – Low molecular compounds

V
Vivoryon Therapeutics AG – Active under this name since June 11, 2019





FINANCIAL REPORTS

3

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PART I

A. FINANCIAL STATEMENTS (IFRS)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

ASSETS

In EUR k	Notes	31 Dec. 2019	31 Dec. 2018
Noncurrent assets			
I. Intangible assets	3.3/6.1	16	7
II. Property, plant and equipment	3.4/6.2	465	56
III. Financial assets	3.6	3	3
Total noncurrent assets		**484**	**66**
Current assets			
I. Other current assets and prepayments	6.3	3,853	199
II. Cash and cash equivalents	3.7/6.4	41,524	3,783
		45,377	**3,982**
		45,861	**4,048**

EQUITY AND LIABILITIES

In EUR k	Notes		31 Dec. 2019		31 Dec. 2018
A. Equity					
I. Share capital	3.8/6.5		19,975		8,208
II. Additional paid-in capital			86,388		48,740
III. Accumulated other comprehensive loss			– 562		– 405
IV. Accumulated deficit			– 63,136		– 55,313
Total equity			**42,665**		**1,230**
B. Liabilities					
I. Noncurrent liabilities					
Pension liability	3.9/6.6	1,951		1,854	
Lease liabilities	3.1/8.1	315	2,266	0	1,854
II. Current liabilities					
Provisions	3.10	12		12	
Trade payables	3.6	539		772	
Lease liabilities	3.1/8.1	91		0	
Other current liabilities	6.7	288	930	180	964
			3,196		**2,818**
			45,861		**4,048**

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

		1 Jan. – 31 Dec.	
In EUR k	Notes	2019	2018
Research and development expenses	3.11/5.1	– 4,751	– 4,836
General and administrative expenses	5.2	– 3,023	– 2,891
Other operating income		59	29
Operating loss		**– 7,715**	**– 7,698**
Finance income	3.12	0	2
Finance expense	3.12	– 108	– 41
Finance income, net		**– 108**	**– 39**
Net loss for the period		**– 7,823**	**– 7,737**
Items not to be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit pension liability		– 157	– 18
Total other comprehensive income (loss)		**– 157**	**– 18**
Comprehensive loss		**– 7,980**	**– 7,755**
Loss per share in EUR (basic and diluted)	3.13/6.5.1	– 0.62	– 0.94

STATEMENT OF CASH FLOWS

		Year ended 31 December	
In EUR k	Notes	2019	2018
Net loss for the period		– 7,823	– 7,737
Net finance income/expense	5.4	108	39
Depreciation and amortisation		88	23
Share based payments		5	62
Unrealised foreign currency gain		– 41	– 26
Changes in working capital			
Changes in other assets	6.3	– 3,653	203
Changes in pension liabilities		– 162	156
Changes in provisions		– 1	0
Changes in trade payables		– 233	418
Changes in other liabilities		109	– 132
Interest paid		– 5	0
Cash flows used in operating activities		**– 11,608**	**– 6,994**
Purchase of plant and equipment		– 47	– 16
Proceeds from termination of pension liabilities insurance		0	476
Cash flows used in investing activities		**– 47**	**460**
Proceeds from issuance of common shares	6.5	51,238	0
Transaction costs of equity transaction	6.5	– 1,828	0
Payment of lease liabilities		– 56	0
Cash flows provided by financing activities		**49,354**	**0**
Net decrease/increase in cash and cash equivalents		**37,699**	**– 6,534**
Cash and cash equivalents at the beginning of period		**3,783**	**10,291**
Effect of exchange rate fluctuation on cash held		**41**	**26**
Cash and cash equivalents at the end of period		**41,524**	**3,783**

STATEMENT OF CHANGES IN EQUITY AS AT 31 DECEMBER 2019

In EUR k	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
January 1, 2018	**8,208**	**48,678**	**– 387**	**– 47,576**	**8,923**
Net loss for the period/ Comprehensive loss	0	0	– 18	– 7,737	– 7,755
Share-based payments	0	62	0	0	62
	0	62	– 18	– 7,737	– 7,693
December 31, 2018	**8,208**	**48,740**	**– 405**	**– 55,313**	**1,230**
January 1, 2019	**8,208**	**48,740**	**– 405**	**– 55,313**	**1,230**
Net loss for the period/ Comprehensive loss			– 157	– 7,823	– 7,980
Issuance of common shares	11,767	39,471			51,238
Transaction costs		– 1,828			– 1,828
Share-based payments		5			5
	11,767	37,648	– 157	– 7,823	41,435
December 31, 2019	**19,975**	**86,388**	**– 562**	**– 63,136**	**42,665**

B. NOTES TO THE FINANCIAL STATEMENTS

1 Company information

Vivoryon Therapeutics AG (until June 11, 2019 Probiodrug AG), Halle (Saale), (hereinafter also referred to as "Vivoryon" or the "Company"), has activities in the areas of research, preclinical and clinical development of therapeutic drug candidates. The product pipeline currently includes a number of research and development programs with a focus on the inhibition of the enzyme Glutaminylcyclase (QC or QPCT) and its iso-form iso-Glutaminylcyclase (iso-QC or QPCTL) for the treatment of Alzheimer's disease and other diseases.

Vivoryon Thearpeutics AG is a German stock corporation. The Company was formed by virtue of the Articles of Association dated July 25, 1997 and is registered in the commercial register of the district court of Stendal under commercial registry number 213719. The Company's legal seat is Weinbergweg 22, 06120 Halle (Saale), Germany. The Company was renamed into Vivoryon Therapeutics AG effective June 11, 2019, when it was entered in the commercial register of Stendal. The name change had been resolved by the Company's Annual General Meeting held on May 29, 2019. The new name stands for the enhanced corporate strategy under the claim "Healthy Aging – Pioneering Innovation". "Vivoryon", composed of "Vivid Memory On" expresses the Company's strong commitment to developing a transformative treatment option for patients with Alzheimer's disease (AD) against the background of a series of disappointments in late development stages within the industry.

Effective October 27, 2014, Vivoryon Therapeutics AG listed bearer shares under the symbol "VVY" with ISIN DE0007921835 on the EURONEXT Amsterdam.

2 Financial statements

2.1 Basis of preparation of the financial statements

The financial statements of Vivoryon were prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board and the Interpretations of the International Financial Reporting Interpretations Committee/ Standing Interpretations Committee (IFRIC/SIC), as endorsed by the European Union.

The financial statements are presented in thousands of Euro (EUR k). Unless otherwise noted, all amounts are in thousands of Euro (EUR k). Amounts have been rounded. As a result, rounding differences may occur.

In accordance with IAS 1, the statement of profit and loss and other comprehensive income is prepared classifying the expenses by function; the classification of the statement of financial position is based on current and noncurrent distinction. Vivoryon classifies all amounts expected to be recovered or settled within twelve months after the reporting period as current and all other amounts as noncurrent.

The financial statements are prepared on the historical cost basis.

2.2 Foreign currency translation

The functional currency is the Euro, which is the reporting currency of Vivoryon.

Monetary assets and liabilities in a foreign currency are recognized at the exchange rate in effect on the date of the transaction and later at the rate in effect on the reporting date. Differences resulting from foreign currency translation are recognized in research and development and general and administrative expenses in the statement of profit and loss and other comprehensive income.

2.3 Presentation of statement of profit and loss and other comprehensive income

The line items include research and development expenses and general and administrative expenses. All expenses with respect to research and development as well as expenses incurred for supplied research services are presented in research and development expenses.

3 Summary of significant accounting policies

3.1 Changes in accounting policies

The accounting policies applied principally correspond to those applied in the prior years.

With an effective date January 1, 2019, the following amended standards and interpretations were required to be applied for the first time:

- IFRS 16 "Leases"
- IFRIC 23 "Uncertainty over Income Tax Treatments"
- Amendments to IFRS 9 "Prepayment Features with Negative Compensation"
- Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"
- Amendments to IAS 19: Employee benefits
- Improvements to IFRS 2015–2017: Changes to IFRS 3, IFRS 11, IAS 12 und IAS 23

Vivoryon has initially adopted IFRS 16 Leases from January 1, 2019. The other new standards and amendments do not have a material effect on the financial statements.

IFRS 16 "Leases"

Nature of change and first time adoption

In January 2016, the IASB published the financial reporting standard IFRS 16 "Leases". The standard replaces the existing requirements relating to leases, including IAS 17 "Leases", IFRIC 4 "Determining Whether an Arrangement Contains a Lease", SIC-15 "Operating leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions involving the Legal Form of a Lease".

Vivoryon has applied the standard from its mandatory adoption date as of January 1, 2019 by using the modified retrospective approach. Thus, any comparative information has not been adjusted. Vivoryon also applies the practical expedients related to leases with terms of 12 months or less (short-term leases) or for which the underlying asset is of low value. In such cases, the right-of-use asset and a lease liability are not recognized.

Significant accounting policies

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payment made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or a change in the estimate of the amount expected to be payable under a residual value guarantee.

The Company has applied judgements to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether the Company is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

Impact

Upon adoption of IFRS 16, Vivoryon recognized right-of-use assets and lease liabilities in relation to leases which had previously been classified as operating leases under IAS 17 which included mainly office space (leased business premises), computer and networking equipment. These assets and liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of January 1, 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on January 1, 2019 was 2 to 2.25%.

The change in accounting policy affected the following items in the statement of financial position on January 1, 2019:

In EUR k	As of January 1, 2019
Right-of-use assets presented in property, plant and equipment	194
Lease liabilities	194

The recognized right-of-use assets relate to the following classifications:

In EUR k	As of January 1, 2019
Rental buildings	189
Networking equipment	5
Total	**194**

The following table reconciles operating lease commitments disclosed as of December 31, 2018 to the recognized lease liabilities:

In EUR k	
Operating lease commitments disclosed at December 31, 2018	35
Discounted using the incremental borrowing rate at the date of initial application	34
Less: short-term and low value leases recognized on a straight line basis as expense[1]	– 14
Add: adjustments as a result of different treatment of extension and termination options	174
Lease liabilities recognized at January 1, 2019	**194**

3.2 Determination of fair values

IFRS 13, „Fair Value Measurement", establishes a uniform definition for measurement at fair value. Fair value is defined as the price at the measurement date that would be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. Where appropriate, further information as to the assumptions made in the determination of the fair value is included within the specific disclosures for the respective line items of the statement of financial position as well as the statement of profit and loss and other comprehensive income.

3.3 Intangible assets

The intangible assets acquired by Vivoryon are recognized at cost less accumulated amortization as well as any impairment losses which may have been recognized. The amortization is recognized on the straight-line basis over the expected useful life. The expected useful life ranges from three to five years.

3.4 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation as well as any accumulated impairment losses which may have been recognized. Depreciation is recognized on the straight-line basis over the useful life. The useful life for operating and office equipment ranges from three to ten years; for laboratory equipment from five to 10 years.

3.5 Impairment of noncurrent assets

The intangible assets as well as property, plant and equipment are assessed for impairment when there is an indication of an impairment.

An impairment expense is recognized when the carrying amount of an asset or a cash generating unit exceeds the recoverable value as of the reporting date. The Company determined that it has one cash generating unit. The recoverable value is the higher

[1] Due to materiality reasons, the Company did not split short-term and low value leases.

of the amount representing the fair value less costs of disposal and the value in use. The fair value reflects the estimate of the amount which an independent third party would pay as of the measurement date for the asset or cash generating unit. In contrast, the value in use is the (risk adjusted) present value of the future cash flows which can realistically be expected to be generated from the continued use of the cash generating unit.

3.6 Financial assets and liabilities

A financial asset or a liability is recognized when the entity becomes a party to the contractual provisions of the instrument.

According to IFRS 9, all financial assets or liabilities are initially recognized at fair value with the exception of trade receivables which do not contain a significant financing component.

Under IFRS 9, the basis on which assets are measured after initial recognition is the way they are classified. Under IFRS 9, the classification and measurement models are FVTPL (Fair Value with changes in fair value recognized in profit or loss as they arise), amortized cost and FVOCI (Fair Value with changes in fair value recognized through Other Comprehensive Income). The classification is based on the business model of the Company and the characteristics of the cash flows of the financial asset.

FVOCI does not apply for the financial assets recorded at the Company.

According to IFRS 9 financial liabilities are measured at amortized cost or FVTPL with the exception of the portion of the fair value attributable to changes in the entity`s own credit risk which is recognized in OCI.

Vivoryon allocates non-derivative financial assets in the category "amortized cost" for cash and other assets and FVTPL for the noncurrent financial assets. Non-derivative financial liabilities recorded at Vivoryon are classified as "other financial liabilities" and measured subsequent to their initial recognition at amortized cost.

The noncurrent financial assets of Vivoryon comprise equity interests in BMD GmbH, Halle (Saale).

The financial liabilities of Vivoryon comprise trade payables.

Financial liabilities are derecognized when the contractual obligation has been met, is waived or has expired.

3.7 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and bank balances which are recognized at their nominal values.

3.8 Stock options programs

Vivoryon grants equity-settled share based payments in the form of option rights to employees. The stock option programs allow the grantees to acquire the Company's shares. The accounting for the stock options is at fair value in accordance with IFRS 2. The fair value is determined at the grant date and is allocated over the vesting period. The fair value is determined on the basis of the Monte-Carlo-simulation model. The fair value of the stock options granted is recognized as research and development or general administrative expenses with a corresponding increase in equity (additional paid-in capital). The expenses recognized are adjusted to reflect the number of option rights that are forfeited.

3.9 Pensions

Vivoryon has defined benefit pension commitments to two individuals. The pension commitments include entitlements to disability, retirement and survivor benefits in amounts specifically determined for these two individuals.

The pension commitments (defined benefit plans) are accounted for using the projected unit credit method in accordance with IAS 19. The measurement of the pension provision is based on actuarial calculations. The discount rate used represents the market yield at the end of the reporting period for high-quality fixed-rate corporate bonds.

The defined benefit obligation and the related current service cost is based on the benefit to the period of service under the defined benefit plan's formula. Actuarial gains and losses are immediately recognized in equity in other comprehensive income (loss). In the previous year the fair value of the plan assets (insurance amount) was deducted from the gross pension obligation. In 2017 and 2018 these insurances have expired. The insurance amount was paid to Vivoryon and therefore no longer serves as a plan asset.

The remeasurement amount recognized in other comprehensive income (loss) comprises the actuarial gains and losses resulting from the measurement of the pension obligation of defined benefit plans and the difference between the realized return on plan assets and the expected return at the beginning of the period based on the discount rate of the corresponding gross defined benefit obligation. Actuarial gains and losses result from changes in actuarial assumptions.

Service costs are recognized within the expenses by function. The net interest expense associated with defined benefit plans is presented in finance expenses.

3.10 Provisions

Provisions are recognized for present obligations which result from past events for which the timing of the future payment is uncertain.

The amount recognized as a provision is the best estimate of the amount required to settle the current obligation.

Provisions with a term in excess of one year are recognized at their discounted settlement amount giving consideration to expected cost increases. The discount rate used reflects the current market interest rate and the risks specific to the liability.

3.11 Research and development expenses

Research expenses are recognized as expenses when incurred. Costs incurred on development projects are recognized as intangible assets as of the date when it can be established that it is probable that future economic benefits attributable to the asset will flow to Vivoryon considering its technological and commercial feasibility. This is not the case before regulatory approval for commercialisation is achieved and costs can be measured reliably. Given the current stage of the development of Vivoryon's projects, no development costs have yet been capitalized. Intellectual property-related costs for patents are part of the costs for the research and development projects. Therefore, registration costs for patents are expensed when incurred as long as the research and development project concerned does not meet the criteria for capitalization.

The majority of Vivoryon's service providers invoice monthly in arrears for services performed or when contractual milestones are met. Vivoryon makes estimates of its accrued expenses at each reporting date in the financial statements based on facts and circumstances known to it at that time. Vivoryon periodically confirms the accuracy of its estimates with the service providers and makes adjustments if necessary.

3.12 Finance income and expenses

Finance income and expenses are recognized in the appropriate period applying the effective interest rate method. In addition to finance income and expenses, the financial result may include income from cash and cash equivalents and gains and losses from financial instruments which are recognized in other comprehensive income (loss). In addition, net interest expenses associated with pension provisions are included.

3.13 Loss per share

Loss per share was determined in accordance with IAS 33. In the calculation of the loss per share, the results for the period attributable to the shareholders are divided by the weighted average number of shares outstanding.

3.14 New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations are effective for annual periods beginning after December 31, 2019, and have not been applied in preparing these financial statements:

- Amendments to References to the Conceptual Framework in IFRS Standards (January 1, 2020)
- Amendments to IFRS 3 "Definition of a Business" (January 1, 2020)
- Amendments to IAS 1 and IAS 8 "Definition of Material" (January 1, 2020)
- Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate benchmark Reform" (January 1, 2020)
- IFRS 17 "Insurance Contracts" (January 1, 2021)
- Amendments to IAS 1: Classification of Liabilities as Current or Non-current (January 1, 2022)

4 Significant discretionary decisions, estimates and assumptions

The preparation of the financial statements in accordance with IFRS makes it necessary for discretionary decisions to be made and estimates to be carried out which influence the measurement of assets and liabilities recognized, the disclosure of contingent liabilities and other commitments as of the reporting date as well as the presentation of income and expense.

Estimates and assumptions

The estimates and assumptions primarily relate to estimates and assumptions in connection with the management's assessment of the entity's ability to continue as a going concern and the determination of accruals for research and development services in progress. The amounts of the respective items in the statement of profit and loss and other comprehensive income are research and development expenses of EUR 4,751k (2018: EUR 4,836k). The estimates for accruals at year-end are based on past experience as well as other information relating to the transactions recognized.

Going concern

In terms of assessing the Company's ability to continue as a going concern, Vivoryon – as a biopharmaceutical company that focuses on Alzheimer care – is dependent on research and development programs. The pharmaceutical development process is characterized by long development cycles as well as high investment requirements for preclinical and clinical research and development up to the time of a product's commercial readiness. Vivoryon continuously needs external funding for research and development activities up until this time. In 2019, the company was able to raise funds in total EUR 51,238k through two capital increases in April and October. This ensures the continuation of Vivoryon's business activities until 2023 in accordance with the current budget planning.

Estimating accruals for research and development expenses

As part of the process of preparing the financial statements, Vivoryon is required to estimate its accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on its behalf, estimating the level of service performed and the associated cost incurred for the service when Vivoryon has not yet been invoiced or otherwise notified of the actual cost.

Measurement of pension obligation

The measurement of the pension provision is based on actuarial assumptions with respect to demographic developments, pension increases as well as the determination of the discount rate.

The estimates may differ from the actual amounts recognized in subsequent periods. Changes in assumptions or estimates to be made are recognized in the statement of profit and loss and other comprehensive income at the time that they become known. The circumstances in existence at the time of preparation of the financial statements are considered as well as the future development in the industry-related environment with respect to the expected future business development of Vivoryon.

5 Explanations of individual line items in the statement of profit and loss and other comprehensive income

5.1 Research and development expenses

The research and development expenses of EUR 4,751k (2018: EUR 4,836k) comprise of personnel costs, costs for research and development services provided by third parties for preclinical and clinical programs, patent related legal and consulting fees as well as amortization and depreciation attributable to the research and development operations.

5.2 General and administrative expenses

The general and administrative expenses of EUR 3,023k (2018: EUR 2,891k) comprise of personnel costs and costs of office supplies as well as amortization and depreciation attributable to the administrative area and other operating expenses.

5.3 Supplementary disclosures

The expenses during the financial year include amortization and depreciation of property, plant and equipment as well as intangible assets amounting to EUR 88k (2018: EUR 23k) as well as personnel related expenses amounting to EUR 1,884k (2018: EUR 2,541k).

In addition, expenses for defined contribution plans include the employer's contribution to the statutory pension scheme amounting to EUR 60k (2018: EUR 52k).

5.4 Income taxes

No current or deferred income taxes were recognized in 2019 and 2018.

For the determination of deferred taxes, a corporation tax rate of 15% plus a solidarity surcharge of 5.5% as well as the trade income tax rate of 15.75% was used for all reporting periods. Based on this, the effective tax rate as of December 31, 2019 used to determine the deferred tax assets and liabilities amounted to 31.58% (December 31, 2018: 31.58%).

The significant differences between the expected and the actual income tax expense in the reporting period and the comparative period are explained below:

In EUR k	2019	2018
Loss before income tax	– 7,823	– 7,737
Income tax rate	31.58%	31.58%
Expected tax benefits	**2,470**	**2,443**
Tax losses not recognised	– 2,449	– 2,411
Non-deductible expenses/non-taxable income	– 17	50
Other differences	– 4	– 82
Reported income tax gain	**0**	**0**

As of December 31, 2019, deferred tax assets attributable to tax loss carry forwards in the amount of EUR 45,043k (December 31, 2018: EUR 41,999k) and to the pension liability in the amount of EUR 239k (December 31, 2018: EUR 189k) were not recognized as their utilization is not probable.

As of December 31, 2019, Vivoryon had corporate income tax loss carry forwards of EUR 142,735k and trade tax loss carry forwards of EUR 142,575k. The tax losses can be carried forward for an unlimited time.

6 Explanations on individual statement of financial position line items

6.1 Intangible assets

The intangible assets reconcile as follows:

In EUR k	
Acquisition costs	
Balance at January 1, 2018	373
Additions	0
Disposals	0
Balance at December 31, 2018	**373**
Balance at January 1, 2019	373
Additions	11
Disposals	0
Balance at December 31, 2019	**384**

In EUR k	
Depreciation	
Balance at January 1, 2018	362
Additions	4
Disposals	0
Balance at December 31, 2018	**366**
Balance at January 1, 2019	366
Additions	2
Disposals	0
Balance at December 31, 2019	**368**

In EUR k	
Carrying amounts	
Balance at January 1, 2018	11
Balance at December 31, 2018	**7**
Balance at December 31, 2019	**16**

6.2 Property, plant and equipment

Property, plant and equipment reconcile as follows:

In EUR k	Leasehold improvements	other Property, equipment, factory and office equipment:	Total
Acquisition costs			
Balance at January 1, 2018	181	563	744
Additions	0	19	19
Disposals	0	0	0
Balance at December 31, 2018	**181**	**582**	**763**
Balance at January 1, 2019	181	582	763
Recognition of right-of-use asset on initial application of IFRS 16		194	194
Adjusted balance at January 1, 2019	181	776	957
Additions	0	304	304
Disposals	0	0	0
Balance at December 31, 2019	**181**	**1,080**	**1,261**

In EUR k			Total
Depreciation			
Balance at January 1, 2018	174	515	689
Additions	6	13	19
Disposals	0	0	0
Balance at December 31, 2018	**180**	**528**	**708**
Balance at January 1, 2019	180	528	708
Additions	1	85	86
Disposals	0	0	0
Balance at December 31, 2019	**181**	**613**	**794**

In EUR k			Total
Carrying amounts			
Balance at January 1, 2018	7	48	55
Balance at December 31, 2018	**1**	**54**	**55**
Recognition of right-of-use asset on initial application of IFRS 16		194	194
Adjusted balance at January 1, 2019	1	248	249
Balance at December 31, 2019	**0**	**465**	**465**

Property, plant and equipment includes right-of-use assets of EUR 403k related to leased properties that do not meet the definition of investment property.

Depreciation is included in the statement of profit and loss and other comprehensive income within research and development expenses and general and administrative expenses.

6.3 Other current assets and prepayments

Other current assets are comprised of:

In EUR k	31 Dec 2019	31 Dec 2018
Prepayments	3,229	101
Value-added tax receivables	290	86
Corporate tax receivables	2	3
Rent deposits	21	7
Other receivables	310	2
Total	**3,853**	**199**

As of December 31, 2019 the prepayments include a prepaid fee of EUR 496k for the GMP production of the clinical PQ912 material and advance payments upon signing the contract with the CRO for the conduct of the clinical 2b trial in amount of EUR 2,421k.The prepayments in an amount of EUR 233k will be utilized for clinical materials already ordered.

6.4 Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand. As of December 31, 2019, cash balances denominated in other currencies than the Euro amount to USD 652k (December 31, 2018: USD 652k).

The net book value represents the maximum amount that is at risk. Bank balances are unrestricted.

6.5 Equity

As of December 31, 2019, Vivoryon's share capital comprised 19,975,482.00 registered no par common shares. As of December 31, 2018, Vivoryon's share capital comprised 8,208,009 registered no par common shares. The nominal amount per share is EUR 1.00. All shares are issued and fully paid up.

On April 9, 2019, Vivoryon's management board – with the approval of the supervisory board – resolved to increase the share capital from EUR 8,208k by EUR 4,093k to EUR 12,301k through the issuance of common shares upon full utilization of the Authorized Capital 2017.

Upon full utilization of the Authorized Capital, the Company's share capital was increased from EUR 8,208,009 to EUR 12,301,376 through the successful issue of 4,093,367 new shares with a nominal value of EUR 1.00 per share.

The Company sold the new shares to selected investors in a private placement at a purchase price of EUR 2.00 per new share.

3.1 million new shares were sold to a consortium of investors led by Mr. Claus Christiansen, founder and Chairman of the Board of Directors of Nordic Bioscience, Denmark ("Investor Consortium"). Additionally, 993,367 new shares were sold to other investors as well as to members of the management board and supervisory board.

Out of a total of 4,093,367 new shares, 1,641,601 (20% of the share capital) were admitted to trading on Euronext Amsterdam under exemption from the prospectus obligation and were delivered to the investors. The remaining 2,451,766 non-admitted new shares were delivered to the Investor Consortium that has declared to accept also non-admitted new shares underlining its intended long-term engagement. On August 8, 2019, these shares were admitted to trading on Euronext on the basis of a securities prospectus.

On October 8, 2019, Vivoryon's management board – with the approval of the supervisory board – resolved the launch of a public rights offering (the "Rights Offering") of 36,904,128 new ordinary bearer shares with no-par value, each with a notional value of EUR 1.00 and full dividend rights from January 1, 2019 (the "Offer Shares"), with subscription rights and oversubscription rights for existing shareholders at a subscription price of EUR 5.61 per Offer Share (the "Subscription Price"), from a capital increase from EUR 12,301,376.00 by up to EUR 36,904,128.00 to up to EUR 49,205,504.00 as resolved by the shareholder meeting on May 29, 2019.

On October 24, 2019, the management board, with the approval of the supervisory board, resolved to set the number of new shares to be placed, including the new shares, to be issued based on subscription rights exercised by the Company's shareholders, at 7,674,106.

The rights offering was completed with a total of 4,445,323 New Shares, through subscription and oversubscription by existing shareholders, of which Mr. Claus Christiansen, Den Danske Forskningsfond and T&W Holding A/S subscribed to a total of 2,673,798 New Shares. The New Shares which were not subscribed for by existing shareholders (the "Rump Shares") were offered via a private placement to selected qualified investors in Europe who purchased 3,228,783 Rump Shares at the Subscription Price, including MorphoSys AG, who purchased Rump Shares in an aggregate investment amount of EUR 15 million. Together, the Offering led to the issuance of a total of 7,674,106 New Shares, raising EUR 43 million. The new shares are full dividend rights from January 1, 2019. The Company's outstanding share capital after completion of the Offering will amount to 19,975,482 shares. The capital increase was entered in the commercial register on October 25, 2019 and the new shares were admitted to trading on Euronext on October 29, 2019.

Directly related transaction costs of EUR 1.8 million were deducted from additional paid-in capital.

Conditional Capital
As of December 31, 2019, the conditional capital amounted to EUR 3,809k and as of December 31, 2018 to EUR 4,003k, respectively. Of this amount, EUR 409k (2018: EUR 482k) is reserved as a result of the issuance of options referring to the Conditional Capital 2014.

By resolution of June 21, 2018, the Annual General Meeting created the Conditional Capital 2018 while cancelling of the Conditional Capital 2015. The Company's share capital is conditionally increased (Conditional Capital 2018) by a nominal value of up to 3,400,000 new no par value bearer shares. The conditional capital increase serves to grant no par value registered shares upon exercising conversion and/or option rights (or the satisfaction of corresponding conversion or option obligations) or, to the extent that the Company exercises its right to grant no par value Company shares, in lieu of payment of the amount due in cash (or parts thereof) to the holders or creditors of bonds that have been issued by the Company or a group company in accordance with the authorization of the Annual Shareholders' Meeting of the shareholders dated June 21, 2018 until June 20, 2023 as per Section 18 AktG. The issuance of the new shares shall be effected at the conversion or option price to be determined, in each case, in accordance with the aforementioned authorization resolution.

The subscription rights of the shareholders on the occasion of the issue of bonds based on this authorization are excluded.

Convertible Bonds
By resolution of the Ordinary General Meeting on June 21, 2018, the management board is authorized, with the cancelling of the authorization of June 10, 2015 and with the consent of the supervisory board to issue once or in several transactions until June 20, 2023, in the latter case also simultaneously in several tranches, option bonds and/or convertible bonds in bearer and/or registered form (the "Bonds") with a total nominal amount counted as of the date of the initial adoption of the resolution on June 10, 2015 of up to EUR 60,000,000, each with or without a maturity restriction. The bonds, subject to the respective terms and conditions of the option bonds (the "Option Conditions") grant option rights or impose option obligations. The bonds may also, subject to the respective terms and conditions of the convertible bonds (the "Convertible Bond Conditions") grant conversion rights or impose conversion obligations. The bonds may grant rights or impose obligations to subscribe for up to 3,400,000 no par value bearer shares of the Company with a total prorated amount of the Company's share capital of up to EUR 3,400,000. The bonds may be issued in Euro or – limited to the respective value in Euro – in any other statutory currency of an OECD member state. The bonds may also be issued against non-cash consideration, in particular to acquire enterprises, interests in enterprises, business units, receivables, patents and licenses or other assets, provided however, that their value is at least equivalent to the issue price of the bonds.

The bonds may also be issued by domestic or foreign companies affiliated with the Company within the meaning of sec. 15 et. seq. AktG (the "Group Company"). In the event an issue by a Group Company, the management board – subject to the consent of the supervisory board – is authorized to guarantee the bonds on behalf of the Company and to grant conversion rights to the holders of convertible bonds or grant option rights/impose option obligations to the holders of option bonds relating to the shares in the Company.

The management board – subject to the supervisory board's consent – is authorized to determine the further details of the issue and the terms of the bonds, in particular interest rate, type of interest accrual, issue price, term and division as well as option period and/or conversion period and a potential variability of the conversion ratio and, if applicable, to do so in consultation with the corporate bodies of the subsidiary issuing the option bond or the convertible bond.

The subscription right of the shareholders on the occasion of the issue of bonds based on this authorization is excluded.

Authorized Capital
As of December 31, 2019, the authorized capital amounted to EUR 6,151k (December 31, 2018: EUR 4,093k). The authorized capital can be utilized for capital increases for contributions in cash and/or kind.

On May 29, 2019, the Annual Shareholders' Meeting resolved to create the Authorized Capital 2019.

The management board is given the authorization to increase the share capital of the Company – subject to the consent of the supervisory board – until May 28, 2024 in one or several step(s) for contributions in cash or in kind by up to Euro 6,150,688.00 by issuing a total of 6,150,688 new no-par value common bearer shares (Authorized Capital 2019). The subscription right is excluded. Furthermore, the management board is given the authorization – subject to the consent of the supervisory board – to determine the further details of the capital increase, its implementation and the terms and conditions for the issue of the shares out of the Authorized Capital 2019.

6.5.1 Loss per share

As of December 31, 2019, Vivoryon's share capital consisted of 19,975,482 common shares (December 31, 2018: 8,208,009). All common shares are registered no par value common shares. The calculated nominal amount per share is EUR 1.00.

The net loss attributable to Vivoryon's shareholders amounted to EUR 7,823k in financial year 2019 (2018: net loss of EUR 7,737k).

The loss per share was calculated as follows:

In EUR k	2019	2018
Weighted average number of common shares outstanding	12,549,932	8,208,009
Loss for the period	**– 7,823k**	**– 7,737k**
Loss per share in EUR (basic/diluted)	**– 0.62**	**– 0.94**

As of December 31, 2019 and 2018, no items had a dilutive effect.

6.5.2 Share based payments

6.5.2.1 Stock option programs (equity settled)

Since 2007, Vivoryon granted equity settled stock options under various stock option programs.

The stock option programs of 2007 and 2010 expired in 2019.

On September 13, 2019 the management resolved the creation of the Stock Option Program 2020 under the condition precedent of the passing of the resolution of the shareholders' meeting of Vivoryon on the approval to the creation of the Stock Option Program 2020 as well as the creation of a corresponding Conditional Capital.

Under this program up to 615,000 options can be issued to current or future employees and members of the management board in one or several steps until December 31, 2023, the general mechanism of distribution of the options being subject to the approval of the supervisory board. If the management board is affected, the passing of resolutions shall be the sole responsibility of the supervisory board.

The options shall entitle the beneficiary as applicable from time to time subject to the option terms to acquire new common shares in the Company

Up to 473,550 options shall be allocable to current and future members of the management board of the Company and up to 141,450 options shall be allocable to current and future employees of the Company.

The key terms and conditions related to the grants under the stock option program 2014 are as follows; all options are to be settled by the physical delivery of shares or in cash.

Grant date/employees entitled	Outstanding Options	Vesting conditions	Contractual life of options
ESOP 2014		Immediate vesting on date of grant for 40%, graded vesting over 3-year period (20% each after first, second and third year) period	8 years, not exercisable before lapse of 4 years
Granted to former members of management board	314,501		
Granted to employees	96,874		

The fair value of the options granted has been measured using the Monte Carlo Simulation. Service and non-market performance conditions attached to the option programs are not taken into account in measuring fair value.

The inputs used in the measurement of the fair values for 2014 to 2017 grants were:

	ESOP 2014
Fair value at grant date	EUR 4.84 – 10.70
Share price at grant date	EUR 11.97 – 24.80
Exercise price	EUR 12.55 – 23.60
Expected volatility	40% to 45%
Expected life (weighted average)	3 years
Expected dividends	0%
Risk free interest rate (based on government bonds)	– 0.47% to 0.05%

Expected volatility has been based on the arithmetic average of historical volatilities of a peer group of four companies.

The number and weighted-average exercise prices of stock options under the stock option programs were as follows:

	2019		2018	
	Number of options*	WAEP**	Number of options*	WAEP**
Outstanding at January 1	481,748	EUR 17.51	481,748	EUR 17.13
Forfeited during the year	72,773	–	0	–
Exercised during the year	0	–	0	
Cash settlement	0	–	0	–
Granted during the year	0	–	0	
Outstanding at December 31	**408,975**	**EUR 18.37**	**481,748**	**EUR 17.51**
Exercisable at December 31	399,375	EUR 18.51	280,040	EUR 23.43

* Adjusted for the reverse stock split
**Weighted average exercise price

The forfeited stock options result from the end of the term of stock option plans 2008 and 2010 (70,373) and from not vested Options (2,400) after termination of an employment contract.

The stock options outstanding at December 31, 2019 had an exercise price in the range of EUR 12.55 to EUR 23.60 (December 31, 2018: EUR 6.00 to EUR 42.18) and a weighted-average contractual life of 3 years (December 31, 2018: 3.5 years). According to the terms and conditions of the stock option programs, exercise is not possible during specified blackout periods and subject to a performance criterion concerning the average stock price of Vivoryon shares during the twenty days before exercise.

The total expenses associated with the stock option program 2014 recognized in 2019 amounted to EUR 5k (2018: EUR 62k). These amounts were credited to additional paid-in capital.

6.5.2.2 Phantom stock option programs

The phantom stocks programs of Vivoryon expired in 2019. As of December 31, 2018, 19,333 phantom stocks were outstanding with a fair value of EUR 0k.

6.6 Noncurrent liabilities

6.6.1 Pension liabilities – direct pension commitments

Vivoryon has defined benefit pension plan commitments to two former members of the management board. The pension commitments include entitlements to disability, retirement and survivor benefits in amounts specifically determined by individual.

Plan assets consisted solely of pension liability insurance contracts. The asset values of the insurance contracts represented the cash surrender values and were offset against the pension obligations as the insurance contracts are qualifying insurance policies in accordance with IAS 19. In 2017 and 2018 these insurances have expired. The insurance amount was paid to Vivoryon and therefore no longer serves as a plan asset.

The amount of the defined benefit obligation (actuarial present value of the accrued pension entitlements) is determined on the basis of actuarial methodologies which require the use of estimates. The calculation was based on the Heubeck 2018 G mortality tables.

The measurement of the pension benefits is based on the following actuarial assumptions:

	2019	2018
Discount rate	0.91%	1.60%

The discount rate was determined based on industrial bonds with an AA rating and a comparable term. In addition, an increase in the pension of 1.0% was assumed.

The following sensitivity analysis shows how the present value of the defined benefit pension obligation would change if the interest rate changed holding other assumptions constant:

Interest rate – 0.5%: Δ DBO EUR 119k (December 31, 2018: EUR 110k)

Interest rate + 0.5%: Δ DBO EUR – 108k (December 31, 2018: EUR – 100k)

RECONCILIATION OF DEFINED BENEFIT OBLIGATION AND PLAN ASSETS

In EUR k	Defined benefit obligation	Plan assets	Pension provision (Net DBL)
Balance as of 1 January 2018	**1,619**	**– 448**	**1,171**
Current service cost	0	0	0
Interest expense (+) /interest income (–)	41	– 2	39
Benefit payments	– 56	478	422
Remeasurement	40	22	
Income (–)/ expenses (+) from plan assets (without amounts included in interest expense)	–	– 22	– 22
Actuarial gains (–)/ losses (+)	40		40
Effects from changes in financial assumptions	53		53
Change in demographic assumption	22		22
Effects from changes based on experience	– 35		– 35
Employer's contributions	0	– 6	– 6
Balance as of 1 January 2019	**1,644**	**0**	**1,644**
Current service cost	0	–	0
Interest expense (+)/ interest income (–)	26		26
Benefit payments	– 76		– 76
Remeasurement	157		157
Income (–)/ expenses (+) from plan assets (without amounts included in interest expense)			
Actuarial gains (–)/ losses (+)	157	–	157
Effects from changes in financial assumptions	146	–	146
Change in demographic assumption	0	–	0
Effects from changes based on experience	11	–	11
Employer's contributions	–		
Balance as of 31 December 2019	**1,751**	**0**	**1,751**

In the reporting period, the following items associated with defined benefit obligations were recognized in the statement of profit and loss and other comprehensive income:

in EUR k	2019	2018
Current service cost	0	0
Net interest expense (+)/ income(–)	26	39
Interest expense associated with DBO	26	41
Interest income on plan assets	0	– 2
Total net pension expenses	**26**	**39**

The weighted average duration of the pension commitments is 12.8 years (December 2018: 13.1 years).

6.6.2 Pension liabilities – pension commitment using the provident fund

Vivoryon has further obligations for granted and vested pension commitment for a former member of the management board in the context of a provident fund in amount of EUR 14k annually until 2035.

These pension liability was calculated using a discount rate of 1.07% and amounts to EUR 201k as of December 31, 2019 (December 31, 2018: 1.76% and EUR 210k).

6.7 Current liabilities

Other current liabilities

In EUR k	31 Dec. 2019	31 Dec. 2018
Salaries and wages	110	32
Payroll and church taxes	128	50
Post-contractual payments	0	83
Others	50	15
Total	**288**	**180**

7 Disclosures with respect to financial instruments

7.1 General disclosures

A financial instrument is a contract which simultaneously gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial instruments are broken down into non-derivative and derivative financial instruments.

On the asset side, the non-derivative financial instruments primarily include cash and cash equivalents. The non-derivative financial liabilities consist of trade payables.

7.2 Fair value measurement

All assets and liabilities, for which fair value is recognized in the financial statements, are organized in accordance with the following fair value hierarchy, based on the lowest level input parameter that is significant on the whole for fair value measurement:

- Level 1 – Prices for identical assets or liabilities quoted in active markets (non-adjusted)
- Level 2 – Measurement procedures, in which the lowest level input parameter significant on the whole for fair value measurement is directly or indirectly observable for on the market
- Level 3 – Measurement procedures, in which the lowest level input parameter significant on the whole for fair value measurement is not directly or indirectly observable for on the market

The carrying amount of other (financial) assets, cash and cash equivalents and trade and other payables is a reasonable approximation of the fair value.

7.3 Other disclosures in accordance with IFRS 7

Disclosures with respect to finance income and expense
No interest income and expense in 2019 and 2018 was recognized with respect to financial instruments.

Financial risks and risk management

7.3.1 Organization

Risk management system, objectives and methods
In addition to operating business risks, Vivoryon is subject to the following risks as a result of the use of financial instruments: credit risks, liquidity risks, market risks and exchange rate risk. The Company has established a clear and effective organization to monitor and control risks. To make risks controllable from the perspective of risk prevention, a risk management system has been implemented and is continuously being further developed to address the different risk areas. Predefined specific individual risks are continuously monitored using early warning signals.

The objective with respect to risk management is to define different risk management processes which make a timely identification of risks relating to quantity, probability of occurrence and damage amounts possible and which provide appropriate counter measures for those who have been named responsible for the processes.

Accordingly, in connection with a risk-oriented and forward-looking management approach, Vivoryon has developed and implemented a risk management system. The implementation of a functional risk management system is considered part of the overall leadership responsibility of management.

Responsibilities are clearly assigned to the individual organizational units which are involved in the risk management process:

Management board:
The risk management process begins with the management board which, in the course of overall management, on the basis of the risk bearing potential, provides a clear definition of the strategy, the business types, acceptable and unacceptable risks as well as the total justifiable risk.

Risk management:
Risk management is responsible for the active monitoring and controlling of the respective risk groups. Risk is reduced through risk minimization measures undertaken and by monitoring adherence to limits.

Supervisory board:
The supervisory board has a control function with respect to all measures for risk limitation and risk management in the Company.

7.3.2 Risk groups

In connection with its business operations, Vivoryon is subject not only to operating business risks but also to a multitude of financial risks including credit risks, liquidity risks and market risks as explained below:

7.3.2.1 Credit risks

Default risks exist with respect to substantially all financial instruments recognized as assets. The amount of the financial assets defines the maximum default risk. To the extent that risks are identified for individual financial instruments, these are taken into account by recording valuation adjustments.

Vivoryon's cash balances are held by the following bank: Deutsche Bank (100%) Moody's Rating A3. In general, cash balances are only held with financial institutions with prime credit ratings which are subject to the depositor's guarantee fund of German banks. Investments, if made, are in financial assets which do not have any inherent risk of loss.

Maximum risk of default
The maximum default risk for financial assets without considering possible security held or other credit improvements (e.g. right to offset) is as follows:

CARRYING AMOUNT AS AN EQUIVALENT FOR THE MAXIMUM RISK OF DEFAULT

In EUR k	31 Dec. 2018	31 Dec. 2017
Noncurrent financial assets	3	3
Cash and cash equivalents	41,524	3,783
	41,527	3,786

As of the reporting dates December 31, 2019 and December 31, 2018, the financial assets were neither impaired nor overdue.

7.3.2.2 Liquidity risk

Liquidity risks in the narrow sense exist when the Company does not have adequate funds to settle its ongoing payment obligations. The payment obligations result primarily from the ongoing cost of business operations and investing activities against which there are only minor cash receipts.

In order to manage the liquidity situation during the year, the Company utilizes appropriate financial planning instruments. As of December 31, 2019, cash and cash equivalents amounted to EUR 41.5 million. The cash and cash equivalents as of December 31, 2019 provide for the Company's financing until 2023.

For detailed disclosures regarding going concern and liquidity requirements see note 4.

Analysis of maturities
As of December 31, 2019, the trade payables of EUR 539k (December 31, 2018: EUR 772k) had a maturity of up to 30 days, respectively.

7.3.2.3 Market risks

Market risks develop from a possible change in risk factors which lead to a negative change in market value of the financial assets and liabilities which are subject to this risk factor. General risk factors such as currency risks, risks attributable to changes in interest rates and price risks can be of relevance to Vivoryon.

Exchange rate risks
Currently, Vivoryon is exposed to exchange rate risks with respect to cash and cash equivalents held in USD. A change of – 5% or +5% in the foreign exchange rate of the EUR compared to the USD could impact net loss and equity by EUR 22k and EUR – 25k.

Exchange rate risks could further develop if a portion of the future expenses or revenues from collaboration agreements or licensing agreements are realized in US dollars or in another foreign currency.

Risk of changes in interest rates
Vivoryon does not have any interest bearing assets or liabilities to a third party. As such, there is no risk with respect to changes in interest rates.

Price risks
At present, the financial commitments of the Company (see note 8.2) do not contain variable price conditions and hence do not bear price risks.

Capital management
The primary objective of Vivoryon's capital management is to ensure that it maintains its liquidity in order to finance its operating activities and meet its liabilities when due. In accordance with the present projections the cash reach of the Company is beyond end of 2022 on the basis of current cash and cash equivalents. The management expects that future financing requirements may be satisfied by the Company's ability to raise funds in the form of equity and/or conduct a partnership agreement. For detailed disclosures regarding going concern and liquidity requirements see note 4.

Vivoryon's focus on the long-term increase in the value of the Company is in the interest of its shareholders, employees and collaboration partners.

The objective is to sustainably increase the value of Vivoryon by continuing to generate positive data from studies, efficient processes in research and development, a forward-looking and value-oriented portfolio management as well as continuously increasing the level of awareness of Vivoryon and the approaches it applies in the pharmaceutical industry and, in the mid-term, the transfer of central assets of Vivoryon into industrial collaborations. To achieve this, the business and financial risks along with financial flexibility are in managements' focus.

By resolution of the general meeting of the shareholders on June 10, 2015, the management board is authorized to repurchase own shares with the approval of the supervisory board until June 9, 2020. The authorization is limited to an amount of EUR 677k.

Vivoryon currently has one active stock option program from the year 2014.

Vivoryon is not subject to any capital requirements stemming from the Articles of Association.

As of December 31, 2019, Vivoryon's equity amounted to EUR 42,665k (December 31, 2018: EUR 1,230k), which equates to an equity ratio of 93.0% (December 31, 2018: 30.4%). The total liabilities amount to EUR 3,196k (December 31, 2018: EUR 2,818k).

8 Others

8.1 Lease (IFRS 16)

Property, plant and equipment comprised owned and leased assets, that did not meet the definition of investment property. Vivoryon leases buildings and IT equipment.

In EUR k	Rental buildings	IT equipment	Total
Right-of-use assets			
Balance at 1 January 2019	189	5	194
Additions to right-of-use assets	268	0	268
Depreciation for the year	– 56	– 3	– 59
Balance at December 31, 2019	**401**	**2**	**403**

In EUR k	Rental buildings	IT equipment	Total
Lease Liabilities			
December 31, 2019	**403**	**2**	**405**
thereof			
current	89	2	91
noncurrent	314	0	314

In EUR k	Total
Amounts recognized in profit or loss 2019	
Interest on lease liabilities	5
Expenses relating to leases of low-value assets	8

In EUR k	Total
Amounts recognized in statement of cash flows 2019	
Total cash outflow for leases	56

8.2 Contingencies and other financial commitments

The total of the other financial commitments as of December 31, 2019 was EUR 1,485k and consist of services by research and development service providers as well as of service, leasing and rental commitments. Of these commitments EUR 1,195k are due within one year.

8.3 Related party relationships

The following individuals and entities were considered related parties of Vivoryon during the reporting period:

a) Members of the key management of the Company or a shareholder of the Company
b) Enterprises which can be controlled by individuals within a)
c) Members of the supervisory board

Transactions with key management personnel

The remuneration of the management board comprised:

In EUR k	2019	2018
Short-term employee benefits	876	806
Post-employment benefits	1	31
Share-based payments	0	0
Total	**877**	**837**

The short-term employee benefits include carve-out incentives in connection with the capital increases in April and October 2019 in the amount of EUR 244k.

The remuneration of the supervisory board comprised of:

In EUR k	2019	2018
Short-term benefits	105	112
Total	**105**	**112**

The following director dealings in shares of Vivoryon have been reported to the Company:

Number of shares	2019	2018
Dr. Ulrich Dauer (CEO)	29,002	4,800
Dr. Michael Schaeffer (CBO)	3,567	0
Dr. Erich Platzer (chairperson of the supervisory board)	0	5,000
Platzer Invest – (closely associated with Dr. Erich Platzer)	77,712	0
Dr. Dinnies von der Osten (vice chairperson of the supervisory board)	15,000	5,000
Dr. Inge Lues (CDO until October 31, 2018)	0	4,900

8.4 Subsequent events

There were no events of particular significance subsequent to the balance sheet date.

Approval and release

On March 10, 2020, Vivoryon's management board approved these financial statements for release to the supervisory board.

C. RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of the net assets, financial position and results of operations of Vivoryon Therapeutics AG.

Halle (Saale), March 12, 2020

Management board of Vivoryon Therapeutics AG

Dr Ulrich Dauer **Dr Michael Schaeffer**

D. INDEPENDENT AUDITORS' REPORT

To the shareholders of Vivoryon Therapeutics AG, Halle (Saale)

Opinion
We have audited the annual financial statements of Vivoryon Therapeutics AG, Halle (Saale) (until June 11, 2019: Probiodrug AG), ("the Company"), which comprise the statement of financial position as of December 31, 2019, the statements of profit or loss and other comprehensive income, cash flows and changes in equity for the year then ended, and the notes to the financial statements, including the recognition and measurement policies presented therein.

In our opinion, on the basis of the knowledge obtained in the audit, the accompanying annual financial statements give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union.

Basis for the Opinion
We conducted our audit of the annual financial statements in accordance with International Standards on Auditing (ISA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Annual Financial Statements section of our report. We are independent of the Company in accordance with the requirements of German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the annual financial statements.

Key Audit Matters
We have determined that there are no significant key audit matters to report in our report.

Other Information in the Annual Report
Management is responsible for the other information. The other information comprises the Annual Report but does not include the annual financial statements and our auditor's report thereon. The Annual Report is expected to be made available to us after the date of this auditor's report.

Our opinion on the annual financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audit of the annual financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the annual financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements
Management is responsible for the preparation of annual financial statements that give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2019 and of its financial performance and its cash flows for the year then ended in accordance with IFRS as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and 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.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Annual Financial Statements
Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from

material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. 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 annual financial statements.

As part of an audit in accordance with ISA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain 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.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude 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 annual 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Dr. Stefan Schneider.

Leipzig, March 13, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr Schneider
Wirtschaftsprüfer
[German Public Auditor]

Sachs
Wirtschaftsprüfer
[German Public Auditor]

PART II

A. FINANCIAL STATEMENTS (HGB)

BALANCE SHEET AS OF DECEMBER 31, 2019

ASSETS

In EUR		31 Dec. 2019		31 Dec. 2018
A. Fixed assets				
I. Intangible assets				
Rights, licences and software acquired for consideration		15,798.99		6,657.76
II. Property, plant and equipment				
1. Buildings on third-party land	162.74		980.82	
2. Other equipment, operating and office equipment	61,332.74		54,453.44	
3. Advance payments	0.00	61,495.48	2,925.02	58,359.28
III. Financial assets				
Investments		3,450.00		3,450.00
		80,744.47		**68,467.04**
B. Current assets				
I. Receivables and other assets				
1. Receivables from affiliated companies	104,470.58		103,125.12	
2. Other assets	623,045.15		97,826.35	
3. Advance payments	233,280.42	960,796.15	0.00	200,951.47
II. Cash and cash equivalents		41,419,504.08		3,680,017.08
		42,380,300.23		**3,880,968.55**
C. Prepaid expenses		**2,996,200.92**		**98,439.78**
		45,457,245.62		**4,047,875.37**

EQUITY AND LIABILITIES

In EUR	31 Dec. 2019	31 Dec. 2018
A. Equity		
I. Share capital	19,975,482.00	8,208,009.00
– Contingent capital EUR 3,808,975.00 (PY: EUR 4,002,527.00) –		
II. Capital reserves	88,589,734.21	49,118,738.55
III. Revenue reserves		
Statutory reserve	227,625.00	227,625.00
IV. Accumulated deficit	– 65,757,218.10	– 56,011,748.65
	43,035,623.11	**1,542,623.90**
B. Provisions		
1. Provisions for pensions	1,582,929.16	1,540,634.00
2. Other provisions	312,929.76	382,605.04
	1,895,858.92	**1,923,239.04**
C. Liabilities		
1. Trade payables	387,741.42	507,353.33
2. Other liabilities	138,022.17	74,659.10
– thereof for taxes EUR 126,422.98 (PY: EUR 43,544.92) –		
	525,763.59	**582,012.43**
	45,457,245.62	**4,047,875.37**

INCOME STATEMENT FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

In EUR	Jan 1 – Dec 31, 2019		Jan 1 – Dec 31, 2018	
1. Other operating income		91,581.18		56,074.20
2. Cost of materials				
a) Cost of supplies and purchased goods	– 6,207.68		– 19,219.10	
b) Cost of purchased services	– 2,739,932.87	– 2,746,140.55	– 2,105,606.47	– 2,124,825.57
3. Personnel expenses				
a) Wages and salaries	– 1,787,815.86		– 2,042,520.00	
b) Social security, pension	– 181,428.35	– 1,969,244.21	– 353,165.98	– 2,395,685.98
– thereof for pensions: EUR 100,624.20 (PY: EUR 217,240.16) –				
4. Amortization of intangible assets and depreciation of property, plant and equipment		– 34,862.84		– 23,284.34
5. Other operating expenses		– 4,972,618.03		– 3,125,593.37
6. Other interest and similar income		0.00		25,380.02
7. Interest and similar expenses		– 114,185.00		– 115,538.24
8. Earnings after taxes		**– 9,745,469.45**		**– 7,703,473.28**
9. Net loss for the year		**– 9,745,469.45**		**– 7,703,473.28**
10. Accumulated deficit brought forward		– 56,011,748.65		– 48,308,275.37
11. Accumulated deficit		**– 65,757,218.10**		**– 56,011,748.65**

STATEMENT OF CASH FLOWS FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31, 2019

In EUR	Jan 1 – Dec 31, 2019	Jan 1 – Dec 31, 2018
Loss for the period	– 9,745,469.45	– 7,703,473.28
Transaction costs	1,827,853.52	0.00
Amortization, depreciation and write-downs of fixed assets	34,862.84	23,284.34
Interest income	0.00	– 25,380.02
Interest expense	114,185.00	115,538.24
Other non-cash income	– 41,051.38	– 25,796.44
Increase of pension provisions	– 71,889.84	126,090.60
Decrease in other provisions	– 69,675.28	– 32,704.09
Increase of receivables and other assets	– 759,844.68	– 46,344.68
Increase (PY: decrease) of prepaid expenses	– 2,897,761.14	247,993.23
Decrease (PY: increase) of trade payables	– 119,611.91	293,005.75
Increase of other liabilities	63,363.07	31,294.01
Cash flows from operating activities	**– 11,665,040**	**– 6,996,492**
Acquisition of property, plant and equipment	– 47,140.27	– 16,333.70
Proceeds from reinsurance policies relating to the pension provisions	0.00	475,792.18
Cash flows from investing activities	**– 47,140**	**459,458.48**
Proceeds from share issuance	51,238,468.66	0.00
Disbursements for transaction costs	– 1,827,853.52	0.00
Cash flows from financing activities	**49,410,615.14**	**0.00**
Cash effective changes of cash and cash equivalents	**37,698,435.62**	**– 6,537,033.86**
Effect of changes in exchange rates on cash and cash equivalents	**41,051.38**	**25,796.44**
Cash and cash equivalents at the beginning of the financial year	**3,680,017.08**	**10,191,254.50**
Cash and cash equivalents at the end of the period	**41,419,504.08**	**3,680,017.08**

In EUR	Dec 31, 2019	Dec 31, 2018
Composition of cash and cash equivalents		
Cash on hand	107.18	255.05
Cash at bank	41,419,396.90	3,679,762.03
	41,419,504.08	**3,680,017.08**

STATEMENT OF CHANGES IN EQUITY AS OF DECEMBER 31, 2019

	Subscribed capital	Capital reserve	Statutory reserve	Accumulated deficit	Equity
In EUR	Common shares				
As of January 1, 2018	**8,208,009.00**	**49,118,738.55**	**227,625.00**	**– 48,308,275.37**	**9,246,097.18**
Loss for the period				– 7,703,473.28	– 7,703,473.28
As of December 31, 2018	8,208,009.00	49,118,738.55	227,625.00	– 56,011,748.65	1,542,623.90
As of January 1, 2019	**8,208,009.00**	**49,118,738.55**	**227,625.00**	**– 56,011,748.65**	**1,542,623.90**
Capital increase via cash contribution	11,767,473.00	39,470,995.66			51,238,469.66
Loss for the period				– 9,745,469.45	– 9,745,469.45
As of December 31, 2019	19,975,482.00	88,589,734.21	227,625.00	– 65,757,217.10	43,035,623.11

B. NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM JANUARY 1 TO DECEMBER 31, 2019

I. GENERAL DISCLOSURES

The annual financial statements of Vivoryon Therapeutics AG (Vivoryon) for the period from January 1 to December 31, 2019 were prepared using the accounting policies and measurement methods prescribed by the German Commercial Code [HGB] as well as the complementary regulations of the German Stock Corporation Act [AktG].

Vivoryon Therapeutics AG, which traded under Probiodrug AG until June 11, 2019, has its headquarters in Halle (Saale) and is registered in the commercial register of the Stendal District Court (commercial register file number 213719). The Company's shares have been listed on the Euronext/Amsterdam since October 2014. Vivoryon is therefore a publicly traded company as defined in Section 264d HGB and is thereby considered a large corporation as defined by Section 267 (3) sentence 2 HGB.

The Company was officially renamed Vivoryon Therapeutics AG with effect from June 11, 2019, when this was entered in the commercial register Stendal. The name change was resolved in the Company's Annual General Meeting on May 29, 2019. The new name stands for the enhanced corporate strategy under the claim "Healthy Aging - Pioneering Innovation".

There was no change in the presentation form compared to the prior year.

Going concern

In terms of assessing the Company's ability to continue as a going concern, Vivoryon – as a biopharmaceutical company that focuses on Alzheimer care – is dependent on research and development programs. The pharmaceutical development process is characterized by long development cycles as well as high investment requirements for preclinical and clinical research and development up to the time of a product's commercial readiness. Vivoryon continuously needs external funding for research and development activities up until this time. In 2019, the Company was able to raise funds totaling EUR 51,238k through two capital increases in April and October. This provides for the continuation of Vivoryon's business activities until 2023 as per the current budget planning.

II. ACCOUNTING POLICIES

Fixed assets

Property, plant and equipment and intangible assets are stated at cost less scheduled depreciation and amortization.

Scheduled depreciation and amortization were calculated on the straight-line basis considering the expected useful life of the underlying asset.

Movable assets acquired in financial year 2019 costing up to EUR 800.00 were expensed as incurred. A collective item was not recognized for such assets.

Long-term equity investments are stated at acquisition cost.

Current assets

Other assets were stated at their nominal value less necessary valuation adjustments in consideration of all identifiable risks. Receivables in foreign currencies are shown at the average spot exchange rate prevailing on the balance sheet date.

Cash and cash equivalents are generally stated at their nominal values.

Accounts denominated in a foreign currency are also measured using the average spot exchange rate prevailing on the balance sheet date.

Prepaid expenses comprise payments made prior to the balance sheet date, which represent expenses for a specific period after the balance sheet date.

Deferred taxes are recognized on the difference in the amounts recognized in the commercial and tax balance sheets provided these are expected to be reduced in subsequent financial years. If there is an excess of deferred tax assets as of the reporting date, the option to capitalize these assets provided under Section 274 (1) sentence 2 HGB is not exercised.

Equity
The Company's share capital is recorded at its nominal value.

Provisions
Provisions are recorded at the settlement amounts deemed necessary according to prudent business judgement. In doing so, all identifiable risks were considered.

Long-term provisions with a term of more than 12 months are discounted in accordance with Section 253 (2) sentence 1 HGB. Provisions with a remaining term of up to one year were not discounted.

The pension provisions are calculated using the 'projected unit credit' method (PUC method). Vivoryon applied a discount rate determined as the average market interest rate of the prior ten financial years as published by the Deutsche Bundesbank [German Central Bank] and an assumed remaining term of 15 years. The biometric assumptions as of the balance sheet date were provided by the 2018 G mortality tables of Prof Dr Klaus Heubeck. The parameters applied in the valuation as well as disclosure of the difference arising from the use of the average market interest rate of the prior ten years as of December 31, 2019 and that based on the average market interest rate of the prior seven financial years as of December 31, 2019 are presented in the explanations on the balance sheet.

Liabilities
Liabilities are recognized at their respective settlement amounts. Liabilities in a foreign currency are recorded at the mean average exchange rate in effect as of the balance sheet date.

The existing liabilities are unsecured.

Income statement
The Company again elected the total cost method of presentation (nature of expense) pursuant to Section 275 (2) HGB.

III. EXPLANATORY NOTES ON THE BALANCE SHEET

Fixed assets
The movements in fixed assets as well as disclosures with respect to the amortization and depreciation recorded in the financial year is shown for each balance sheet line item in the movements in fixed assets presented in the appendix to the notes to the annual financial statements. Vivoryon Therapeutics AG has a subsidiary, Vivoryon Therapeutics Inc., USA. All operating activities and assets are consolidated at Vivoryon Therapeutics AG; Vivoryon Therapeutics Inc. currently performs neither operating activities nor does it have operating assets.

Receivables and other assets
All receivables and other assets have a remaining term of up to one year. Other assets primarily include receivables from tax authorities (EUR 292k; PY: EUR 89k) as well as other receivables (EUR 331k; PY: EUR 9k).

Prepaid expenses
As of December 31, 2019, prepaid expenses include a reservation fee of EUR 496k (PY: EUR 0k) for the GMP production of the clinical PQ912 material and advance payments made upon signing the contract with Nordic Bioscience for the conduct of the clinical 2b study in the amount of EUR 2,421k (PY: EUR 0k).

Deferred taxes
Offsetting debit and credit balances with respect to deferred taxes (consideration of overall difference) yielded a net debit balance for deferred taxes as of the balance sheet date. The calculation is based on an effective tax rate of 31.58%, which is expected to be the rate in effect when the differences reverse. Vivoryon does not exercise the option of recognizing deferred tax assets under

Section 274 (1) sentence 2 HGB. As such, deferred taxes are not presented on the balance sheet. The calculated deferred tax assets and liabilities result from accumulated losses carried forward and different values calculated for the pension provisions.

Share capital
As of December 31, 2019, the share capital amounted to EUR 19,975,482.00 (December 31, 2018: EUR 8,208,009.00). It is broken down into 19,975,482 (December 31, 2018: 8,208,009) registered common shares with no-par value.

On April 9, 2019, Vivoryon's Management Board – with the approval of the Supervisory Board – resolved to increase the share capital by EUR 4,093,367.00 to EUR 12,301,376.00. Upon full utilization of the Authorized Capital 2017, the increase was made by the issuance of 4,093,367 new no par value common bearer shares at an issue price equivalent to the calculated nominal value of EUR 1.00 per share.

The Company issued the new shares to selected investors at a subscription price of EUR 2.00 per new share.

3.1 million new shares were sold to a consortium of investors led by Mr Claus Christiansen founder and chairman of the board of directors of Nordic Bioscience, Denmark. Additionally, 993,367 new shares were sold to other investors as well as to members of the Management Board and Supervisory Board.

Out of a total of 4,093,367 new shares, 1,641,601 (20% of the share capital) were admitted to trading on Euronext Amsterdam under exemption from the prospectus obligation and were delivered to the investors. The remaining 2,451,766 new shares not admitted were delivered to the Investor Consortium, led by Mr Christiansen, which was also willing to accept new shares which were not admitted, underlining its intended long-term engagement.

On August 8, 2019, these shares were admitted to trading on Euronext based on a prospectus.

On October 8, 2019, the Management Board - with the approval of the Supervisory Board - resolved to offer new shares from the cash capital increase resolved by the Annual General Meeting on May 29, 2019 to the shareholders of the Company in a ratio of 1:3 in accordance with the resolution of the Annual General Meeting on May 29, 2019 by way of an indirect subscription right in accordance with Section 186 (5) AktG. The subscription price for the issuance of a no-par value bearer share was set at EUR 5.61.

On October 24, 2019, the Management Board - with the approval of the Supervisory Board - resolved to set the number of new shares to be placed, including the new shares, to be issued based on subscription rights exercised by the Company's shareholders, at 7,674,106. The capital increase was to be made in this amount. The subscription price for the private placement for the issuance of a no-par value bearer share was set at EUR 5.61.

The rights offering was completed with a total of 4,445,323 new shares subscribed to by existing shareholders, of which Mr. Claus Christiansen, Den Danske Forskningsfond and T&W Holding A/S subscribed to a total of 2,673,798 new shares. [As such, the transaction was oversubscribed.] The new shares which were not subscribed by existing shareholders (the "Rump Shares") were offered via a private placement to selected qualified investors in Europe who purchased 3,228,783 Rump Shares at the suscription price, including MorphoSys AG, which purchased Rump Shares for an aggregate investment amount of EUR 15 million. In total, the offering led to the issuance of a total of 7,674,106 new shares, raising EUR 43,051,734.66 for Vivoryon. The Company's outstanding share capital after completion of the capital increase amounted to EUR 19,975,482.00 broken down into 19,975,482 no par value registered shares. The new shares have full dividend rights from January 1, 2019.

The capital increase was entered in the commercial register on October 25, 2019 and the new shares were admitted to trading on Euronext on October 29, 2019.

Authorisation to acquire treasury shares
The Annual General Meeting held on June 10, 2015, authorized the Management Board in accordance with Section 71 (1) no. 8 AktG to acquire treasury stock until June 9, 2020 up to a proportionate share of the share capital in the amount of EUR 676,580.00. The acquisition may be carried out via the stock exchange or by a public offering to all shareholders. The treasury shares may be used for all permitted purposes including redemption.

No shares were repurchased in financial year 2019.

Conditional capital
As of December 31, 2019, the conditional capital totaled EUR 3,808,975.00 (December 31, 2018: EUR 4,002,527.00). Of this amount, EUR 408,975.00 (December 31, 2018: EUR 481,748.00) is reserved for the issuance of options.

In addition to Company employees, for whom no disclosure is required pursuant to Section 194 (3) AktG, the following former members of the Management Board are entitled to acquire the following number of shares:

- Dr. Konrad Glund, Halle, up to 104,834 common shares
- Dr. Hendrik Liebers, Leipzig, up to 104,833 common shares
- Dr. Inge Lues, Seeheim-Jugenheim, up to 104,834 common shares

Options and/or convertible bonds (debt securities)
By resolution of the Annual General Meeting dated June 21, 2018, the Management Board, by virtue of cancellation of the authorization dated June 10, 2015 and the consent of the Supervisory Board, is authorized to issue once or in several transactions, in the latter case also simultaneously in several tranches, until June 20, 2023, option bonds and/or convertible bonds in bearer or registered form (together 'Bonds') for a total amount, calculated starting on the date of original resolution adoption on June 10, 2015, of up to EUR 60,000,000.00, each with or without a maturity restriction. The Bonds, subject to the respective terms and conditions of the option bonds, may grant option rights or impose option obligations. The bonds may also, subject to the respective terms and conditions of the convertible bonds (the 'Convertible Bond Conditions'), grant conversion rights or impose conversion obligations. The Bonds may grant rights or impose obligations to subscribe to up to 3,400,000 bearer shares of the Company with a proportionate corresponding amount of the Company's share capital of up to EUR 3,400,000.00. The Bonds may be issued in euro or – limited to the respective value in euro – in any other statutory currency of an OECD member state. The Bonds may be issued for cash consideration. Alternatively, the Bonds may be issued against non-cash consideration, in particular to acquire enterprises, investments in entities, business units, receivables, patents and licenses or other assets, provided, however, that the value of such at least equals the issue price of the Bonds.

The Bonds may also be issued by domestic or foreign affiliated companies as defined by Sections 15 et. seq. AktG (hereafter a 'Group Company'). In the event the Bonds are issued by a Group Company, the Management Board – with the Supervisory Board's consent – is authorized to guarantee the Bonds on behalf of the Company and to grant/impose option rights/obligations or conversion rights/obligations on the bearer.

The Management Board – with the approval of the Supervisory Board – is authorized to determine the further details of the issue and the terms of the Bonds, in particular interest rate, form of interest, issue price, term, denominations, exercise respectively conversion period, a potential variability of the conversion rate and, if applicable, to do so in consultation with the corporate bodies of the subsidiary issuing the Bonds.

The subscription rights of shareholders are excluded when issuing Bonds on the basis of this authorization.

Stock options
A total of 408,975 stock options were outstanding as of December 31, 2019 (December 31, 2018: 481,748), of which 314,501 options are held by former Management Board members and 94,474 stock options are held by former and current staff. The exercise period ended for 70,373 stock options in 2019.

On September 13, 2019, the Management Board resolved the creation of Stock Option Program 2020 under the condition precedent of the passing of the resolution of the General Meeting of Vivoryon Therapeutics AG with respect to the approval of the creation of the Stock Option Program 2020 and the creation of a corresponding conditional capital. The Management Board is authorized to issue up to 615,000 options to current and future employees and members of the Management Board in one or several steps until December 31, 2023, whereby the general distribution mechanism requires Supervisory Board approval. To the extent that subscription rights are issued to members of the Management Board, only the Supervisory Board is authorized to issue.

1. The options shall entitle the beneficiary, as per the option terms to acquire new common shares in the Company.

2. With a total volume of the maximum available 615,000 options, the group of persons entitled to subscribe is as follows:

   a) Up to 473,550 options are allocable to current and future members of the Company's Management Board. Options not exercised can be issued to the beneficiaries as set forth in clause b).
   b) Up to 141,450 options are allocable to current and future Company employees.

3. The options issued under Stock Option Program 2020 can only be exercised within eight years of issuance.

4. By exercising the options, common no-par value bearer shares can be obtained at a 1:1 ratio for payment of the strike price. After conversion of the Vivoryon shares into registered shares, common registered shares can be subscribed.

   The Management Board is authorized, with the approval of the Supervisory Board – to the extent that Management Board member options are affected, only the Supervisory Board decides – to modify the share purchase within the scope of corporate actions or a transformation of the Company. Accruing fractions of options or shares, if any, shall be rounded down.

   The strike price for one option is equivalent to the simple average of the relevant stock ex change prices of the last twenty stock exchange trading days prior to the issuance of the option.

   The "relevant stock exchange price" is the closing quotation of the share determined on XETRA or a comparable succeeding system to XETRA or - if Vivoryon's share is listed abroad - the corresponding stock exchange price on such foreign stock exchange. If Vivoryon's share is listed on more than one stock exchange, the prices on the stock exchange with the highest trading volume in Vivoryon's share during the relevant period shall be decisive.

   Subject to the approval of the Supervisory Board- if the Management Board is affected, the decision is the sole responsibility of the Supervisory Board- the Management Board may opt to either make the shares required to fulfil the exercised options available from conditional capital still to be created by the shareholders' meeting for this purpose or from additional conditional capital to be created by the shareholders' meeting in the future or from a program still to be resolved by a future shareholders' meeting for the acquisition of treasury shares. Alternatively, at the option of the Management Board and subject to the approval of the Supervisory Board the beneficiary may be granted compensation in cash. The cash compensation is calculated as the difference between the strike price and the simple average of the relevant stock exchange prices on the last ten stock exchange trading days prior to the day the option is exercised.

5. Acquisition Periods

   a) Options may be offered to beneficiaries in one or several tranches until December 31, 2023.
   b) Options may be issued within the first twenty stock exchange trading days of the first quarter, the second quarter, the third quarter and the fourth quarter of a financial year.

6. The beneficiaries may exercise the options:

   a) after at least four years have lapsed since their issuance and - if relevant - the options have vested; and
   b) if the simple average of the relevant stock exchange quotations of the last twenty stock exchange trading days prior to exercising the option is not less than 20% above the strike price (success target as defined in Section 193 (2) No. 4 AktG (German Stock Corporations Act)).

7. In respect of Section 193 (2) No. 4 AktG (exercise periods) and to avoid insider violations pursuant to the Securities Trading Act also after the expiration of the four-year minimum vesting period and irrespective of the success target, the options may only be exercised three times per financial year within a four-week period. These exercise periods start on the third banking day after the Annual General Meeting of shareholders, subsequent to publication of the report for the second and third quarter. If the Company does not publish any quarterly reports, the options may only be exercised once a year within a four-week period starting on the third banking day after the Annual General Meeting.

   Moreover, the exercise of the options is not allowed from the date on which the Company submits an offer to its shareholders for the subscription of new shares or debentures with conversion or subscription rights by way of letter to all shareholders or by publication in the Bundesanzeiger ("German Federal Gazette") until the date when the shares eligible for subscription are quoted "ex subscription right" for the first time.

8. The options are not transferrable.

9. The beneficiary shall bear all taxes possibly accruing in connection with the granting and exercising of the options, including church tax and solidarity surcharge, as well as social security insurance contributions.

In 2019, the Annual General Meeting has not yet approved Stock Option Program 2020.

Authorized Capital 2019
As of December 31, 2019, the authorized capital totaled EUR 6,150,688.00 (December 31, 2018: EUR 4,093,367.00).

The Management Board – with the approval of the Supervisory Board – is authorized to increase the Company's share capital until May 28, 2024 in one or several step(s) in consideration for contributions in cash or in kind by up to EUR 6,150,688.00 by issuing a total of up to 6,150,688 new, no-par value bearer shares (Authorized Capital 2019). The subscription right is excluded. The Management Board is authorized – with the approval of the Supervisory Board – to determine other specific details of the capital increase, its implementation and the terms and conditions for the issuance of shares from the Authorized Capital 2019.

Authorised capital 2017
The Authorized Capital 2017 of EUR 4,093,367.00 was fully utilized in the capital increase carried out on April 9, 2019.

Voting rights notification
Disclosures on the existence of investments as of the balance sheet date
HBM HEALTHCARE INVESTMENTS AG, Zug, Switzerland, informed the Company pursuant to Section 33 WpHG on February 21, 2019 that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 fell below the 3% threshold of voting rights on February 14, 2019.

AVIVA PLC, London, Great Britain, informed the Company pursuant to Section 33 WpHG on April 5, 2019 that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 fell below the 3% threshold of voting rights on April 5, 2019.

ANDERA PARTNERS (FORMERLY EDMOND DE ROTHSCHILD INVESTMENT PARTNERS), Paris, France, informed our Company pursuant to Section 33 WpHG on April 17, 2019 that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 fell below the threshold of 5% of the voting rights on April 10, 2019 and that its voting rights proportion amounted to 3.34 % (410,699 voting rights) on that date. 3.34% of the voting rights (401,946 voting rights) are attributable to Andera Partners pursuant to Section 34 WpHG.

CLAUS HENRIK CHRISTIANSEN, Morcote, Switzerland, informed our Company pursuant to Section 33 WpHG on April 16, 2019, that his voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 exceeded the threshold of 5 % of the voting rights on April 15, 2019 and that his voting rights proportion amounted to 8.13 % (1,000,000 voting rights) on that date.

DEN DANSKE FORSKNINGSFOND, Herlev, Denmark, informed our Company pursuant to Section 33 WpHG on April 16, 2019, that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 exceeded the threshold of 5 % of the voting rights on April 16, 2019 and that its voting rights proportion amounted to 8.13 % (1,000,000 voting rights) on that date.

THE FEDERAL STATE SAXONY ANHALT, Magdeburg, Germany, informed us that, pursuant to Section 33 WpHG, on April 18, 2019, its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany (ISIN DE0007921835) fell below the threshold of 10% of the voting rights on April 10, 2019 and that its voting rights proportion amounted to 7.26 % (893,269 voting rights). 7.26% of the voting rights (893,269 voting rights) are attributed to the Federal State Saxony Anhalt pursuant to Section 34 of the WpHG. The voting rights attributed to the Federal State Saxony Anhalt are attributed through the following controlled undertakings holding 3% or more in Vivoryon: IBG Risikokapitalfonds I GmbH & Co. KG, IBG Risikokapitalfonds II GmbH & Co. KG.

T&W HOLDING A/S, Lynge, Denmark, informed our Company pursuant to Section 33 WpHG on April 18, 2019, that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 exceeded the threshold of 5 % of the voting rights on April 18, 2019 and that its voting rights proportion amounted to 8.13 % (1,000,000 voting rights) on that date.

TVM V LIFE SCIENCE MANAGEMENT GMBH & CO., Munich, Germany informed our Company pursuant to Section 33 WpHG on April 18, 2019, that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 fell below the threshold of 5 % of the voting rights on April 10, 2019 and that its voting rights proportion amounted to 4.54 % (558,384 voting rights) on that date.

TVM V LIFE SCIENCE MANAGEMENT GMBH & CO., Munich, Germany informed our Company pursuant to Section 33 WpHG on May 20, 2019, that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 fell below the threshold of 3 % of the voting rights on May 14, 2019 and that from this point on it does not hold any shares in Vivoryon.

LUPUS ALPHA INVESTMENT S.A., Sennigerberg, Luxemburg, informed our Company pursuant to Section 33 WpHG on May 16, 2019, that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 exceeded the threshold of 5 % of the voting rights on May 14, 2019 and that its voting rights proportion amounted to 6.14 % (755,000 voting rights) on that date.

MORPHOSYS AG, Planegg, Germany, informed our Company pursuant to Section 33 WpHG on October 28, 2019, that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 exceeded the threshold of 10 % of the voting rights on October 25, 2019 and that its voting rights proportion amounted to 13.385 % (2,673,796 voting rights) on that date.

THE FEDERAL STATE SAXONY ANHALT, Magdeburg, Germany, informed us that, pursuant to Section 33 WpHG, on November 6, 2019, its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany (ISIN DE0007921835) fell below the threshold of 5% of the voting rights on October 25, 2019 and that its voting rights proportion amounted to 4.47 % (893,269 voting rights). 4.47% of the voting rights (893,269 voting rights) are attributed to the Federal State Saxony Anhalt pursuant to Section 34 of the WpHG.

LSP MANAGEMENT GROUP B.V., Amsterdam, the Netherlands, informed us that, pursuant to Section 33 WpHG, on October 31, 2019, its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany (ISIN DE0007921835) fell below the threshold of 5% of the voting rights on October 25, 2019 and that its voting rights proportion amounted to 3.19 % (636,289 voting rights). 3.19% of the voting rights (636,289 voting rights) are attributed to the LSP Management Group B.V. pursuant to Section 34 of the WpHG. The voting rights attributed to the LSP Management Group B.V. are attributed through the following controlled undertakings holding 3% or more of Vivoryon: Coöperatief LSP IV U.A.

COÖPERATIEF LSP IV U.A., Amsterdam, the Netherlands, informed us that, pursuant to Section 33 WpHG, on October 31, 2019, its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany (ISIN DE0007921835) fell below the threshold of 5% of the voting rights on October 25, 2019 and that its voting rights proportion amounted to 3.19 % (636,289 voting rights).

ANDERA PARTNERS (FORMERLY EDMOND DE ROTHSCHILD INVESTMENT PARTNERS), Paris, France, informed our Company pursuant to Section 33 WpHG on November 4, 2019 that its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany, ISIN DE0007921835 fell below the thresholds of 3% of the voting rights on October 25, 2019.

MACKENZIE FINANCIAL CORPORATION, Toronto, Canada, informed us that, pursuant to Section 33 WpHG, on December 18, 2019, its voting rights proportion in Vivoryon Therapeutics AG, Weinbergweg 22, 06120 Halle (Saale), Germany (ISIN DE0007921835) exceeded the threshold of 3% of the voting rights on May 27, 2019 and that its voting rights proportion amounted to 3.27 % (401,946 voting rights). 3.27% of the voting rights (401,946 voting rights) are attributed to the Mackenzie Financial Corporation pursuant to Section 34 of the WpHG.

Capital reserves
As of December 31, 2019, the capital reserve totaled EUR 88,589,734.21 (December 31, 2018: EUR 49,118,738.55).

Revenue reserves
The legal reserves are unchanged at EUR 227,625.00 in accordance with Section 150 (2) AktG.

Accumulated deficit
The accumulated deficit totaled EUR 65,757,218.10 as of December 31, 2019 and developed as follows during the financial year under review:

In EUR	
Accumulated deficit as of December 31, 2018	56,011,748.65
Net loss for financial year 2019	9,745,469.45
Accumulated deficit as of December 31, 2018	**65,757,218.10**

Pension provision
Pension provisions for direct pension commitments

The pension provisions were calculated using a discount rate of 2.71% (PY: 3.21%). A further parameter applied in the calculation was a pension progression rate of 1.0% (PY: 1.0%).

In the financial year, personnel expenses of EUR 15k (PY: EUR 0k) were recognized in conjunction with the pension obligations, as was current interest expense of EUR 114k (PY: EUR 115k).

The settlement amount of the pension provisions equaled EUR 1,407k (PY: EUR 1,354k) as of December 31, 2019.

As of December 31, 2019, as was the case in the prior year, the settlement amount of the pension obligations was determined on the basis of the average market interest rates of the prior ten financial years.

Pursuant to Section 253 (6) HGB, the difference between recognized provisions on the basis of the average market interest rate of the prior ten financial years and the provisions recognized on the basis of the average market interest rate of the prior seven financial years is to be calculated every financial year and is to be presented.

There was the following difference as of December 31, 2019:

Settlement amount based on 10-year average rate (actuarial interest rate 2.71%)	1,406,570
Settlement amount based on 7-year average rate (actuarial interest rate 1.97%)	**1,534,289**
Difference pursuant to Section 253 (6) HGB	– 127,719

Pension provision from the pension funds using the provident fund
To maintain granted and vested pension rights in the context of a provident fund after leaving the Company, Vivoryon has additional obligations in the annual amount of approx. EUR 14k until 2035.

The provision was calculated using a discount rate of 2.71% and amounted to EUR 176k as of December 31, 2019 .

Pursuant to Section 253 (6) HGB, the difference as of December 31, 2019 between valuation on the basis of the average market interest rate of the prior ten financial years and the provisions recognized on the basis of the average market interest rate of the prior seven financial years was calculated as follows:

Settlement amount based on 10-year average rate (actuarial interest rate 2.71%)	176,359
Settlement amount based on 7-year average rate (actuarial interest rate 1.97%)	**186,249**
Difference pursuant to Section 253 (6) HGB	- 9,890

Other provisions
Other accrued expenses include accruals for outstanding invoices (EUR 68k; PY: EUR 212k), other personnel-related accruals (EUR 110k; PY: EUR 106k), accruals for the preparation of the financial statements and audit (EUR 57k; PY: EUR 53k), accruals for custodian fees (EUR 26k; PY: EUR 0k) as well as accruals for the Company's other business activities (EUR 52k; PY: EUR 12k).

Liabilities
As was the case in the prior year, the trade payables of EUR 388k (PY: EUR 507k) as well as the other liabilities of EUR 138k (PY: EUR 75k) all have a remaining term of up to one year.

IV. EXPLANATORY NOTES ON THE INCOME STATEMENT

Other operating income
Other operating income during the financial year included:

In EUR k	2019	2018
Other income related to other periods	3	1
Foreign exchange gains	45	28
Income from the reversal of provisions	33	27

Cost of materials
In the financial year, the costs of materials did not include expenses attributable to other periods (PY: EUR 275k).

Other operating expenses
Other operating expenses include expenses attributable to other periods of EUR 1k (PY: EUR 11k) as well as expenses from exchange rate differences of EUR 6k (PY: EUR 6k).

Interest and similar expenses
Interest and similar expenses solely include interest expenses from unwinding the discount on pension provisions (EUR 114k; PY: EUR115k).

V. OTHER DISCLOSURES

Proposal for the appropriation of earnings
The Management Board proposes the following with respect to the appropriation of earnings: the accumulated deficit equals EUR 65,750,552.10. This deficit will be carried forward.

Average headcount during the financial year
The following categories of employees worked at the Company during the financial year under review:

MANAGEMENT BOARD AND EMPLOYEES

	2019	2018
Management Board members	2	3
Salaried employees	14	12

Other financial obligations
As of December 31, 2019, the other financial commitments amounted to EUR 1,485k and primarily consisted of purchased research and development services as well as service, leasing and rental obligations. EUR 1,195k of this amount is due within one year.

Disclosures with respect to executive bodies
Management Board
The Company's business was managed by the members of the Management Board during the financial year:

Dr Ulrich Dauer (Dipl.-Chemiker [degree in chemistry]) – Chairman
Dr Michael Schaeffer (Dipl.-Molekularbiologe [degree in molecular biology])

They have the authority to represent the Company on their own and are released from the constraints of Section 181 of the German Civil Code [BGB].

The following members of the Management Board purchased Vivoryon shares during the financial year under review:

Dr Ulrich Dauer – 25,000 shares on April 15, 2019
Dr Ulrich Dauer – 4,002 shares on October 25, 2019
Dr Michael Schaeffer – 3,567 shares on October 25, 2019

With respect to the remuneration of the Management Board, we refer to the compensation report which forms a part of the management report. The Management Board's total remuneration amounted to EUR 877k in 2019 (PY: EUR 837k).

Disclosure relating to total remuneration of former Management Board members
Former members of the Management Board received pension benefits of EUR 76k (PY: EUR 56k). In conjunction with the pension provisions, EUR 18k (PY: EUR 187k) was recorded as personnel expenses.

Supervisory Board
The following people were appointed as members of the Supervisory Board:

Dr Erich Platzer, Physician, Basel/Switzerland – Chairperson
- Member of the Board of Directors, Aptose Biosciences Inc., Toronto, Canada
- Owner and Managing Director of Platzer Consult GmbH, Basel, Switzerland
- Chairman of the Board of Directors, credentis AG, Windisch, Switzerland
- Chairman of the Board of Directors, AOT AG, Basel, Switzerland
- Chairman of the Board of Directors, Léman Micro Devices SA, Lausanne, Switzerland
- Member of the Board, Medtech Innovation Partners AG, Basel, Switzerland
- Member of the Board, Peripal AG, Zürich, Switzerland
- Member of the Board, Viroblock AG, Plan les Ouates, Switzerland
- Chairman of the Board of Directors, Platzer Invest AG, Basel, Switzerland

Dr Dinnies von der Osten, Managing Director, Berlin – Deputy Chairperson
- Member of the Supervisory Board, Market Logic Software AG, Berlin
- Chairman of the Board of Directors Trust Versicherungsmakler AG, Berlin

Dr Jörg Neermann, Investment Manager, Munich
- Member of the Advisory Board, Ventaleon GmbH, Gmünden
- Member of the Board of Directors, Eyesense AG, Basel, Switzerland
- Chairman of the Supervisory Board, Immunic AG, Martinsried
- Member of the Board of Directors, Immunic Inc, New York, USA
- Member of the Board of Directors, ViCentra B.V., Utrecht, the Netherlands
- Member of the Board of Directors, Imcyse S.A., Liege, Belgium

Charlotte Lohmann, Attorney, Munich
- General Counsel Morphosys AG, Planegg

The Supervisory Board's remuneration totaled EUR 105k (PY: EUR 112k) during the financial year.

The terms of the Supervisory Board members end upon the conclusion of the Annual General Meeting, which decides on granting discharge to the Supervisory Board for financial year 2020.

Auditor's fees
The fees invoiced by the auditor during the financial year included the following:

In EUR k	2019	2018
Audit services	55	52
– thereof for the prior year –	3	0
Other confirmation services	120	0
Total	**175**	**52**

Subsequent events report in accordance with Section 285 No. 33 German Commercial Code [HGB]
There were no significant events after the balance sheet date.

Compliance statement in accordance with Section 161 of the German Stock Corporation Act [AktG]
The compliance statement prescribed by Section 161 AktG regarding the German Corporate Governance Code was provided by the Management Board and the Supervisory Board and made available to the shareholders on Vivoryon's website.

Halle (Saale), March 12, 2020

Dr Ulrich Dauer **Dr Michael Schaeffer**

MOVEMENTS IN FIXED ASSETS IN THE 2018 FINANCIAL YEAR

		Acquisition costs			
In EUR	**Jan 1, 2019**	**Additions**	**Disposals**	**Reclassifications**	
I. Intangible assets					
Rights, licences and software acquired for consideration	373,199.50	11,434.03	0.00	0.00	
II. Property, plant and equipment					
1. Buildings on third-party land	181,002.98	0.00	0.00	0.00	
2. Other equipment, operating and office equipment	581,590.95	35,706.24	0.00	2,925.02	
3. Advance payments	2,925.02	0.00	0.00	– 2,925.02	
	765,518.95	**35,706.24**	**0.00**	**0.00**	
III. Financial assets					
1. Investments	3,450.00	0.00	0.00	0.00	
	1,142,168.45	**47,140.27**	**0.00**	**0.00**	

		Accumulated amortisation, depreciation and write-downs				Book value
Dec 31, 2019	Jan 1, 2019	Amortization, depreciation and write-downs during the financial year	Disposals	Dec 31, 2019	Dec 31, 2019	Dec 31, 2018
384,633.53	365,541.74	2,292.80	0.00	368,834.54	15,798.99	6,657.76
181,002.98	180,022.16	818.08	0.00	180,840.24	162.74	980.82
620,222.21	527,137.51	31,751.96	0.00	558,889.47	61,332.74	54,453.44
0.00	0.00	0.00	0.00	0.00	0.00	2,925.02
801,225.19	**707,159.67**	**32,570.04**	**0.00**	**739,729.71**	**61,495.48**	**58,359.28**
3,450.00	0.00	0.00	0.00	0.00	3,450.00	3,450.00
1,189,308.72	**1,073,701.41**	**34,862.84**	**0.00**	**1,108,564.25**	**80,744.47**	**68,467.04**

C. MANAGEMENT REPORT FOR FINANCIAL YEAR 2019

1 COMPANY BASICS

Legal structure
Vivoryon Therapeutics AG (until June 11, 2019 registered as Vivoryon Therapeutics AG) – hereinafter „Vivoryon AG", „Vivoryon" or the „Company" – is a German stock corporation domiciled in Halle (Saale). The Company has a subsidiary, Vivoryon Therapeutics Inc. (until August 9, 2019 Probiodrug Inc.), USA. All operating activities and assets are concentrated in Vivoryon Therapeutics AG; currently Vivoryon Therapeutics Inc. has neither operating activities nor assets.

Business activities
Vivoryon Therapeutics AG is a biopharmaceutical company dedicated to researching and developing new therapeutic products for the treatment of Alzheimer's Disease (hereinafter also "Alzheimer's" or "AD").

Vivoryon is pursuing a therapeutic approach that addresses disease initiation as well as progression. The development approaches are targeting pyroglutamate-Abeta (synonym: pGlu-Abeta) as one therapeutic strategy to fight AD. PGlu-Abeta was described as a particularly toxic and aggregation-prone form of Abeta, which is formed from the physiological Abeta by the activity of the glutaminyl cyclase enzyme (QC). In this regard, Vivoryon is seeking to prevent the formation of pGlu Abeta by inhibiting the glutaminyl cyclase enzyme ("QC"). The Company's most advanced program in this area, the PQ912 development candidate, successfully completed a Phase 2a clinical trial in 2017. Based on the findings, Vivoryon is currently initiating a Phase 2b study in Europe for the treatment of early-stage Alzheimer's Disease. A second Phase 2b study is planned in the USA and will be supported by a substantial grant from the NIH.

The Company also granted a license option to MorphoSys AG to develop its drug portfolio in immuno-oncology. Vivoryon's drug molecules block the Glutaminyl Peptide Cyclotransferase-like protein (QPCTL), a post-translationally modifying enzyme that is responsible for pyroglutamate formation on important signaling proteins in oncological immune responses. QPCTL has recently been identified as a potential oncological target. Inhibitors of QPCTL, such as PQ912 and other low molecular compounds that are protected under the Vivoryon patents, have demonstrated that they disable the checkpoint signal from the CD47-SIRP-alpha axis between cancer cells and innate immune system cells, and can thus provide a novel strategy to enhance the effectiveness of various antibody therapies in cancer. Together with MorphoSys, Vivoryon is currently selecting development partnerships to transfer PQ912 to a clinical Phase 1 combination study together with a therapeutic antibody against cancer.

Research and development
As was the case in the past, in 2019 Vivoryon continued to focus its activities on the development of PQ912, an inhibitor of the enzyme QC for treating Alzheimer's and other diseases. The primary work in these areas is carried out by external service providers (contract research organizations as well as contract manufacturers) and cooperation partners in the areas of pharma ancillary research, production development and production, preclinical and clinical trials as well as analytics.

Patent portfolio
Vivoryon had a strong patent portfolio in 2019 with a total of 40 patent families and patent applications as of the end of the financial year under review (PY: 40). The strategy of focusing the patent portfolio on development-relevant and commercially promising areas was continued unchanged in 2019.

Important events in the current financial year

a) **Approval of funding for a clinical trial in the USA by the National Institute of Health (NIH)**
Based on the promising results from the Phase 2a SAPHIR trial of PQ912 in Alzheimer's patients, further development steps have been planned. Among other things, an application for a grant from the National Institute of Health (NIH) for a clinical trial in the USA was prepared and filed together with the Alzheimer's Disease Cooperative Study Group (ADCS) of San Diego, USA. The grant was approved on March 18, 2019.

b) **Capital increase on the basis of cash contribution in April 2019**
In early April 2019, Vivoryon raised capital of EUR 8.2 million from investors through a successful private placement of new shares. Upon full utilization of the authorized capital, the Company's share capital was increased from EUR 8,208,009 to EUR

12,301,376 by successfully issuing 4,093,367 new shares with a nominal value of EUR 1.00 per share. The Company sold the new shares to selected investors at a purchase price of EUR 2.00 per new share.

3.1 million new shares were sold to a consortium of investors led by Mr Claus Christiansen, founder and chairman of the board of directors of Nordic Bioscience, Denmark. An additional 993,367 new shares were sold to other investors as well as to members of the Management Board and Supervisory Board. Out of a total of 4,093,367 new shares, 1,641,601 (20% of the share capital) were admitted to trading on Euronext Amsterdam under exemption from the prospectus obligation and were delivered to the investors. The remaining 2,451,766 new shares not admitted were delivered to the Investor Consortium led by Mr Claus Christiansen which was also willing to accept new shares not admitted, underlining its intended long-term engagement. On August 8, 2019, these shares were admitted to trading on the Euronext on the basis of a security prospectus.

The Company will use the proceeds from the private placement to prepare and conduct the European Phase 2b clinical trial, which will evaluate the safety and efficacy of the optimal dosage range of the major Vivoryon product, PQ912, in early stage Alzheimer's Disease patients .

c) 2019 Ordinary General Meeting of the Shareholders

On May 29, 2019, the Company's Ordinary General Meeting of the shareholders took place. The following resolutions were subject to vote:

- approval of the actions of the Management Board members and of the Supervisory Board members for financial year 2018
- appointment of KPMG AG Wirtschaftsprüfungsgesellschaft as financial statement auditor for financial year 2019
- change in the Company name to "Vivoryon Therapeutics AG" and the corresponding amendment to the articles of association
- increase of the Company's share capital on the basis of cash contributions
- creation of the Authorized Capital 2019 and the corresponding amendment to the articles of association

All items presented for resolution by the Management Board and the Supervisory Board were approved with the majority required.

d) Change of the company name

The Company was officially renamed Vivoryon Therapeutics AG effective June 11, 2019, with the respective entry in the commercial register Stendal. The name change was resolved in the Company's Annual General Meeting on May 29, 2019. The new name stands for the enhanced corporate strategy with the claim "Healthy Aging – Pioneering Innovation". Vivoryon, composed of 'Vivid Memory On', expresses our strong commitment to develop a transformational therapeutic option for patients with Alzheimer's Disease (AD) against the backdrop of multiple late stage industry disappointments in Phase 3 clinical development projects.

e) Research collaboration with the University Medical Center Schleswig-Holstein, Campus Kiel

On June 27, 2019 Vivoryon entered into a research collaboration with University Medical Center Schleswig-Holstein, Campus Kiel, to discover and develop first-in-class therapeutics in cancer immunotherapy. Professor Thomas Valerius and his group will qualify Vivoryon's broad portfolio of small molecule QPCTL inhibitors for their use as modulators of the CD47-SIRP-alpha myeloid immune checkpoint. These inhibitors, some of which have already been clinically tested, originated from the Company's Alzheimer's Disease drug development program which remains to be a core focus for Vivoryon Therapeutics. Besides, these inhibitors also offer interesting therapeutic options in immuno-oncology. Recently published and internal research has shown that the Glutaminyl-peptide cyclotransferase-like (QPCTL) enzyme is a powerful therapeutic target to silence the "do not eat me" signal provided by the interaction of CD47 (expressed on cancer cells), with the protein SIRP-alpha (expressed on macrophages and other myeloid cells). Tumor immunotherapy that targets this interaction is a current focus of innovation in cancer drug development. Combining a therapeutic tumor-targeted antibody of choice with the inhibition of the CD47-SIRP-alpha interaction is expected to lead to significant therapeutic improvements. By possessing the broadest portfolio of small molecule QPCTL inhibitors and the clinically most advanced compounds in that field, Vivoryon Therapeutics is uniquely positioned. QPCTL inhibitors are expected to have considerable therapeutic advantages compared to antibody approaches that are currently explored in clinical studies to silence the CD47-SIRP-alpha interactions.

f) Capital increase on the basis of cash contribution in October 2019

In October 2019, the Company successfully raised capital of around EUR 43 million through a subscription right offering to existing shareholders and a private placement for selected qualified investors in Europe. 7,674,106 new bearer shares with a nominal value of EUR 1.00 each and full dividend entitlement from January 1, 2019 were issued at an offer price of EUR 5.61 per new share.

The rights offering was subscribed with a total of 4,445,323 new shares, through subscription and oversubscription by existing shareholders, of which Mr. Claus Christiansen, Den Danske Forskningsfond and T&W Holding A/S subscribed to a total of 2,673,798 new shares. The new shares which were not subscribed by existing shareholders (the "Rump Shares") were offered via a private placement to selected qualified investors in Europe who purchased 3,228,783 Rump Shares at the offer price, including MorphoSys AG, which purchased Rump Shares in an aggregate investment amount of EUR 15 million.

The proceeds from the capital increase will be used to fully finance the European Phase 2b clinical study for the Company's lead product PQ912 for Alzheimer's Disease, in particular for manufacturing the molecule PQ912 and testing it in approximately 250 patients. The remaining proceeds will be used to prepare and initiate the Phase 2b clinical trial with PQ912 in the USA and to investigate other potential therapeutic areas for QPCT / QPCTL inhibitors.

g) Collaboration with Nordic Bioscience

Vivoryon Therapeutics and Nordic Bioscience (Denmark), agreed to collaborate on the clinical development of PQ912 for Alzheimer's Disease (AD). In addition to taking on the role as CRO (Clinical Research Organization) for Vivoryon Therapeutics' Phase 2b trial, Nordic Bioscience and Vivoryon will collaborate to benefit from Nordic Bioscience's world leading expertise in the development of blood-based biomarkers for the identification of specific patients who may benefit most from treatment with PQ912.

Current methods used to diagnose AD remain invasive, relatively complex and cost intensive. Therefore, there is a need to develop and establish reliable, less invasive and efficient biomarkers and technologies in clinical practice. To address this, Nordic Bioscience has been pioneering the development of blood-based biomarkers for decades and is therefore the ideal partner for identifying molecular fingerprints in patients' blood. This supplements Vivoryon's therapeutic approach of targeting neurotoxic pGlu-Abeta by inhibiting its producing enzyme Glutaminyl Cyclase.

For the biomarker activities, patients' blood samples will be collected and analyzed in the European Phase 2b trial by a joint team of scientists from Nordic Bioscience and Vivoryon Therapeutics with the goal of identifying correlations with clinical responses.

2 OVERVIEW OF BUSINESS DEVELOPMENT

2.1 General conditions

The global economy grew at a much slower pace in 2019 than expected. This was due to a variety of geopolitical and trade-related conflicts, such as the trade dispute between the USA and China and the ongoing uncertainty surrounding Brexit. The International Monetary Fund (IMF) believes that global GDP will have increased by 3.0% in 2019 as a whole, which marks a significant decline in growth compared to the previous year (3.6%). The IMF[1] estimates that the economy in the USA recorded growth of 2.4% (2018: 2.9%). The Eurozone economy is expected to have expanded by 1.2% (2018: 1.9%), whereas the German economy only achieved growth of 0.5% (2018: 1.5%) according to IMF estimates.

The healthcare sector is one of the most important elements of the global economy. A key growth factor in the sector is the increasingly ageing society which generates a growing demand for medical treatment. In this context, the demand for innovative products and therapies for a wide range of age-related diseases is also growing.

The pharmaceutical industry is an essential component of the German healthcare system. With around 130,900 employees, it generated revenues of over EUR 40.1 billion[2] in 2018 (2018 BPI Pharma-Daten report). Germany is one of the world's leading research sites for internationally operating pharmaceutical companies. At present, the following disease indications are of particular interest: cancer, inflammatory diseases, cardiovascular diseases, metabolic diseases (such as type 2 diabetes), Alzheimer's Disease as well as dosage forms and drug delivery devices.[3]

Progress in Alzheimer's research remains inconsistent, with only four products approved to treat the symptoms of the disease since 1998. However, global demand for new treatment methods for this complex indication remains high, particularly as a result of the increasingly ageing global population. Once again, there was both good news and bad news in researching and developing new therapeutic approaches to treating Alzheimer's in 2019.

2019 in Review – Alzheimer's drug development

Overall, 2019 was dotted with the failure of a number of Alzheimer's Disease drug candidates however the year ended with cautious optimism. The year started with Roche's announcement that they discontinued two Phase 3 clinical trials which were testing the anti-beta-amyloid molecule, crenezumab, as it was unlikely that they would reach their primary endpoint of slowing cognitive decline. On a similar note, the pharmaceutical company, Biogen, announced the discontinuation of two Phase 3 clinical trials testing the test substance, aducanumab, as interim assessments indicated that this drug candidate was unlikely to perform better than placebo. As the year progressed, other pharmaceutical companies announced similar news, such as the discontinuation of two pivotal Phase 2/3 studies investigating the BACE1 inhibitor CNP520 (umibecestat) from the combined development efforts of Amgen, Novartis and Banner Alzheimer's Institute. However, the year ended on a more positive note when in October, Biogen announced that by increasing the doses of aducanumab, the full data painted a different picture than that at the start of the year, highlighting the positive effect aducanumab had on reducing cognitive decline in Alzheimer's patients. In addition, the Chinese experimental seaweed-based drug, GV– 971, was approved and entered the market on December 30, 2019 on the basis of the drug slowing cognitive decline as observed in a Phase 3 trial. However, an international trial is being planned to further evaluate the drug with standard trial parameters.

In summary, 2019's advancements and setbacks with respect to Alzheimer's drug developments emphasize the importance of cultivating, promoting and advancing novel treatment approaches to this highly complex and difficult to treat neurodegenerative disease.

2019 in review – Funding and opportunities for Alzheimer's innovation

As per statistics drawn from the Alzheimer's Association, in 2019 alone, Alzheimer's as well as other forms of dementia led to socioeconomic costs in the United States of approx. $ 290 billion. These costs are expected to grow considerably, reaching an estimated $ 1.1 trillion in the year 2050.

These numbers highlight the economic burden this disease creates and underline the importance of funding the development of innovative therapeutic approaches. For example, the Dementia Discovery Fund is a $ 350 million venture capital fund dedicated to allocating its capital to finding breakthrough drugs for Alzheimer's and other dementias. It is the world's largest investment fund focused on a medical research area. Its supporters, who have invested £ 290 million, include Bill Gates, the government of the

[1] IWF, World Economic Outlook Update, October 2019
[2] https://www.pharma-fakten.de/die-branche/
[3] https://www.vfa.de/de/arzneimittel-forschung/so-funktioniert-pharmaforschung/amf-standortfaktoren.html

United Kingdom and seven leading pharmaceutical firms, such as GSK and Pfizer. Moreover, Bill Gates is participating in the Alzheimer's Association ´Part the Cloud´ global research grant program which awards $ 10 million to companies in the Alzheimer's field. The recipients of such monetary awards are often smaller companies, such as AstronauTx Ltd, which received an investment of £ 6.5 million from the Dementia Discovery Fund in 2019.

Overall, despite 2019 being a difficult year for the clinical trials of larger pharmaceutical companies, Merck & Co. enhanced its early-stage pipeline by acquiring Calporta Therapeutics, a company also involved in developing treatments for Alzheimer's, for $ 576 million. Moreover, Biogen and C4 Therapeutics entered into a strategic collaboration to develop novel therapeutics for neurological disorders such as Alzheimer's. This continued trend in funding and business opportunities point to the consistent interest in financing research and development to fight this disease.

2.2 Company development

Vivoryon focused on the following areas in 2019:

- Preparing Phase 2a/2b studies with PQ912 in the USA and Phase 2b studies in Europe,
- Further increasing visibility and acceptance as a significant prerequisite for an industrial transaction.
- Identifying new targets to expand the preclinical project pipeline
- Preclinical testing of the effectiveness of QPCTL inhibition in immuno-oncological models

Vivoryon is satisfied with the results in these areas and considers them to be viable for a successful future development of the Company.

2.3 Presentation of net assets, results of operations and financial position

Net assets

The subsequent condensed balance sheet provides an overview of the development of Vivoryon's net assets and financial position:

In EUR k	Dec. 31, 2019	Dec. 31, 2018
Assets		
Intangible assets	16	7
Property, plant and equipment	62	58
Financial assets	3	3
Fixed assets	**81**	**68**
Receivables and other assets	961	201
Cash and cash equivalents	41,419	3,680
Current assets	**42,380**	**3,881**
Prepaid expenses	2,996	99
Total assets	**45,457**	**4,048**
Equity and liabilities		
Equity	43,035	1,543
Provisions	1,896	1,923
Liabilities	526	582
Total equity and liabilities	**45,457**	**4,048**

As of December 31, 2019, the non-current assets increased by EUR 13k, due to capital expenditures of EUR 47k offset by amortization and depreciation of fixed assets totaling EUR 34k.

Current assets increased significantly by EUR 38,499k from EUR 3,881k to EUR 42,380k in 2019, mainly as a result of the increase in cash and cash equivalents due to the capital increases in April and October 2019.

Bank balances totaled EUR 41,419k as of the balance sheet date.

The prepaid expenses increased significantly compared to the previous year by EUR 2,897k to EUR 2,996k, mainly driven by a reservation fee of EUR 496k for the GMP production of the clinical PQ912 material and advance payments in the amount of EUR 2,421k upon signing the contract with Nordic Bioscience for the conduct of the clinical 2b study.

Vivoryon's equity totaled EUR 43,035k as of December 31, 2019 (2018: EUR 1,543k). This is reflected in the equity ratio of 94.7% (2018: 38.1%).

The detailed development of equity is presented in the statement of shareholders' equity in the financial statements.

Provisions are almost unchanged from the previous year totaling EUR 1,896k (2018: EUR 1,923k) as of December 31, 2019. As of December 31, 2019, EUR 1,583k (2018: EUR 1.541k) of the provisions included pension provisions and EUR 313k (2018: EUR 383k) were other provisions.

Liabilities decreased slightly by EUR 56k from EUR 582k as of December 31, 2018 to EUR 526k as of December 31, 2019. Of this amount, EUR 388k (2018: EUR 507k) was attributable to trade payables and EUR 138k (2018: EUR 75k) to other liabilities.

Financial position

Operating cash flows amounted to EUR – 11,665k in the reporting period (2018: EUR 6,996k). The year-on-year change was largely due to additional expenses in connection with the intensive preparation of the clinical Phase 2b study.

Cash flows from investing activities amounted to EUR 47k in 2019 (2018: EUR 459k).

Cash flows from financing activities amounted to EUR 49,411 in 2019 (2018: EUR 0k). Two capital increases through cash contributions in April and October 2019 led to income from the issuance of share of EUR 51,239k, offset by the required transaction costs of EUR 1,828k.

Results of operations

A condensed overview of the Company's income statement is presented below:

In EUR k	2019	2018
Other operating income	92	56
Cost of materials	– 2,746	– 2,125
Personnel expenses	– 1,969	– 2,396
Amortization of intangible assets and depreciation of property, plant and equipment	– 35	– 23
Other operating expenses	– 4,973	– 3,125
Net finance income/costs	– 114	– 90
Net loss for the year	**– 9,745**	**– 7,703**

The Company's net loss for the year amounted to EUR 9,745k (2018: EUR 7,703k). The material changes as compared with the prior year were mainly due to:

- the increase in the cost of materials by EUR 621k, which was due to additional expenses for purchased services in connection with the intensive preparation of the clinical Phase 2b study.
- the EUR 427k decrease in personnel expenses. The higher personnel expenses in 2018 were mainly driven by expenses relating to the exit of three members of the Management Board.
- the EUR 1,847k increase of other operating expenses, was driven by the transaction costs for the capital increases in April and October 2019 in the amount of EUR 1,828k.

Contrary to expectations in the 2018 management report of the previous year, the net loss for financial year 2019 increased as a result of the transaction costs and the costs associated with the intensive preparation of the clinical Phase 2b study.

Overall assessment
At the time of preparing this management report, the Company's economic position had not changed materially in comparison with the explanations provided above. Overall, the Management Board is satisfied with the development of business.

2.4 Non-financial performance indicators

Studies to be completed
Vivoryon uses a number of contract research organizations to carry out the planned preclinical and clinical studies as well as in production development and production. Important performance indicators in this respect are – in addition to adherence to the budget – the quality of the work carried out as well as compliance with all applicable regulations. As a safeguard in this area, Vivoryon carries out vendor qualifications/audits prior to awarding contracts as well as during the ongoing work addressing the aforementioned points and potentially deriving recommendations for action. Major emphasis continues to be placed on adherence to timetables for the work outsourced and thereby the completion of ongoing studies within the original timeframe. With respect hereto, Vivoryon works closely with the mandated entity and has alternative scenarios prepared so as to potentially be able to limit or compensate delays.

Employees
As of December 31, 2019, Vivoryon had 17 (2018: 14) employees (including two Management Board members), of whom 50% were female. In the reporting period, there were an average of 15 employees including two Management Board members (2018: 14). In 2019, Vivoryon incurred personnel expenses of EUR 1,969k (2018: EUR 2,396k).

The Company has a balanced personnel policy whereby positions are staffed with the most qualified individual.

Industrial property rights
A commercially attractive and, from a competitive position, stable patent portfolio is a decisive success factor for Vivoryon. The Company has very experienced patent management which also strengthened the patent portfolio in 2019. In the meantime, the focus is on safeguarding the granting of patents in key economic markets. Vivoryon actively manages its intellectual property rights portfolio to provide for continuous adjustment to the sustainable value drivers while also optimizing costs versus benefits.

40 patent families were held as of December 31, 2019 (December 31, 2018: 40).

3 OPPORTUNITIES AND RISKS REPORT

3.1 Opportunities

Further momentum in Alzheimer's therapy

The pharmaceutical industry and investors continue to show interest in Alzheimer's Disease. Prospectively, this could lead to an increased frequency of transactions. Compared with this, the available number of new, scientifically and clinically widely supported development concepts is limited. Vivoryon is well positioned in this regard. If successful, this could provide commercially lucrative prospects for the Company and its shareholders.

Important progress in relevant projects

Financial year 2019 also was, for the most part, impacted by the development of the detailed study design for the clinical Phase 2b study with PQ912, an inhibitor of glutaminyl cyclase (QC). The most recent FDA and EMA Draft Guidance for early Alzheimer's studies were given consideration in this study. The 2b Core Program is to consist of two clinical studies, which are scheduled to be conducted in the European Union (EU) and in the USA. The application for funding to the NIH in cooperation with the Alzheimer's Disease Cooperative Study (ADCS), to fund the Phase 2b study in the United States, was approved on March 18, 2019.

Licensing income from patents

Vivoryon's very comprehensive and well-positioned product and patent portfolio could lead to licensing agreements particularly in the area of Alzheimer Disease. The Company would receive license fees for these, thereby improving its financial position, results of operations and net assets.

The comprehensive patent portfolio of inhibitors of QPCT and QPCTL is also relevant in indications outside of Alzheimer's. The option agreement with MorphoSys shows the potential in oncology. A therapeutic relevance of these patented inhibitors also includes other neurological indications (such as Huntington's Disease) and inflammatory or autoimmune diseases.

Passive takeover

In addition to license agreements, complete takeovers of pharmaceutical and biotechnological companies are a common approach to obtain access to promising development programs and interesting technologies. This is reflected in active mergers and acquisition (M&A) activities in the biotechnology and pharmaceutical sectors in recent years. The premiums paid in comparison with the actual market prices can be substantial.

3.2 Risk report

Vivoryon's risks

Vivoryon is exposed to various individual risks. The occurrence of these risks can, individually or in the aggregate, with the incurrence of other risks or other circumstances, have a material adverse effect on the business activities, the realization of significant Company goals and/or Vivoryon's ability to refinance and could also have substantial negative implications on the Company's net assets, financial position and results of operations. In the worst case, this could force the Company to file for insolvency. The Management Board qualitatively classifies risks to be of minor, moderate or of major importance.

Sector-specific risks

Market and competition

The pharmaceutical development process in the area of Alzheimer's as well as with respect to related indications is characterized by long development cycles as well as substantial investment requirements for preclinical and clinical research and development until such time as a product is ready for commercialization. Vivoryon is in competition with other entities that are also seeking to develop new approaches for the treatment of Alzheimer's.

As such, Vivoryon is exposed to the risk that other development approaches will result in superior efficacy and/or a safety profile and/or that they will achieve a development edge that could reduce Vivoryon's prospects with respect to the conclusion of a lucrative industrial collaboration as well as ultimately having a negative impact on the registration of Vivoryon's product candidates.

In general, the pharmaceutical industry has a major need to replenish its own research and development pipelines by in-licensing or acquiring innovative projects from biotechnology companies in the area of Alzheimer's and related indications. However, for the conclusion of lucrative partnerships, there are substantial prerequisite requirements with respect to validation and risk optimization.

Furthermore, it cannot be ruled out that the failure of other development programs in the Alzheimer's area, including those of competitors, could result in a general reduction in the willingness of the pharmaceutical industry to make significant investments for this therapy.

This could possibly result in Vivoryon not being able to conclude an industrial partnership or could lead to it not being possible for a cooperation or licensing partner to further develop or commercialize these, even if the Company's own development programs did not fail.

Overall, this risk has major importance for Vivoryon.

Product development (in general)
Vivoryon's success depends on various research and development programs. The Company is exposed to the risks associated with the development of drugs.

Typical risks include:
Individual product candidates may not be effective or sufficiently effective, may have unacceptable side effects or may not be formulated or manufactured so that they can be successfully further developed. Service providers and partners may become insolvent, which could result in a delay in development and/or result in the relevant data becoming unusable. The responsible authorities may not grant the required regulatory approval or they may only grant this with restrictions or after a delay.

At present, Vivoryon has a compound in clinical development (PQ912) as well as compounds, which are in early preclinical phases. On the basis of this product pipeline, risks, i.e. the dependency on one individual compound, can generally be reduced. However, due to the various development phases, a substantial portion of the Company's value is driven by PQ912. However, Vivoryon cannot exclude that, in future clinical studies, it may fail to demonstrate sufficient effectiveness when used on patients and/or that the side effects profile may be limiting to prohibitive with respect to further clinical development. Such findings could lead to a delay in or the discontinuation of the development of this compound. This could have a negative effect on Vivoryon's results of operations, financial position and net assets, the exchange valuation as well as the ability for Vivoryon to refinance and thereby on the ability to raise additional funding. In addition, there is the risk that an observed efficacy is not sufficiently strong to conclude an industrial partnership and/or to acquire additional financing.

Overall, this risk is of major importance for Vivoryon.

Administrative proceedings
Vivoryon's business activities are subject to comprehensive legal regulations and controls in various jurisdictions on which the Company de facto does not have any influence. Vivoryon is, for example, dependent on regulatory approvals to carry out clinical studies. Delays in issuance, the requesting of further documentation and data prior to issuance or extension, the expiration or withdrawal of these approvals could result in delays in the further development of Vivoryon's research and development projects.

Overall, this risk is of moderate importance for Vivoryon.

Risks arising from business activities
Development and licensing partnerships
Vivoryon focuses on the research and development of therapies for treating Alzheimer's and related diseases. In order to earn profits and to become self-sufficient in terms of financing, the Company must generate revenues – either as a result of advance payments, milestone payments or royalties from cooperation agreements with pharmaceutical and biotechnology companies. To date, no industrial cooperation has been concluded with the consequence that no revenues have been realized. Against this backdrop and in view of the required significant future research and development expenses, Vivoryon will, for the time being, continue to report negative operating earnings.

To become profitable in the medium term, Vivoryon will have to conclude corresponding agreements with the pharmaceutical industry or with other biotechnology companies. Should it not be possible for Vivoryon to secure such a partner or if this is only possible at economically unfavourable terms, this could delay the development of the respective products and/or result in lower revenues, thereby reducing the value of the project and threatening the Company's ability to continue as a going concern.

Overall, this risk is of major importance for Vivoryon.

Patents and trademark protection
Vivoryon protects its own developments with a comprehensive patent strategy. Nonetheless, the Company cannot guarantee that its patent protection is sufficient for its business activities. It cannot be ruled out that third parties may file appeals against Vivoryon's patent registrations or that they challenge the effectiveness of the patents. It can also not be ruled out that Vivoryon may become engaged in patent disputes with third parties, e.g. if Vivoryon needs to defend itself against the unauthorized use of its patents by third parties. Furthermore, it cannot be ruled out that Vivoryon's patents are, in part, dependent on the patents of third parties. Every legal ruling against Vivoryon's patents or potential claims of third parties can negatively impact the further development of the relevant programs and potentially that of the Company. Regardless of the outcome, these types of proceedings are time and cost intensive and may tie up substantial Company resources. This alone could, in turn, have negative implications on the relevant programs and potentially the Company. As per the Company's current knowledge, no objections have been raised against the patents or patent registrations.

Overall, this risk is of major importance for Vivoryon.

Risks associated with product development
Collaboration with external service providers in research and development
Vivoryon conducts the required preclinical and clinical studies with contract research organizations (hereinafter referred to as CROs). The Company is dependent on the quality of their work. Replacing a CRO during an ongoing study is very complex, as a result of which there may be substantial delays and it may become necessary to repeat the relevant study. Should the CRO not carry out its work with the required due care and/or not adhere to the legal requirements and quality assurance standards, the further development of the relevant projects may be negatively impacted.

As Vivoryon does not own and operate its own production facilities for the production of pharmaceutical products, Vivoryon is dependent on contract manufacturing organizations (CMOs). These deliver the pharmaceutical active ingredients for Vivoryon's products, manufacture the quantities required and formulate, optimize and produce the medicinal preparations. This dependence on external suppliers and manufacturers leads to risks for Vivoryon. In particular, these comprise the on-time delivery in sufficient quantity and quality as well as adherence to legal regulations and quality standards. The occurrence of these risks could lead to delays or to the discontinuation of ongoing preclinical and clinical studies or could delay or prevent the start of planned preclinical and clinical studies with corresponding consequences for the development of the product candidate.

Overall, this risk is of major importance for Vivoryon.

Patient recruitment
A further risk with respect to the development of drugs is the need to recruit a sufficient number of suitable patients for the PQ912 clinical study. Delays may be encountered due to the complexity of the medical conditions (e.g. design of the study, attractiveness of the study from the perspective of the patient and the clinical investigators, competitive situation, patient population, locations) in the environment of the clinical studies.

In addition, clinical study centers could – for example, as a result of other concurrent clinical studies or due to continuing quality issues with respect to their internal organizational processes – not be able to recruit a sufficient number of patients within the period required. This could endanger the timing as well as the execution of the study and could lead to delays. In order to advance the study, Vivoryon may, therefore, be required to involve other clinical centers in the ongoing studies. This could lead to an increase in costs and potentially to an increase in variability.

Overall, this risk is of major importance for Vivoryon.

Capital market risks

Additional financing

Due to successful share placements in 2019, the Company is in a balanced liquidity situation. According to the current budget, cash and cash equivalents are sufficient to extend beyond 2022, which will provide for business activities in the coming years. In the long term, Vivoryon still needs additional capital to achieve its corporate and development goals. There is therefore a need to provide for the future financing of the Company through equity and / or outside capital providers or to generate cash inflow from our own business activities.

Overall, this risk is of major importance for Vivoryon.

Financial and balance sheet-related risks

Investment of liquid funds

The Company only invests in investment grade assets with only a low level of liquidity or default risk.

Transactions with international service providers with whom contractual payment terms are denominated in a currency other than the euro lead to a currency risk. After considering the current economic environment, Vivoryon has not engaged in any hedging activities.

Overall, this risk is of moderate importance for Vivoryon.

Recognition of tax loss carried forward

The use of Vivoryon's existing tax losses carried forward and ongoing losses for German corporate income tax and trade tax purposes may be forfeited or may have already been forfeited in case of a direct or indirect transfer of shares, including the issuance of new shares from a capital increase, subject to certain limitations. Such limitations apply to both corporate income and trade tax and are dependent on the percentage of share capital or voting rights transferred within a five-year period to one acquirer or person(s) closely related to the acquirer or a group of acquirers with a common interest. According to the amendment of Section 8c (1) sentence 1 of the German Corporation Tax Act [KStG], losses carried forward and accumulated losses expire in their entirety if more than 50% of share capital or voting rights are transferred to a buyer (including the subscription of new shares) or a group of buyers with joint interests and cannot be offset against future taxable income. This would lead to an increased tax burden.

Overall, this risk is of moderate importance for Vivoryon.

Administrative and other risks

Vivoryon's success is heavily dependent on management as well as on qualified personnel. The Management Board as well as many employees have extensive experience and are difficult to replace. In the biotechnology and pharmaceutical sectors, competition with respect to qualified personnel is very fierce. To date, Vivoryon has always been able to staff the most important positions with suitable employees at appropriate terms. Should the Company not be able to retain management or qualified personnel and not be able to adequately replace these or only be able to replace these with a substantial delay, this could have a negative effect on its ability to further develop the projects pursued as well as on the Company itself.

Overall, this risk is of major importance for Vivoryon.

Legal risks
The Company is exposed to potential risks in various areas including corporate law, employment law, tax law, patent law, etc. To reduce these to a minimum and to prevent legally incorrect decisions, Vivoryon's Management Board makes relevant decisions after consulting with external experts, e.g. attorneys and other advisors.

Overall, this risk is of major importance for Vivoryon.

Other risks
Other potential risks, for example with respect to environmental protection and the integrity of IT systems or legal and compliance violations by employees, are currently not assessed as significant. Vivoryon has implemented precautionary organizational measures to address potential risks.

Overall, this risk is of moderate importance for Vivoryon.

Overall assessment of the risk situation
From today's perspective, in consideration of all aforementioned risks, few factors have been identified which could endanger the short-term survival of the Company in financial year 2020. Overall, the Company is well positioned. Vivoryon is convinced that, despite the risks identified, the opportunities of successfully continuing to do business outweigh the risks. The cash and cash equivalents as of December 31, 2019 provide for the further financing of the Company beyond the next 3 years.

Please also refer to our comments in Section I of the notes to the financial statements for more information on the Company's ability to continue as a going concern.

4 OUTLOOK/FORECAST REPORT

The mid-term focus of Vivoryon's business activities can be summarized as follows:

- Carrying out the Phase 2b clinical study program for PQ 912 in Europe,
- Conclusion of one or more industrial partnerships,
- Further scientific analysis of potential second indications for the use of QC inhibitors,
- Further strengthening Vivoryon's financial resources.

As a result of the continuing costs being incurred for development activities which are not yet offset by any sales revenue, the Company also projects a substantial net loss for financial year 2020 which, based on the carrying out of the clinical Phase 2b study and the current budget, is expected to be higher than that of 2019.

Due to its business model, Vivoryon is dependent upon additional capital to implement its development strategy until such time at which an industrial partnership is concluded and potentially beyond that. This can be provided in the form of equity on the basis of capital increases or via alternative financing forms such as loans, convertible bonds, option bonds, etc. All appropriate provisions (e.g. approving sufficient authorized and conditional capital, eliminating pre-emptive rights) have been made by the Annual General Meeting so as to provide the Company with sufficient flexibility to seize potential opportunities.

The Company is well-positioned in the development of new therapeutic concepts for the treatment of Alzheimer's. Through successful further program development, Vivoryon will lay the groundwork for a mid-term option for a lucrative industrial partnership and/or an M&A transaction as well as the further generation of substantial company value.

5 VIVORYON'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Risk management system
Vivoryon Therapeutics AG has an active, systematic risk management on the basis of which risks are to be identified, monitored and, using appropriate measures, minimized. Vivoryon's current business risks are primarily in the research and development of novel pharmaceutical substances, the protection of intellectual property, cooperation with a network of service providers and partners, maintaining equity as well as in the Company's mid- to long-term financing. These risks are continuously assessed so as to optimize the Company's opportunities/risks position.

In a continuous process, Management Board members responsible for the different functions within the Company identify, analyze and qualitatively evaluate the risks with respect to their probability of occurrence, their possible costs and their effect on liquidity, the time reference as well as the existence of possible and planned countermeasures. The respective Management Board members regularly inform Vivoryon's entire Management Board. Based on this, the Management Board and, where necessary, the Supervisory Board determine how the Company will address the risks identified, which are considered to be of moderate to great importance.

In addition, the Company has set up an internal control system consisting of various rules and regulations such as signatory rules, standard operating procedures (SOP), the dual-control principle, spot checks, self-checks, employee training and emergency planning. Application of these regulations is obligatory for the entire Company.

Within the scope of quality management, use is made of specification documents. These include job descriptions as well as functional descriptions. In addition, verification documents are used. These include notes and documents which document the results attained or provide objective evidence of activities carried out, e.g. in the form of an audit report.

The signatures guideline stipulates the authority to sign for purchases and invoices. Differentiation exists with respect to the amount of the purchase and whether the signature is provided by a project member, the project manager or a Management Board member.

All projects are analyzed in detail in regular project meetings and further steps are determined. These provide for close coordination of accompanying research and pharmaceutical development as well as with the Management Board. Project meetings normally take place bi-weekly. The participants in the project meetings include the responsible Management Board member, the project manager as well as the employees and possibly advisors for the individual projects.

Risk management and the internal control system in the financial reporting process
The internal control and risk management system with respect to the financial reporting process ensures that the financial reporting is consistent and in compliance with legal regulations and generally accepted accounting principles and the national regulations (HGB) as well as with the International Financial Reporting Standards (IFRS). This includes adhering to the dual control principle, spot checks and emergency planning. On the basis of continuous training, the financial team, including the consultants utilized, ensure that all legal requirements are adhered to by the Company.

Controls to provide for compliance and reliability of financial reporting are carried out on the basis of various measures including plausibility checks of the figures and system access controls on the basis of an authorization concept as well as on the basis of manual checks such as variance and trend analysis and comparisons with budget figures. Meetings and analysis of the significant key financial figures take place regularly for the individual projects.

The Company's controlling system is based on the three components: planning, monitoring and reporting. On the basis of the strategic business plan, Vivoryon prepares annual budgets for internal monitoring and controlling purposes as well as a mid-term plan for the duration of the significant ongoing preclinical and clinical studies as well as for those to be initiated. The period covered currently comprises the calendar year subsequent to the budget year. On the basis of this planning as well as the actual figures, the Management Board receives the required monitoring and control information for each month. In addition, there is regular reporting covering the development of the business, progress of the research and development programs, activities with respect to personnel, public relations and investor relations as well as with respect to the patent situation (as a non-financial performance indicator). With the support of these monitoring instruments, the Management Board and Controlling are in a position to adequately assess the situation and to identify, evaluate and address opportunities and risks.

The preparation of the HGB and IFRS financial statements is based on uniform regulations. The manageable size of the finance team provides for consistent presentation of the same circumstances. This provides certainty for accounting entries and the corresponding classifications on the sub-projects.

6 REPORTING PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE [HGB]

6.1. Summarized information on capital, voting rights and stock with special rights

As of the balance sheet date December 31, 2019, Vivoryon Therapeutics AG's share capital amounted to EUR 19,975,482.00. It is divided into 19,975,482 common bearer shares with a notional par value of EUR 1.00 per share. Each share provides one vote at the Annual General Meeting as well as dividend entitlements when distributions are adopted; there are no restrictions on voting rights. The share capital is fully paid up. No treasury shares are held.

No shareholders have special rights which confer control. In particular, there is no right to appoint members of the Supervisory Board pursuant to Section 101 (2) of the German Stock Corporation Act [AktG]. To the extent that Vivoryon's employees hold shares in the Company, they exercise direct control over the voting rights.

In accordance with the resolution of the Annual General Meeting on May 29, 2019, the Management Board is authorized – with the approval of the Supervisory Board – to increase the Company's share capital until May 28, 2024 by up to EUR 6,150,688.00 through single or multiple issues of new no-par value bearer shares in exchange for cash and/or a contribution in kind, whereby pre-emptive rights are excluded (Authorized Capital 2019).

The Authorized Capital 2017 in the amount of EUR 4,093,367.00 was fully utilized in the capital increase carried out on April 9, 2019.

As of December 31, 2019 the Authorized Capital totaled EUR 6,150,688.00.

The Conditional Capital amounted to EUR 3,808,975.00 as of the balance sheet date and consists of the following:

Conditional Capital 2014/I
The Company's share capital was conditionally increased by up to EUR 408,975.00 by the issuance of up to 408,975 new shares (Conditional Capital 2014/I, Section 5 (7) of the Articles of Association). The conditional capital increase solely serves to discharge the option rights issued to members of the Management Board and Company employees on the basis of the authorization granted by the Annual General Meetings on September 29, 2014, June 10, 2015 and May 19, 2016.

Conditional Capital 2018
The Company's share capital was conditionally increased by up to EUR 3,400,000.00 by issuing up to 3,400,000 new bearer shares. The conditional capital increase solely serves to discharge the conversion and/or option rights which were issued on the basis of the resolution of the Annual General Meeting held on June 21, 2018, which authorized the issuance of convertible bonds.

Authorization to acquire treasury shares
On June 10, 2015, the Annual General Meeting authorized the Management Board, in accordance with Section 71 (1) No. 8 of the German Stock Corporation Act [AktG], to acquire treasury stock until June 9, 2020 up to a proportionate share of the share capital in the amount of EUR 676,580.00. The acquisition may be made via the stock exchange or via a public purchase offer made to all shareholders. The treasury shares may be used for all permitted purposes including redemption.

6.2. Shareholding in Vivoryon Therapeutics AG

As of the balance sheet date, the Company was aware that the following shareholders of Vivoryon Therapeutics AG had shareholdings in accordance with the provisions of the German Securities Trading Act [WpHG], with voting rights exceeding 10.0%:
Morphosys AG, Martinsried, Germany (13.4 %)

6.3. Appointment and removal of members of the Management Board

The appointment and removal of members of the Management Board is regulated by Sections 84 and 85 AktG as well as in Section 6 of the Articles of Association in the version dated October 6, 2016. Pursuant to Section 6 of the Articles of Association, the Management Board consists of one or more members; moreover, the Supervisory Board determines the number of members of the Management Board. The members of the Management Board are appointed for a maximum of five years. This also applies to the renewal of an appointment of a Management Board member.

The contracts with board members Dr. Dauer (effective from May 1, 2018) and Dr. Michael Schaeffer (effective from October 1, 2018) were concluded for a period of three years.

6.4. Amendments to the Articles of Association

Changes to the Articles of Association are made in accordance with Sections 179 and 133 AktG. Pursuant to Section 20 of the Articles of Association, resolutions of the Annual General Meeting (including with respect to changes to the Articles of Association) only require the simple majority of the votes cast if the law does not specifically provide for something else and, with respect to the majority of capital, the simple majority of the share capital represented upon making the resolution. Furthermore, in accordance with the Articles of Association, the Supervisory Board is authorized to resolve upon changes to the Articles of Association which only modify the wording.

7 CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289F HGB

The corporate governance statement in accordance with Section 289f HGB includes the corporate governance statement pursuant to the German Corporate Governance Code, addressing the proportion of women, information on corporate governance practices and a description of the procedures of the Management Board and the Supervisory Board.

Compliance statement of the Management Board and the Supervisory Board pursuant to Section 161 AktG

Concerning the recommendations of the "Government Commission on the German Corporate Governance Code" pursuant to Section 161 of the German Stock Corporation Act (AktG):

The management board and the supervisory board of Vivoryon Therapeutics AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" of the German Federal Ministry of Justice published on April 24, 2017 are met and shall be met in the future with the following exceptions:

1. Section 3.8 of the Code – Retained amount of the D&O insurance for the Supervisory Board:

The company maintains D&O insurance where all the supervisory board members are included, too. No retained amount is agreed in this respect. As the supervisory board members receive only small remuneration, a retained amount would lead to an inadequate result in financial terms for the supervisory board members.

2. Section 4.2.3 para. 2 sentence 6 of the Code – Cap amounts for the remuneration and the variable remuneration components:

Stock options were granted to the management board members for which no cap is provided in case they are exercised. Apart from that a success participation scheme was granted to the management board members for which, in case it becomes due, no cap is provided either. In any other respect cap amounts are provided in the agreements with the management board members relating to the remuneration and the variable remuneration components.

3. Section 4.2.3 para. 4of the Code – Limitation to two years' remuneration of the payment to a Management Board member in case of premature termination.

The currently existing contracts with management board members do not provide for any limitation of the payment to a management board member to two years' remuneration in case of premature termination. In connection with the company requirements in relation to the analysis of the clinical study and the subsequent steps a primary aim was to ensure the cooperation with the management board members.

4. Section 5.3.3 of the Code – Establishment of a Nomination Committee

The supervisory board has with respect to its reduced size decided to dissolve the existent Nomination Committee as well as the existent Remuneration Committee. Their functions have been taken over by the whole supervisory board. The supervisory board is convinced, that with this step an increased efficiency is secured with respect to the generation of proposals to the general assembly.

5. Section 5.4.1 para. 2 of the Code – Naming of precise objectives and of a competence profile regarding the composition of the Supervisory Board

Regarding the composition of the supervisory board in the future, the supervisory board intends to have members with experience in the areas of pharmacological research and research into the Alzheimer's disease and similar diseases as well as with experience in the public capital market (target competence profile). Considering the alignment of the company, the members of the supervisory board should also have U.S. experience. As these requirements make it difficult to find a sufficient number of qualified members for the supervisory board, the supervisory board did not determine any fixed diversity targets.

6. Section 7.1.2 sentence 3 of the Code – Shortened publication deadline of the Code for financial reports

According to section 7.1.2 sentence 3 of the Code, the financial statements of the company should be publicly accessible within 90 days from the end of the financial year, and mandatory interim information should be available within 45 days from the end of the reporting period. While the company will publish the annual financial statements in accordance with the recommendation of the Code, the company intends to publish the half-year financial report within a time period of two months and thus within the statutory time period of three months from the end of the reporting period of the half-year financial report.

The Supervisory Board and Management Board are confident that these time period is suitable and necessary for careful preparation of the documents. Furthermore, the Supervisory Board and Management Board consider the statutory requirements as sufficient for timely information to the shareholders and the capital markets for the time being. However, the possibility of complying with the shorter deadlines of the Code is being reviewed.

Information on female representation
In accordance with the German Introductory Act to the Stock Corporation Act [EGAktG], Vivoryon's Supervisory Board resolved on December 7, 2019 to implement a one-third and one-fifth share of women in the Management Board and the Supervisory Board, respectively, by September 30, 2022.

Vivoryon's Management Board did not establish any targets in terms of the proportion of women for the first and second management level below the Management Board as, due to the organizational structure and number of employees below the Management Board, there is no management level here.

Information on corporate governance
Vivoryon's management is conscious of treating each other fairly, respectfully and in compliance with the law. In view of the comparatively small size of the Company, which leads to personal contact with all employees and partners, along with the flat hierarchy, these measures are sufficient to provide for responsible teamwork. As such, additional regulations with respect to corporate governance are not necessary.

Management and monitoring is carried out in accordance with German law and social norms and is largely in line with the guidelines of the German Corporate Governance Code.

Operating practices of the Management Board and the Supervisory Board
As required by the German Stock Corporation Act [AktG], Vivoryon is managed by the Management Board which is, in turn, monitored by the Supervisory Board. Both governing bodies work closely together in a trustful and constructive manner to provide for advancement of the programs being pursued and thereby sustainably increasing the Company's value. The Management Board and the Supervisory Board agree on the Company's strategic direction and discuss the implementation and control thereof. The Management Board regularly informs the Supervisory Board in a timely and comprehensive manner about all

company-relevant questions with respect to planning, the stage of development of the programs being pursued, strategy, business development, finances, risk position, risk management as well as the internal control system and compliance. With respect hereto, the Management Board also informs the Supervisory Board between regular meetings about important events. Decisions required at short notice are, if required, made during teleconferences or via circulation procedures.

In the Management Board's internal rules of procedure, important transactions are subject to the approval of the Supervisory Board. In individual cases, the Supervisory Board can make further Management Board decisions subject to the approval of the Supervisory Board.

Management Board
Vivoryon's Management Board, consisting of Dr. Ulrich Dauer (Chairman; Chief Executive Officer/CEO) and Dr. Michael Schaeffer (Chief Business Officer/CBO), independently manages the business and is, within the scope of the regulations applicable to German stock companies, bound by the interests and guiding principles of Vivoryon. The goal of the work of the Management Board is sustainable and value-optimizing business development. The members of the Management Board have complementary skill sets and experience and work closely within Vivoryon's Management Board. Further details as to the work within the Management Board are determined on the basis of rules of procedure.

All Management Board functions generally coordinate their activities on a weekly basis. Decisions are made by unanimous vote. In the case of disagreement, the Chairperson of the Management Board casts the deciding vote.

Supervisory Board
The Supervisory Board had four members as of December 31, 2019. The work of the Supervisory Board as well as the principles of passing resolutions are regulated by the Supervisory Board's rules of procedure. Dr. Erich Platzer is the Chairman. Vice Chairman is Dr. Dinnies Johannes von der Osten. The additional members are Ms Charlotte Lohmann and Dr. Jörg Neermann. The Supervisory Board convened six times in the reporting period (January 30, February 14, March 15, May 28, September 13, November 26). The current Supervisory Board members are internationally active in the financial, biotechnology and pharmaceutical sectors and, therefore, are very familiar with the needs of these sectors.

The existing Audit Committee includes Dr. von der Osten, Charlotte Lohmann and Dr. Neermann; Dr. von der Osten is the Chairperson. The primary discussion points in these meetings included the audit of the 2018 financial statements pursuant to HGB and IFRS as well as the 2019 half-year financial statements. All members have the corresponding expertise and independence. The Audit Committee met twice in 2019.

The Audit Committee reports on its activities to the entire Supervisory Board.

Transparency
Vivoryon comprehensively informs the capital market, in a timely manner, as to its business position as well as special events. The financial reporting is conducted in accordance with German and Dutch legal regulations by publishing the annual report, the half-year financial report and the interim Management Board announcements. In addition to the Company's obligatory reporting in accordance with HGB, Vivoryon voluntarily publishes financial reports in accordance with IFRS, in particular for the international investors.

Further information is made available to the public in the form of press releases or ad-hoc announcements. All financial reports, announcements, presentations and communications are available on the Company's website.

8. REMUNERATION REPORT

We refer to the appendix to the management report included in the annual financial statements for the remuneration report.

9. SUBSEQUENT EVENTS REPORT

There were no significant events after the balance sheet date.

Halle (Saale), March 12, 2020
Management Board of Vivoryon Therapeutics AG

Dr. Ulrich Dauer **Dr. Michael Schaeffer**

COMPENSATION REPORT OF VIVORYON THERAPEUTICS AG

1 Compensation for the Management Board

Amount and structure
The annual compensation for the members of the Management Board has two components:

- compensation independent of success (fixed compensation) and
- a performance-based compensation

Fixed compensation
The amount of the fixed compensation depends on the member's function and responsibilities as well as on what is common in the industry and in the market, especially in comparison with similar listed companies in the biotechnology sector. The fixed compensation is paid out as a monthly salary.

Performance-based compensation

1. The performance-based compensation consists of a bonus measured in terms of one year. The performance-based bonus is determined by the Supervisory Board on the basis of an annual performance assessment and professional judgement. The bonus is paid out according to how Vivoryon Therapeutics AG's business develops as well as the scope of the individual's achievement as well as the realization of the Company's general objectives. These objectives include, among other topics, performance, business development, strategy, investor relations and general management.

   At the beginning of the following calendar year, the Supervisory Board reaches a conclusion as to how far the objectives have been achieved. The bonus is payable subsequent to the Supervisory Board's resolution on achievement of the objectives. Dr. Ulrich Dauer, Chairman of the Management Board, can receive a maximum annual bonus payment of EUR 60k and Dr. Michael Schaeffer of EUR 40k.

2. Furthermore, the Management Board members receive a carve-out incentive in the event that they initiate financing for the Company through a cash capital increase. Dr. Dauer receives 0.4% and Dr. Michael Schaeffer 0.1% of the net cash flow that flowed into the Company (equity raised minus other financial transaction costs).

   With respect to compliance with the Code's recommendations regarding management compensation, reference is made to Section 6 of the management report ('Corporate governance statement' subsection Compliance statement pursuant to Section 161 of the German Stock Corporation Act [AktG]).

Management Board compensation for 2019

A detailed listing of the individual salaries of the members of the Management Board is presented in the following tables:

BENEFITS GRANTED

				Dr Ulrich Dauer CEO since May 1, 2018
In EUR	2018	2019	2019 (Min)	2019 (Max)
Fixed compensation	160,000	240,000	240,000	240,000
Fringe benefits	2,720	4,504	4,504	4,504
Total	**162,720**	**244,504**	**244,504**	**244,504**
Variable compensation for one year	0	55,200	0	60,000
Variable compensation for the previous year	0	35,000	0	60,000
Carve-out incentive after capital increase	0	195,392	195,392	195,392
Total	**162,720**	**530,097**	**439,897**	**559,897**
Pension expense				
Total compensation	**162,720**	**530,097**	**439,897**	**559,897**

BENEFITS GRANTED

				Dr Michael Schaeffer CBO since Oct. 1, 2018
In EUR	2018	2019	2019 (Min)	2019 (Max)
Fixed compensation	55,000	220,000	220,000	220,000
Fringe benefits	1,015	4,403	4,403	4,403
Total	**56,015**	**224,403**	**224,403**	**224,403**
Variable compensation for one year	0	36,800	0	40,000
Variable compensation for the previous year	0	32,000	0	40,000
Carve-out incentive after capital increase	0	48,848	48,848	48,848
Total	**56,015**	**342,051**	**273,251**	**353,251**
Pension expense	1,190	4,762	4,762	4,762
Total compensation	**57,205**	**346,813**	**278,013**	**358,013**

Liability insurance (D&O)

From July 1, 2010, the current Company D&O insurance for the members of the Management Board includes the deductible amount legally provided for. With respect to the adherence to the recommendations of the Code regarding D&O insurance for members of the Supervisory Board, reference is made to Section 6 of the management report ('Corporate governance statement', subsection Compliance statement in accordance with Section 161 of the German Stock Corporation Act [AktG].

Shareholdings of the Management Board members
According to the information available to the Company as of December 31, 2019, the Management Board members held less than 1% of the shares of Vivoryon Therapeutics AG.

Compensation of former Management Board members
Direct retirement benefits
Former Management Board members Dr Hans-Ulrich Demuth and Dr Konrad Glund were paid retirement benefits totaling EUR 76k in financial year 2019 (PY: EUR 56k). In addition, personnel expenses totaling EUR 15k (PY: income of EUR 2k) were recognized as part of the existing pension commitments.

Pension scheme through pension relief fund
In 2019 EUR 14k were paid to the provident fund to maintain the contractually vested pensions claims, surviving dependents and occupational disability claims as per the Company pension scheme of the former Management Board member, Dr. Liebers.

Stock Option
As of December 31, 2019, former members of the Management Board held a total of 314,501 stock options, all of which are vested.

2 Compensation of the Supervisory Board

From the Company's perspective, it should especially be in the Supervisory Board's interest to focus on the Company's sustainable and long-term successful development. As such, Vivoryon Therapeutics AG believes that fixed compensation for some members of the Supervisory Board is effective. Regardless of their compensation, all members of the Supervisory Board are entitled to reimbursement for their travel expenses and they are included in the existing D&O insurance.

Determination of Supervisory Board compensation
The compensation system for the Supervisory Board members provided for fixed compensation for 2019 for Dr Erich Platzer, Dr D. v. d. Osten and Charlotte Lohmann.

In addition, Ms. Lohmann received variable compensation for her participation in Supervisory Board meetings in person and via telephone.

Overall, the Supervisory Board's compensation equaled EUR 105k for the financial year under review.

Shareholdings of the Supervisory Board members
According to Vivoryon Therapeutics AG's information as of December 31, 2018, the members of Vivoryon Therapeutics AG's Supervisory Board held a total of approximately 1,9% of the Company's shares.

Halle (Saale), March 12, 2020

Management Board of Vivoryon Therapeutics AG

Dr Ulrich Dauer **Dr Michael Schaeffer**

D. MANAGEMENT'S RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements provide a true and fair view of the assets, liabilities, financial position and results of operations of Vivoryon Therapeutics AG and in the management report, the business development including the performance and position of Vivoryon Therapeutics AG is presented in a manner to provide a true and fair view together with a description of the principal opportunities and risks associated with the expected development of Vivoryon Therapeutics AG.

Halle (Saale), March 12, 2020

Management Board of Vivoryon Therapeutics AG

Dr Ulrich Dauer **Dr Michael Schaeffer**

E. INDEPENDENT AUDITOR'S REPORT

To Vivoryon Therapeutics AG, Halle (Saale)

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENTS AND OF THE MANAGEMENT REPORT

Opinions

We have audited the annual financial statements of Vivoryon Therapeutics AG, Halle (Saale), which comprise the balance sheet as of December 31, 2019, the income statement, the statement of cash flows and the statement of shareholders' equity for the financial year from January 1, 2019 to December 31, 2019, and notes to the financial statements, including the recognition and measurement policies presented therein. In addition, we have audited the management report of Vivoryon Therapeutics AG, Halle (Saale), for the financial year from January 1 to December 31, 2019. In accordance with German legal requirements, we have not audited the content those components of the management report specified in the "Other information" section of our auditor's report.

In our opinion, on the basis of the knowledge obtained in the audit,

- the accompanying annual financial statements comply, in all material respects, with the requirements of German commercial law applicable to corporations and give a true and fair view of the assets, liabilities and financial position of the Company as of December 31, 2019 and of its financial performance for the financial year from January 1 to December 31, 2019, in compliance with German Legally Required Accounting Principles, and
- the accompanying management report as a whole provides an appropriate view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and appropriately presents the opportunities and risks of future development. Our opinion on the management report does not cover the content of those components of the management report specified in the "Other information" section of the auditor's report.

Pursuant to Section 322 (3) sentence 1 HGB [Handelsgesetzbuch: German Commercial Code], we declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

Basis for the Opinions

We conducted our audit of the annual financial statements and of the management report in accordance with Section 317 HGB and the EU Audit Regulation (No. 537/2014; referred to subsequently as "EU Audit Regulation") and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Our responsibilities under those requirements and principles are further described in the "Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report" section of our auditor's report. We are independent of the Company in accordance with the requirements of European law and German commercial and professional law, and we have fulfilled our other German professional responsibilities in accordance with these requirements. In addition, in accordance with Article 10 (2)(f) of the EU Audit Regulation, we declare that we have not provided any non-audit services prohibited under Article 5 (1) of the EU Audit Regulation. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinions on the annual financial statements and on the management report.

Key Audit Matters in the Audit of the Annual Financial Statements

We have determined that there are no further key audit matters that must be communicated in our independent auditor's report.

Other information

Management and the Supervisory Board are responsible for the other information. The other information comprises the following components of the management report, whose content was not audited:

- the corporate governance statement included in section 7 of the management report.

The other information also includes the remaining parts of the annual report.

The other information does not include the annual financial statements, the management report information audited for content and our auditor's report thereon.

Our opinions on the annual financial statements and on the management report do not cover the other information, and consequently we do not express an opinion or any other form of assurance conclusion thereon.

In connection with our audit, our responsibility is to read the other information and, in so doing, to consider whether the other information

- is materially inconsistent with the annual financial statements, with the management report information audited for content or our knowledge obtained in the audit, or
- otherwise appears to be materially misstated.

Responsibilities of Management and the Supervisory Board for the Annual Financial Statements and the Management Report

Management is responsible for the preparation of annual financial statements that comply, in all material respects, with the requirements of German commercial law applicable to corporations, and that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles. In addition, management is responsible for such internal control as they, in accordance with German Legally Required Accounting Principles, have determined necessary to enable the preparation of annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the annual financial statements, management is responsible for assessing the Company's ability to continue as a going concern. They also have the responsibility for disclosing, as applicable, matters related to going concern. In addition, they are responsible for financial reporting based on the going concern basis of accounting, provided no actual or legal circumstances conflict therewith.

Furthermore, management is responsible for the preparation of a management report that as a whole provides an appropriate view of the Company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities and risks of future development. In addition, management is responsible for such arrangements and measures (systems) as they have considered necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

The Supervisory Board is responsible for overseeing the Company's financial reporting process for the preparation of the annual financial statements and of the management report.

Auditor's Responsibilities for the Audit of the Annual Financial Statements and of the Management Report

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and whether the management report as a whole provides an appropriate view of the Company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities and risks of future development, as well as to issue an auditor's report that includes our opinions on the annual financial statements and on the management report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Section 317 HGB and the EU Audit Regulation and in compliance with German Generally Accepted Standards for Financial Statement Audits promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect a material misstatement. 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 annual financial statements and this management report.

We exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual financial statements and of the management report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. 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 controls.
- Obtain an understanding of internal control relevant to the audit of the annual financial statements and of arrangements and measures (systems) relevant to the audit of the management report 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 these systems.
- Evaluate the appropriateness of accounting policies used by management and the reasonableness of estimates made by management and related disclosures.
- Conclude 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 the auditor's report to the related disclosures in the annual financial statements and in the management report or, if such disclosures are inadequate, to modify our respective opinions. 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 be able to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual financial statements, including the disclosures, and whether the annual financial statements present the underlying transactions and events in a manner that the annual financial statements give a true and fair view of the assets, liabilities, financial position and financial performance of the Company in compliance with German Legally Required Accounting Principles.
- Evaluate the consistency of the management report with the annual financial statements, its conformity with [German] law, and the view of the Company's position it provides.
- Perform audit procedures on the prospective information presented by management in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by management as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with the relevant independence requirements, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, the related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the annual financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Further Information pursuant to Article 10 of the EU Audit Regulation

We were elected as auditor by the Annual General Meeting of the shareholders' on May 29, 2019. We were engaged by the Chairperson of the Supervisory Board on May 30, 2019. We have been the auditor of Vivoryon Therapeutics AG as a capital market orientated company without interruption since financial year 2014.

We declare that the opinions expressed in this auditor's report are consistent with the additional report to the audit committee pursuant to Article 11 of the EU Audit Regulation (long-form audit report).

GERMAN PUBLIC AUDITOR RESPONSIBLE FOR THE ENGAGEMENT

The German Public Auditor responsible for the engagement is Dr Stefan Schneider.

Leipzig,March 13, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft
[Original German version signed by:]

Dr Schneider
Wirtschaftsprüfer
[German Public Auditor]

Sachs
Wirtschaftsprüfer
[German Public Auditor]

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14 May 2020 *

Publication of first quarter interim statement 2020

24 June 2020 *

2020 Annual General Meeting in Halle (Saale)

27 August 2020 *

Publication of 2020 half-year report

26 November 2020 *

Publication of third quarter interim statement 2020

Please find additional information on our Homepage

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* Subject to change, for actual information please see our homepage