Annual Report 2022

Vivoryon Therapeutics N.V.
Amsterdam, The Netherlands

PDF/printed version:
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Forward Looking Statements

This Annual Report has been prepared and issued by Vivoryon Therapeutics N.V. (the 'Company', 'Vivoryon Therapeutics' or 'Vivoryon') and has not been independently verified by any third party. No representation or warranty is given as to the achievement or reasonableness of, and no reliance should be placed on, any projections, targets, estimates or forecasts and nothing in this Annual Report is or should be relied on as a promise or representation as to the future.

All statements other than statements of historical fact included in this Annual Report are or may be deemed to be forward-looking statements, including, without limitation, those regarding the business strategy, management plans and objectives for future operations of the Company, estimates and projections with respect to the market for the Company's products and forecasts and statements as to when the Company's products may be available. Words such as 'anticipate,' 'believe,' 'estimate,' 'expect,' 'forecast,' 'intend,' 'may,' 'plan,' 'project,' 'predict,' 'should' and 'will' and similar expressions as they relate to the Company are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance; rather they are based on the Management's current expectations and assumptions about future events and trends, the economy and other future conditions. The forward-looking statements involve a number of known and unknown risks and uncertainties. These risks and uncertainties and other factors could materially adversely affect the outcome and financial effects of the plans and events described herein. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements and from expectations. As a result, no undue reliance should be placed on such forward-looking statements. This Annual Report does not contain risk factors. Certain risk factors that may affect the Company's future financial results are discussed in the published Financial Statements of the Company.

This Annual Report, including any forward-looking statements, speaks only as of the date of this Annual Report. The Company does not assume any obligation to update any information or forward-looking statements contained herein, save for any information required to be disclosed by law.

This Annual Report does not constitute an offer to sell or a solicitation of an offer to buy any securities of the Company in any jurisdiction.

1 Report by Vivoryon`s Executive Management Board

This management report as referred to in Section 2:391 of the Dutch Civil Code (the 'Management Report') has been prepared in compliance with the requirement of Dutch law, including the Dutch corporate governance code (the 'Code'). The board of directors of Vivoryon Therapeutics N.V. (the 'board') and its controlled subsidiary hereby present the Management Report for the financial year ended on December 31, 2022.

1.1 Overview of the Company

1.1.1 General information

Vivoryon Therapeutics N.V. is a Dutch public company with limited liability ('*Naamloze Vennootschap'*) that has its statutory seat in Amsterdam, the Netherlands and branch offices in Halle (Saale) and Munich, Germany. This report includes the statutory Financial Statements of Vivoryon Therapeutics N.V. for the year ended December 31, 2022. The Company's ordinary shares are listed under the ticker symbol 'VVY' on Euronext Amsterdam, the Netherlands. Vivoryon Therapeutics N.V. is a clinical stage biopharmaceutical company focused on discovering, developing, and potentially commercializing small molecule-based medicines that modulate the activity and stability of pathologically altered proteins.

Vivoryon Therapeutics Inc. in Chicago, Illinois, USA, has no operating activities. Considering the negligible significance of this subsidiary to the Financial Statements, in accordance with Section 407 under 1a of the Dutch Civil Code, the Company applies the exemption pertaining to the consolidation scope and does not prepare consolidated Financial Statements.

1.1.2 Organizational structure

The Company is registered with the name Vivoryon Therapeutics N.V. in the Trade Register of the Netherlands Chamber of Commerce under number 81075480 (Sector 'Advisering, onderzoek en overige specialistische zakelijke dienstverlening', Activiteit (SBI-code) '72112 - Biotechnologisch speur- en ontwikkelingswerk op het gebied van medische producten en farmaceutische processen en van voeding'). Its commercial name is Vivoryon Therapeutics and the administrative headquarters as well as the business operations remain in Halle (Saale) and Munich Germany. The Company's business address is Weinbergweg 22, 06120 Halle (Saale), Germany (contact details: +49 (0)345 555 99 00, info@vivoryon.com).

The Company has a subsidiary, Vivoryon Therapeutics Inc. in Chicago, IL, USA. All operating activities and assets are concentrated in Vivoryon Therapeutics N.V.; currently, Vivoryon Therapeutics Inc. has no operating activities.

As at December 31, 2022, including executive directors, Vivoryon Therapeutics had 17 (2021: 17) employees, of which 47 % (2021: 47 %) were female.

1.1.3 Property, plant and equipment

Vivoryon has leased office and laboratory space in in Halle (Saale), Germany and additional office space in Munich, Germany, both under an extendable lease.

1.1.4 General overview of the Company

We are a biopharmaceutical company focused on discovering, developing, and potentially commercializing small molecule-based medicines that modulate the activity and stability of pathologically altered proteins. We are determined to create novel therapeutics to treat diseases with exceptionally high unmet medical need. Our current drug development programs focus on novel therapeutics with a differentiated mode of action for treating Alzheimer's disease ("AD"), cancer, and fibrotic indications. We are developing a proprietary pipeline of product candidates using operations focused on planning and managing Research and Development ("R&D") programs. In addition to developing small molecule-based medicines, we also pursue antibody-based approaches in certain indications. Research work is mainly outsourced to CROs or academic collaboration partners on a fee-for-service basis. We strive to generate future revenues from licensing our product candidates to biopharmaceutical companies or, in selected cases, by commercializing products upon regulatory market approval by the relevant Competent Authorities.

AD is a disease with exceptionally high unmet medical need. Despite significantly increasing global case numbers, before the recent (accelerated) approvals of Biogen's *Aduhelm* and Eisai's *Leqembi*, no AD treatment was approved in 19 years. All drugs approved before *Aduhelm* and *Leqembi* treat symptoms of the disease only and neither

halt the progression nor provide sustainable improvement of the condition. The positive effects of these treatments on cognitive function and activities of daily living are slight and transient and accompanied by potential side effects.

Scientists have identified significant hallmarks of AD, including the accumulation of amyloid-beta ("Abeta") peptides. These peptides were identified as the main constituent of senile plaques, historically regarded as the toxic component that destroys brain cells, a process referred to as neurodegeneration. Based on this hypothesis, therapeutic concepts were developed aiming at halting or slowing the progression of neurodegeneration (disease modification). The first generation of disease-modifying approaches focused on inhibiting the plaque formation or reducing existing plaques by targeting the generation of Abeta from its precursor protein Amyloid Precursor Protein ("APP") through blocking the enzymes that catalyze this transformation, the beta and gamma secretases. These approaches were not as effective as expected. Around 30 different variants of Abeta can be found in brains affected by AD, which suggests that proteases other than the secretases and a group of post-translationally modifying enzymes are also involved in the generation of these variants.

Today's prevailing scientific view is that, rather than the plaques, certain soluble forms of Abeta aggregates, called "Abeta oligomers," cause the early pathological changes in AD. It has been shown that a specific form of Abeta can trigger the formation of these toxic soluble Abeta oligomers. This form, "N3pE-Abeta" (synonyms: N3pG, pEAb 3-42, pGlu-Abeta, or pyroglutamate-Abeta), acts as a seeding element for Abeta aggregation. Several different scientific studies have confirmed that N3pE is a particularly neurotoxic variant of Abeta. N3pE-Abeta is found only in AD patients, not in healthy individuals and its levels in the brain correlate with the cognitive ability of AD patients. Further hallmarks of AD pathology include intracellular accumulation of tau protein (tangles), neuroinflammation, and synaptic impairment. A proinflammatory protein that has been shown to be involved in both events is the chemokine CCL2.

In 2004, our scientists discovered that the transformation of Abeta peptides into N3pE-Abeta requires the activity of a specific enzyme called glutaminyl cyclase ("QPCT" or "QC"). The discovery of this key enzymatic function and the ability to block N3pE formation by blocking QPCT is our basis for developing small molecule inhibitors as a specific N3pE-targeting treatment approach. The enzymatic activity of glutaminyl cyclase is also required for the stability and full potency of the proinflammatory protein CCL2, with QPCTL, an isoform of QPCT, upregulating CCL2 by converting it into pE-CCL2. Thus, blocking QPCTL holds the potential to reduce neuroinflammation. Moreover, CCL2 is also a promoter of the tau pathology, which, in turn is linked to synaptic impairment, enabling simultaneous targeting of these pathologies.

We are developing product candidates to specifically target toxic N3pE-Abeta via two approaches we believe to be complementary: (i) inhibiting the production of N3pE; and (ii) clearing existing N3pE from the brain. Our current development pipeline in AD consists of the following product candidates:

(i) Small molecule inhibitor approach to inhibit the production of N3pE-Abeta

Varoglutamstat (PQ912) — a nanomolar inhibitor of QPCT — is our lead product candidate and is currently in Phase 2b stage of clinical development and has been granted fast track designation in early AD by the Food and Drug Administration ("FDA"). *Varoglutamstat* (PQ912) was discovered, profiled, and nominated by us for regulatory development in 2010. In our preclinical studies, we have generated data demonstrating that cognitive parameters were improved in well-known AD mouse models treated with *Varoglutamstat* (PQ912) compared to controls which were not treated with *Varoglutamstat* (PQ912). In a completed Phase 1 clinical trial, QPCT activity under treatment was reduced by about 90 % and a PK/PD relation in CSF and serum was measured; with the trial also yielding important information on dose response and target occupancy. A first in-patient Phase 2a trial in Europe, SAPHIR, started in March 2015 and reported results in June 2017. Results indicated that, while the majority of reported adverse events (AEs) were related to skin and gastrointestinal tract, mild to moderate and fully reversible in nature, 13 serious AEs occurred in the group treated twice daily with *Varoglutamstat* (PQ912) at 800 mg (compared to 5 serious AEs in the placebo group), meaning that a dose limiting toxicity was reached at this dose. This led to an adjusted dosing regimen between 150 and 600 mg twice daily in our current Phase 2 trials VIVIAD and VIVA-MIND. The SAPHIR Phase 2a study met its primary safety endpoint and showed evidence of the potential disease-modifying activity of *Varoglutamstat* (PQ912) in a number of analyzed parameters, namely biomarkers, EEG measurements, and cognitive assessment. Most importantly, a statistically significant ($p = 0.05$) change from baseline in working memory as measured by the One Back Test and a notable, although not statistically significant, change from baseline in attention were measured after 12 weeks of treatment. We are currently conducting two double-blind, placebo-controlled Phase 2 trials for *Varoglutamstat* (PQ912), the Phase 2b VIVIAD trial in Europe, with the first patient enrolled in July 2020 and the complementary Phase 2a/b VIVA-MIND trial in the U.S., initiated in September 2021, for which an IND is active, which was granted by the FDA on July 31, 2020. On June 29, 2021, we entered into a strategic regional licensing partnership with Simcere Pharmaceutical Group Ltd (HKEX: 2096, "Simcere") to develop and, if the necessary regulatory approvals are obtained, commercialize medicines targeting

the neurotoxic amyloid species N3pE ("pGlu-Abeta") to treat AD in Greater China. The agreement grants Simcere a regional license to develop and commercialize *Varoglutamstat* ("PQ912"), Vivoryon's Phase 2b-stage N3pE-Abeta-targeting oral small molecule glutaminyl cyclase ("QPCT") inhibitor with disease-modifying potential for AD, as well as our preclinical monoclonal N3pE-antibody PBD-C06 in the Greater China region. Under the terms of the agreement, we will receive upfront payments and will also be eligible for payments upon achievement of certain development and sales milestones.

Varoglutamstat (PQ912) can inhibit both QPCT and QPCTL and with its dual mode of action of blocking formation of neurotoxic N3pE and modulating pE-CCL2, it offers the potential to address all important pathological hallmarks of AD: Abeta pathology, neuroinflammation, tau pathology, and synaptic impairment, leading to the protection of important brain functions.

(ii) Antibody-based approach to clear existing N3pE-Abeta from the brain

Antibody-based approaches to clear Abeta plaques from the brain are widely regarded as a potential way to address cognitive dysfunction in AD, but a clear correlation of overall plaque load and cognitive impairment has not yet been demonstrated. In contrast, there is a proven correlation of the particularly neurotoxic species N3pE-Abeta with cognition in AD patients, based on which we are developing PBD-C06, an antibody explicitly targeting N3pE-Abeta. PBD-C06 is a monoclonal antibody currently in preclinical development. PBD-C06 binds to N3pE-Abeta with high specificity. The rationale is to selectively clear the brain of N3pE via the immune system while leaving non-toxic forms of Abeta untouched. We believe that due to the high specificity of PBD-C06 for N3pE-Abeta, the proportion of antibody reaching the brain will be sufficient to remove the toxic peptides. PBD-C06 has been optimized towards low immunogenicity to reduce the occurrence of anti-drug antibody in patients and towards low potency to induce amyloid-related imaging abnormalities (ARIAs), a major side effect in antibody-based AD therapies. We have made further development of PBD-C06 dependent on a partnership with a biopharmaceutical company, providing financial and development resources in the field of therapeutic antibodies. In June 2021, Simcere acquired a regional license to develop and commercialize PBD-C06 in the Greater China region if the necessary regulatory approvals are obtained (see "— (i) Small molecule inhibitor approach to inhibit the production of N3pE-Abeta.").

Other disease areas with exceptionally high medical requirements that we target include cancer and fibrotic indications. In both indications, we are looking to exploit the physiological relevance of the posttranslational modification mediated by glutaminyl cyclases, the cyclization of an N-terminal glutamine or glutamate residue to form a pyro-glutamate. This cyclization has two physiological functions: it is required for (i) full maturation, potency, and stability of several proteins and peptides, and (ii) mediation of protein-protein interactions in cell-cell contacts. An example of (ii) is the requirement for a pyro-glutamate on the N-terminus of the membrane protein CD47 to be able to bind to its counterpart SIRPalpha expressed on macrophages. This interaction is an innate immune system checkpoint that provides a "do not eat me" signal to the macrophage and thus helps the tumor to escape the immune defense mechanism. An example for (i) is N-terminal cyclization of CCL2 for form pE-CCL2, which is the fully potent and stable form of this chemokine.

Oncology: In cancer therapy, we are investigating the use of the following glutaminyl cyclase inhibitors in both of the above-mentioned pathologically relevant pathways: the CD47-SIRPalpha immune checkpoint and the CCL2-CCR2 chemokine axis. In both cases, we focus on the isoenzyme of QPCT, which is called QPCTL (glutaminyl cyclase-like). QPCT and QPCTL (together "QPCT/L") have the same physiological functions but differ in localization and substrate specificity. The expression of QPCTL is upregulated in a variety of cancer cells. In addition to *Varoglutamstat* (PQ912), we have developed a series of nanomolar QPCTL inhibitors at the preclinical stage and are currently under investigation in animal tumor models to select the best fitting indication scenario.

Fibrotic Indications: Our most recent drug discovery project has been initiated in the field of fibrotic indications. The metal-dependent proteases, meprin alpha and meprin beta are emerging targets in kidney protection, fibrotic diseases, cancer, and potentially AD. Our focus is on developing meprin protease inhibitors to treat acute kidney injury ("AKI") and fibrosis and this program is currently in the pre-clinical stage. While we have a broad portfolio of small molecule compounds, the current lead molecule achieved first in vivo proof of principle in an AKI mouse model. Increased expression of meprins and their delocalization has been associated with tissue damage and collagen deposition in fibrosis, resulting in the loss of organ function. Meprin-targeted protease inhibitors thus have the potential to target symptoms and treat a range of indications, including acute and chronic kidney disease and multiple organ fibrosis.

In cancer and fibrotic indications, we aim to nominate further candidates, QPCTL and meprin inhibitors, respectively, for clinical development within the next two to three years. In addition, we are constantly investigating other potential applications of our inhibitors to pursue potential novel findings and trends rapidly.

We have a patent portfolio directed to our product candidates and targets comprising composition of matter and medical use claims directed to AD and inflammatory diseases, oncology, and fibrotic indications. Our patent portfolio currently consists of 33 patent families, which comprise approximately 617 national patent applications and issued patents. As of today, other than with Simcere, we have not entered into any partnering or licensing arrangements regarding our research and development activities in the field of AD, and our product candidates are currently mainly financed by equity and to a lesser extent by grants and subsidies.

1.1.5 Product candidates

AD pathology - Introduction to macroscopic and microscopic features of AD biology

Brains of patients with AD show several striking structural features, which are (i) shrinking of the brain, and (ii) distinct protein deposits called plaques and tangles.

The shrinking of the brain results from the loss of brain cells (neuron loss) and the loss of connections between such cells (synaptic loss) in different parts of the brain, which ultimately results in clinical manifestations of the disease.

Plaques and tangles are distinct features of the disease, which are considered the traditional pathological microscopic changes in the brain affected by AD. Plaques are mostly constituted of Amyloid beta (Abeta) peptides, while tangles primarily consist of the "Tau" protein. The relation between plaques and tangles in the context of disease progression has been a long-time focus of scientific investigation. It has recently been established that Abeta amyloid pathology appears to be a prerequisite for Tau precipitation in tangles to occur. The third AD hallmark is neuroinflammation. Whether neuroinflammation is the trigger for amyloid beta deposition or whether amyloid beta deposition leads to increased neuroinflammation is still under debate. It could be concluded that these processes are closely associated and are interdependent.

Amyloid cascade and specific role of oligomers and the toxic culprit N3pE-Abeta, formed by QPCT activity.

The plaques mainly consist of an abnormal extracellular deposition of the Abeta peptide, which derives from the physiological metabolism of the APP that occurs in the brain. In AD however, the process of Abeta formation and clearance is distorted. This distortion triggers a cascade, often called the amyloid cascade, that, via multiple steps, ultimately results in the formation of plaques. Over the years, substantial evidence has built up that Abeta has an early and key role in all forms of AD. For the specific role of our main target, the pGlu modified Abeta, N3pE see below. Abeta peptides display high heterogeneity in AD and various arguments have been established outlining that the underlying mechanism by which Abeta contributes to AD is specific for certain forms of Abeta:

- Post-mortem analysis of tissue from AD patients and controls suggests that the level of soluble and modified Abeta species found in the brain and the cerebrospinal fluid correlates with clinical AD symptoms, rather than the level of amyloid plaques themselves.
- Normal unchanged Abeta itself may play a protective physiological role.
- Over 25 different variants of Abeta peptides have been identified in brains affected by AD. Shorter forms of Abeta (Abeta38 and Abeta40) have been described as preventing the aggregation of the "full-length" peptide Abeta42.

Further research has led to the understanding that soluble Abeta oligomers (which consist of aggregates of around 20-30 Abeta molecules) are key factors in Abeta pathology. These soluble Abeta oligomers are clusters of Abeta of different size, 3-dimensional structure and length. It has now been established that these soluble oligomers are neurotoxic and are considered to be a key factor in the development of AD pathology. Presence of soluble Abeta oligomers in the brain is also considered to constitute a decisive difference between normal aging and AD.

The toxic Abeta oligomers are assumed to cause synaptic impairment directly at the synapses — the contact points between neurons — and reduced neuronal connectivity early in AD, which correlates with first memory impairments, and which is followed by Tau-pathology and inflammation leading to chronic neurodegeneration. The toxic effect of Abeta oligomers has been shown to be mediated via interaction with various types of cell membrane receptors, amongst others, selected glutamatergic transmitter receptors. The acute and chronic toxicities of soluble Abeta oligomers suggest that they are an interesting therapeutic target for AD drug development.

Together with our academic partners, our proprietary research has led to important insights into the underlying molecular events of Abeta oligomer formation and function. We and others identified that a specific variant of Abeta, namely N3pE, is a key trigger and building block for toxic oligomer formation. N3pE is formed via a modification (cyclization) of Abeta species truncated at position 3 which carry a glutamate residue at the N-terminus.

N3pE was first identified in brain biopsies from AD patients in 1995. Since then, extensive scientific evidence suggesting oligomers containing N3pE play a crucial role as a driver of the amyloid pathology has been accumulated by us and others to the current stage:

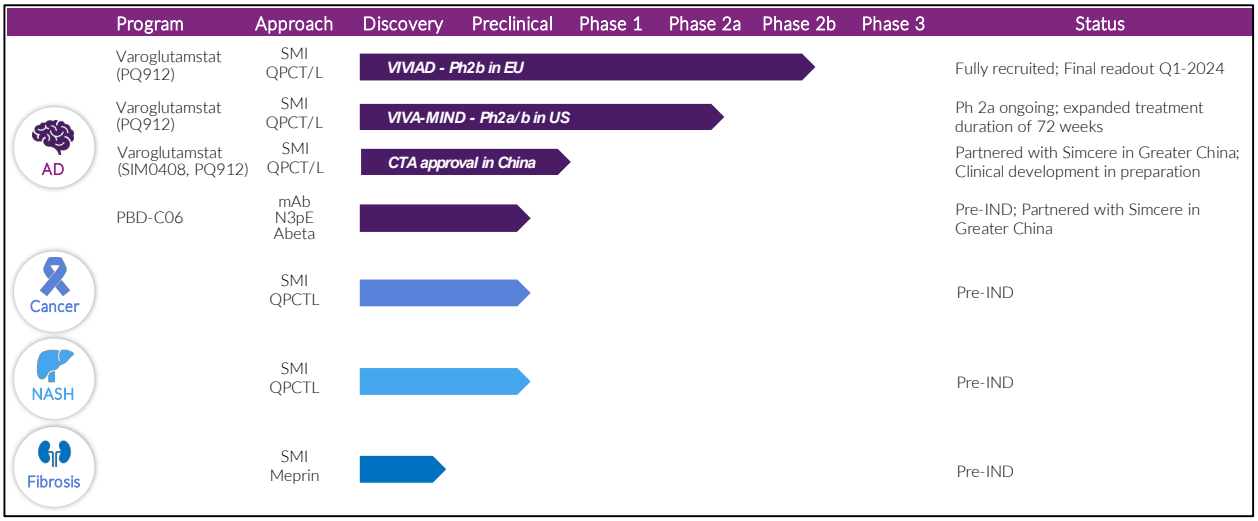
- N3pE has been shown to accumulate in the course of development of sporadic AD. Importantly, N3pE has been shown to be specifically increased within the soluble Abeta pool from AD tissue, while being underrepresented in normal aging tissue.
- N3pE species exert a much higher neurotoxicity compared to full-length (normal) Abeta. Moreover, N3pE is able to transfer its molecular properties and "infect" other non-modified peptides to form new neurotoxic oligomers.
- N3pE is implicated to play a role in the relationship between Abeta and Tau, suggesting that N3pE is upstream of Tau in the toxicity cascade.

Our scientists first discovered that N3pE requires an enzyme to be produced and does not arise spontaneously. The identified enzyme is QPCT, which catalyzes the conversion of N-terminal glutamate into cyclic pyroglutamate. Subsequently, we established QPCT's correlation with AD pathology through continued preclinical research together with its academic partners.

QPCT is an important link between Abeta and neuronal death and cognitive decline. By blocking QPCT activity and thus the formation of N3pE specifically, we differentiate our own approach from other Abeta-directed drug development approaches, which are aimed at reducing normal Abeta or Abeta plaques.

1.1.6 Pipeline

Vivoryon has established a diverse pipeline of programs in different stages of development, with our most advanced activities focused on novel oral small molecule-based therapeutics with a differentiated mode of action for treating AD, cancer, and fibrotic indications. In addition, our pipeline also includes an antibody in development to treat AD.



Lead compound Varoglutamstat (PQ912) — a small molecule inhibitor of QPCT and QPCTL Pharmacology[1]

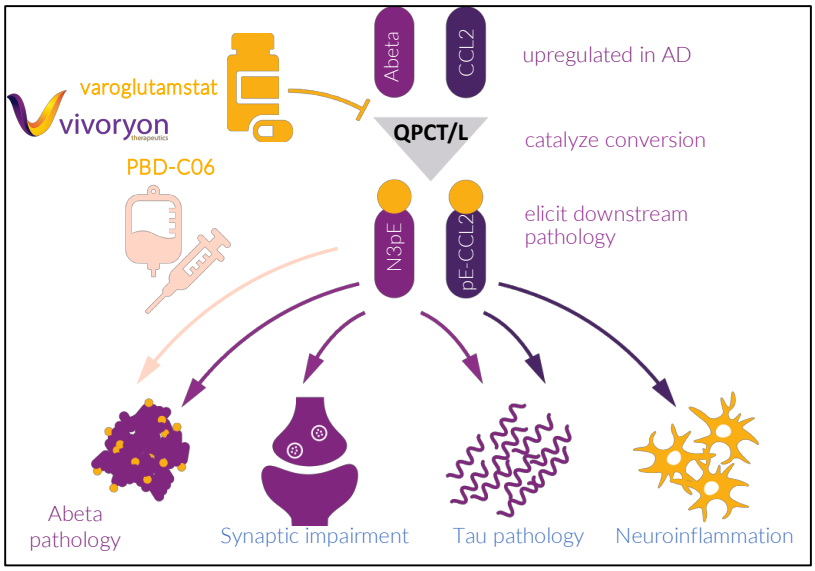
Varoglutamstat (PQ912) is a proprietary, potent (nanomolar) and selective inhibitor of human QPCT and QPCTL being developed for AD. To verify the usefulness of the compound as a potential AD-treatment, the tolerability of this compound has been characterized in various in vitro and in vivo animal models.

1.1.7 *Varoglutamstat* (PQ912)

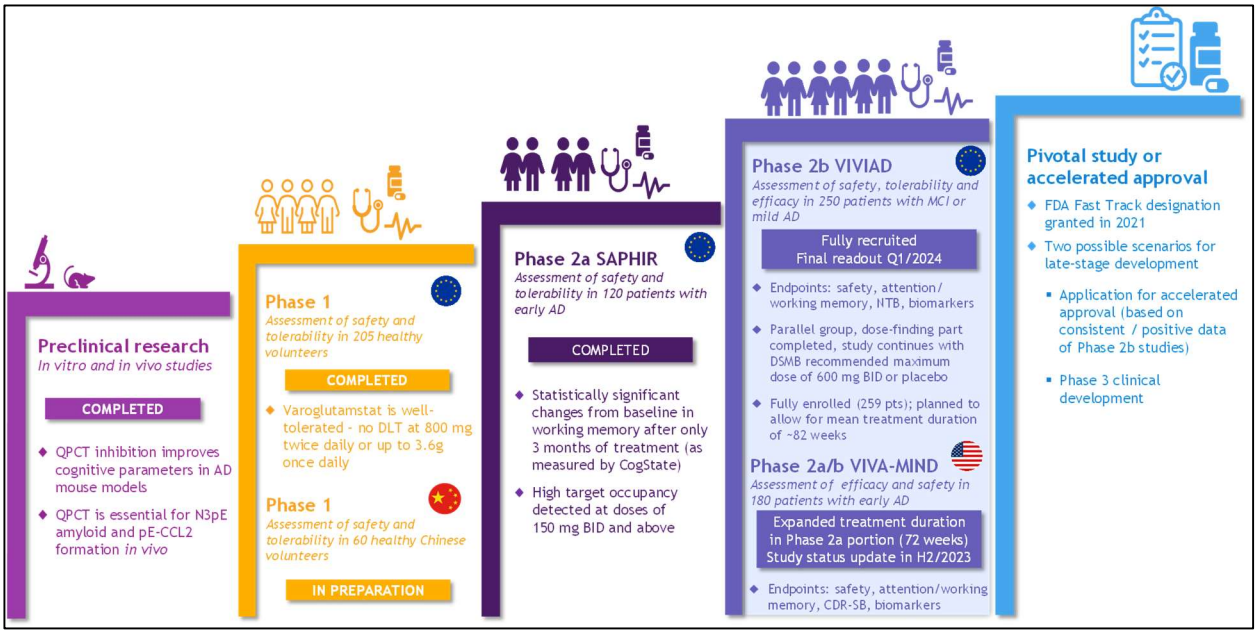
Vivoryon discovered QPCT-mediated formation of a neurotoxic Abeta variant, N3pE-Abeta (pGlu-Abeta), as driver of AD pathology. The Company is developing small molecule inhibitors to prevent N3pE-Abeta formation, rather than aiming to clear existing plaques. *Varoglutamstat* (PQ912) is a first-in-class, highly specific and potent small molecule inhibitor of glutaminyl cyclases. The oral small molecule inhibitor *Varoglutamstat* (PQ912) inhibits the enzymatic function of the enzymes QPCT and QPCTL. This prevents transformation of Abeta into the

[1]monoclonal antibody (mAb), small molecule inhibitor (SMI), Clinical Trial Application (CTA)

neurotoxic N3pE-Abeta variant, which, in turn, reduces neuroinflammation, tau neuropathy and synaptic impairment. A further reduction of these pathophysiologic features of AD is achieved by blocking the QPCTL-dependent activity and potency of the pro-inflammatory chemokine CCL2. A Phase 2a study of *Varoglutamstat* in early AD patients (SAPHIR) revealed significant improvements in a cognition parameter.



Mode-of action of Varoglutamstat (PQ912) and of PBD-C06. The oral small molecule inhibitor Varoglutamstat (PQ912) inhibits the enzymatic function of the enzymes QPCT and QPCTL. This prevents transformation of Abeta into the neurotoxic N3pE-Abeta variant, which, in turn, reduces neuroinflammation, tau neuropathy and synaptic impairment. A further reduction of these pathophysiologic features of AD is achieved by blocking the QPCTL-dependent activity and potency of the pro-inflammatory chemokine CCL2. The monoclonal antibody PBD-C06 is highly selective for N3pE-Abeta and is designed to remove this variant and its aggregates from the brain by immunologic processes



Clinical Development Strategy

Clinical Phase 2b — VIVIAD Trial

In June 2020, we initiated a Phase 2b trial, VIVIAD, in Europe in early-stage AD. VIVIAD is a multicenter, randomized, double-blind, placebo-controlled, parallel group dose finding study to evaluate the safety, tolerability and efficacy of *Varoglutamstat* (PQ912).

The study aimed to enroll approximately 250 patients with mild cognitive impairment and mild dementia due to AD. The primary endpoints of the trial include the assessment of the safety, tolerability and efficacy of

Varoglutamstat (PQ912) compared to the placebo over 48 to 96 weeks of treatment. On July 15, 2020, we announced that the first patient had been enrolled into the trial. VIVIAD has recruited patients from Denmark, Germany and the Netherlands, as well as from Spain and Poland.

VIVIAD is led by internationally renowned experts at around 20 clinical sites in Europe. On January 14, 2020, we entered into an agreement with Nordic Bioscience to collaborate on the clinical development of *Varoglutamstat* (PQ912) for AD. In addition to taking on the role as CRO for our Phase 2b VIVIAD trial, we are benefitting 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 *Varoglutamstat* (PQ912), our Phase 2 clinical-stage candidate in AD.

The trial includes an initial 12-week dose titration phase, and patients are treated for at least 48 weeks and a maximum of 96 weeks. In June 2022 an independent data safety monitor board (DSMB) has selected the highest dose investigated, 600 mg twice daily (BID), as the final dose to be administered in the second part of the study. The decision was based on an evaluation of safety data from all 181 patients enrolled in the study at this time point, 90 of which had completed the week 24 treatment visit at the May 17, 2022, cut-off date. All participants of the study are now treated with 600 mg (BID) *Varoglutamstat* or placebo.

In November 2022 we announced that VIVIAD had completed enrollment as planned. In total, 259 patients have been randomized into the study. The final read-out is expected for the first quarter of 2024.

Clinical Phase 2 — VIVA-MIND Trial

A Phase 2 trial, VIVA-MIND, has been started in the United States and is supported by a $15 million grant from the from the National Institute on Aging (NIA award number R01AG061146). The VIVA-MIND trial in the United States aims to enroll in total 414 patients with 18 months treatment on stable doses of *Varoglutamstat* (PQ912). To conduct the U.S. trial, we entered into a formal collaboration agreement with ADCS at the University of California, San Diego Campus, a U.S. federal government initiative for clinical studies in AD. This agreement with ADCS is a service agreement entered into for the sole purpose of ADCS coordinating and conducting our U.S. Phase 2 trial. It is a fee-for-service agreement, without intellectual property transfer and no milestone payments, royalty payments, profit or revenue sharing arrangements.

VIVA-MIND is designed as a Phase 2a/b multi-center, randomized, double-blind, placebo-controlled, parallel group study of *Varoglutamstat* (PQ912), with a stage gate to Phase 2b. The Phase 2a portion of the trail contains an adaptive dosing evaluation, for the first 180 patients recruited into the study. This adaptive dosing evaluation, using a well-defined safety stopping boundary, of three dose levels with exposure to *Varoglutamstat* (PQ912) or placebo for a minimum of 24 weeks aim to determine which dose will be carried forward in the Phase 2b part. A sequential dose design will be employed in Phase 2a where each of three dose cohorts are randomized equally to placebo or *Varoglutamstat* (PQ912) and treated for at least 8 weeks at the originally assigned full dose. Participants will be randomized 1:1 to *Varoglutamstat* (PQ912) or placebo, and stratified between mild AD and MCI, as well as by site.

In November 2022 we announced that about two thirds of the first cohort (600 mg BID) have been treated to date with no adverse events of special interest (AESI) observed and that all 180 patients included in the Phase 2a portion of VIVA-MIND will now continue to be treated for 72 weeks to increase quality and robustness of data, potentially allowing for a seamless transfer into a confirmatory Phase 3 study, if required.

Recruitment into the study will continuously go on and randomize an additional 234 patients into the Phase 2b portion of the study, -or, and with amendments to the study protocol we will have the option to transform the VIVA-MIND trial into a full Phase 3 study and recruiting even more patients into the study.

The primary endpoint for this study is the CDR-SB (clinical dementia rating scale – sum of boxes) score, an established approvable endpoint measuring a combination of cognitive abilities and activities of daily living, frequently used for confirmatory trials in AD.

In March 2023 we announced that an independent Data Safery Monitoring Board (DSMB) has unanimously recommended that – based on the current safety findings- the study should go on as planned. We expect the first cohort (600mg BID) to be randomized within Q2 2023. As of March 2023, 18 sites across the U.S. continue to recruit patients into the VIVA-MIND study and we intend to provide a further status update on the study in the in the second half of 2023.

1.1.8 Preclinical antibody PBD-C06 — an antibody designed to clear N3pE oligomers from brains affected by AD

The monoclonal antibody PBD-C06 is highly selective for N3pE-Abeta and is designed to remove this variant and its aggregates from the brain by immunologic processes.

PBD-C06 binds to N3pE-Abeta with high specificity. The rationale of its application is to selectively clear the brain from N3pE via the immune system while leaving non-toxic forms of Abeta untouched. We believe that due to the high specificity of PBD-C06 for N3pE-Abeta, the amount of antibody levels reaching the brain will be sufficient to remove the toxic peptides. We have made further development of PBD-C06 dependent on a partnership with a biopharmaceutical company, providing financial and development resources in the field of therapeutic antibodies. In this regard we've signed a licensing deal with Simcere Pharmaceutical in 2021. This licensing deal includes the development and marketing rights for greater China region of PBD-C06. Currently Simcere works on all steps to achieve IND application. The final IND package will be made available to Vivoryon to file for a global IND.

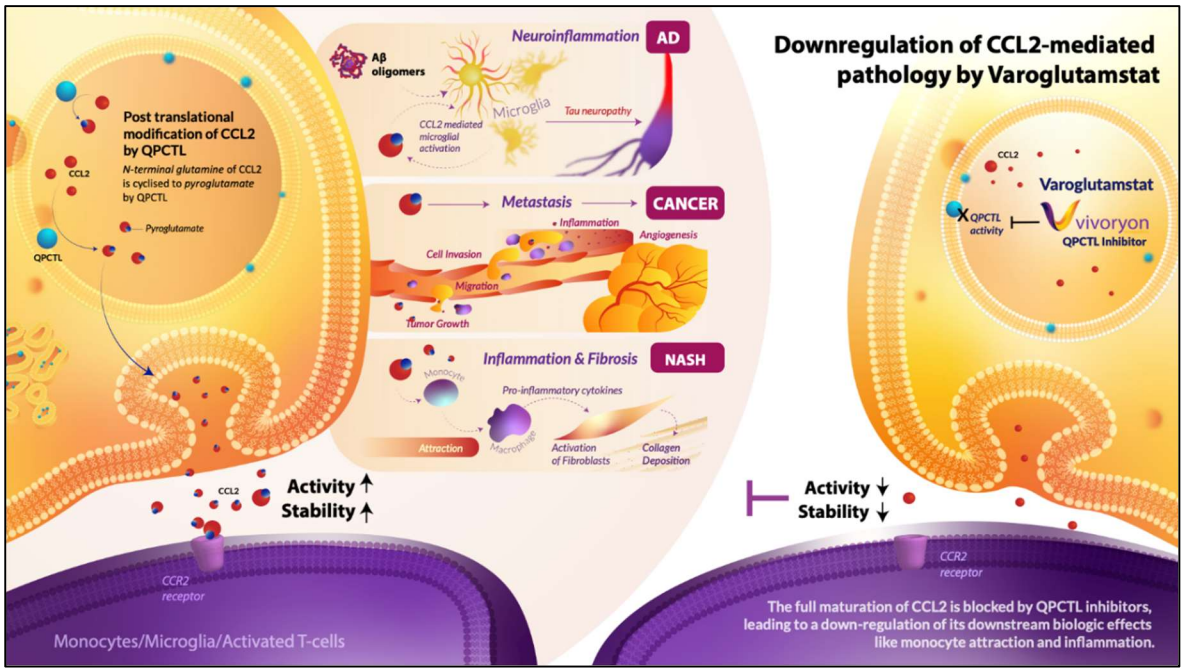
The antibody is designed to be less immunogenic and to induce less ARIA (amyloid related imaging artefacts). This sets it apart from the monoclonal antibody *Donanemab* of Eli Lilly, where the most recent clinical trial results showed the occurrence of a high number of anti-drug antibodies (90 % of the patients) and ARIA (38.9 % of the patients). ARIAs are of relevance as they can cause severe headaches which could lead to the withdrawal of patients from the study.

We believe that by targeting a neo-epitope, N3pE, and by circumventing inflammatory issues (complement inactivation) and immunogenicity (de-immunization), PBD-C06 has great potential to clear the most toxic Abeta aggregates and improve cognition in AD patients at effective doses and with an acceptable safety profile.

1.1.9 Novel QPCTL inhibitors with differentiated mode of action to treat cancer and fibrosis

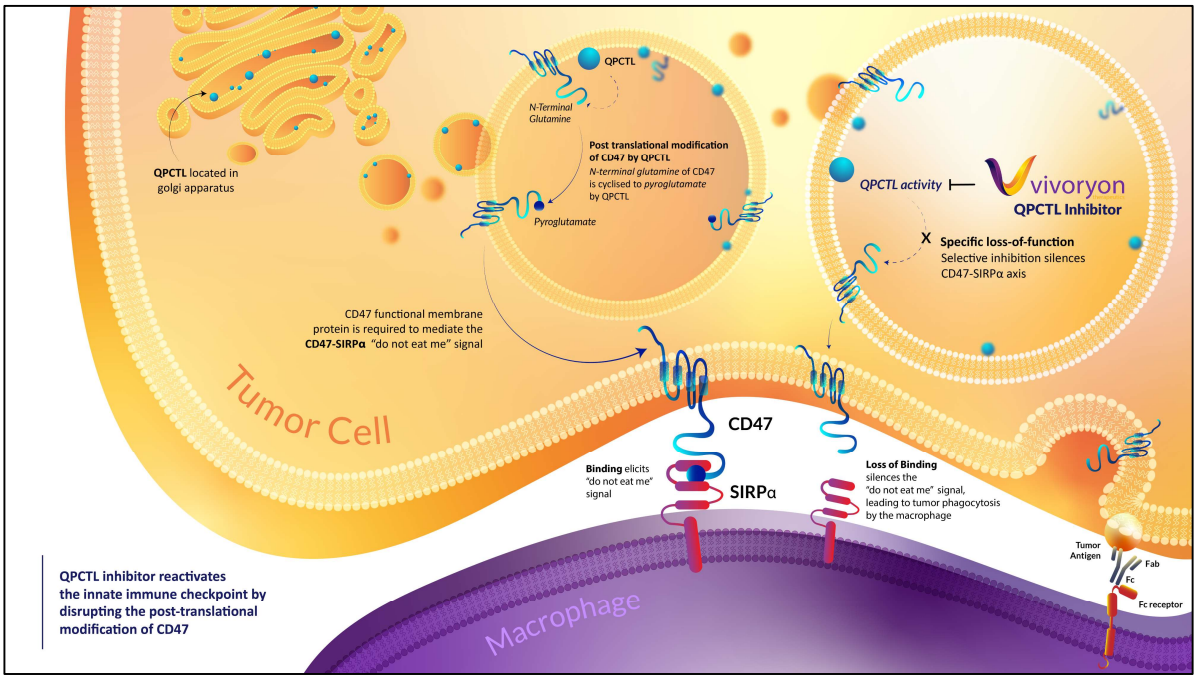
The relevance of QPCTL in the full maturation of the CCL chemokines CCL2, CCL7, CLL8, CCL13 - all of which get transformed into their potent and stable form pE-CLL — opens another field of application for our QPCTL inhibitors. Increased activity and expression of these chemokines is connected to poor prognosis in several cancers like glioma, lung, colorectal, renal, urothelial, prostate and others.

In addition, we and others could show that QPCTL is a viable target for alleviating CCL2 inflammation in a non-alcoholic fatty liver disease ("NAFLD") mouse model. NAFLD is the most prevalent form of hepatic pathology in the general population which could advance to non-alcoholic steatohepatitis ("NASH") and cirrhosis.



Mode-of action of Varoglutamstat (PQ912) on CCL induced pathophysiology: Varoglutamstat (PQ912) and other QPCTL inhibitors block pyroglutamate formation on the N-terminus of chemokines CCL 2, 7, 8, and 13, leading to their decreased activity and stability. Thus, the downstream biological effects of these chemokines such as inflammation, fibrosis and metastasis are downregulated.

More recently, it has been discovered that small molecule QPCTL inhibitors could also represent an attractive approach for modulating a myeloid immune checkpoint as QPCTL is essential for the pyroglutamate formation on CD47, a crucial signaling protein in the immune response to cancer. Inhibitors of QPCTL, like *Varoglutamstat* (PQ912) and other small molecule compounds protected under our patents, have been shown to silence the checkpoint signal from the CD47-SIRPalpha axis, and are thus offering a novel strategy to augment the efficacy of anti-tumor antibody therapies. We own a broad set of highly promising QPCTL inhibiting compounds in advanced preclinical stages of development. As opposed to antibody approaches in clinical development, our small molecule QPCTL inhibitors are a novel and innovative approach with a differentiated mode of action designed with the objective to improve anti-tumor antibody therapies. Moreover, we can conclude from our clinical data with *Varoglutamstat* (PQ912) that this compound class will not induce anemia — a side effect frequently seen with the CD47 antibody therapies in clinical development.



Mode-of action of QPCTL inhibitors in immune-oncology. Therapeutic anti-tumor antibodies (bottom right) connect tumor cells with cells of the immune system like macrophages. A tumor escape mechanism is provided by the binding of cell surface protein CD47 which is upregulated in many cancers to its counterpart SIRPalpha expressed on cells of the innate immune system like macrophages. This protein-protein interaction provides a "do not eat me" signal to the macrophage. By preventing the pyroglutamate formation on the N-terminus of CD47 with QPCTL inhibitors the binding to SIRPalpha is blocked. The loss of binding silences the "do not eat me signal" leading to tumor response by innate immune cells like macrophages.

We are currently investigating the application of QPCTL inhibitors in several cell based ADCP models, tumor and NASH animal models. Based on current discovery and research data, the QPCT/L inhibitors PQ1565, PQ2020 and/or PQ2043 might be included in the group of compounds we will advance further towards clinical studies in cancer and/or fibrosis.

1.1.10 Novel Meprin protease inhibitors to treat fibrotic diseases, inflammation and cancer

We extended our portfolio in 2020 by acquiring patents from the Fraunhofer-Gesellschaft (FHG)/ Institute for Cell Therapy and Immunology (IZI) for the further development of Meprin protease inhibitors. Our agreement with FHG/IZI is a licensing agreement entered into for the acquisition by us of licenses to small molecule Meprin inhibitors. The agreement contemplates:

- An upfront payment by us of EUR 550 thousand (paid on May 20, 2020) as well as the acquisition by us of intellectual property rights.
- A 1.5 % fee to be paid by us (or our licensees) to FHG/IZI on potential future net sales for each product based on the acquired intellectual property rights. The program for the further development of Meprin protease inhibitors is currently at an early development stage, consequently there are no sales yet, no such fee has been incurred and no fee payments have been made to date.

- The receipt of a fee by FHG/IZI from us equaling 5 % of any one-time payments, down payments or milestone payments that we will receive from a potential future licensing agreement with a co-development partner on the basis of the acquired intellectual property. Vivoryon has not yet entered into such a licensing agreement with a co-development partner, consequently no such fee has been incurred and no payments have been made to date.

Meprin alpha and beta are emerging targets for the treatment of a range of indications including acute and chronic kidney disease and multiple organ fibrosis, and cancer. We are developing novel low-molecular weight Meprin inhibitors in collaboration with the original inventors at the IZI. Meprin isoforms alpha and beta differ in their substrates and cellular location. They are primarily expressed in renal brush border membranes and upregulated or mislocated in various cancers or fibrotic diseases. Both enzymes are metalloproteinases and catalyze cleavage and thus activation or deactivation of their respective substrates. The unique substrate recognition pattern of Meprins allow for the design of selective inhibitors which do not block other metalloproteinases like MMPs. The main physiological function of Meprins include the regulation of the maturation of fibrillar procollagens into collagen fibrils, and the maturation of pro inflammatory cytokines like IL-1 and IL-6. They are crucially involved in extra cellular matrix remodeling which makes them attractive for targeting cancer cell evasion and metastasis.

A broad set of alpha/beta dual specific and isoform specific nanomolar small molecule inhibitors has been designed and characterized. An in vivo proof-of-concept has been performed with one of our compounds in a model for acute kidney injury. We are further optimizing the physicochemical and kinetic properties of our Meprin inhibitors and intend to have identified an early development candidate in 2024, by which time we will also have decided for which indication(s) we aim to develop Meprin inhibitors.

1.1.11 Intellectual property

As of December 31, 2022, our patent portfolio consisted of 33 owned patent families, which comprise approximately 38 issued U.S. patents, 5 pending U.S. applications, 497 issued foreign patents and 77 pending foreign patent applications. Our patent portfolio is focused on our R&D programs relating to glutaminyl cyclase ("QC"), isoenzyme ("isoQC") and N-terminally modified forms of Abeta peptide as the medical targets.

1.2 Operating review

1.2.1 Overall economic development and trends in the pharmaceutical and biotechnology industry

The healthcare sector is one of the most important economic divisions worldwide with a key growth factor lying in the increasing aging population, which brings with it an urgent need for medical treatment. In conjunction with this, the demand for innovative products and therapies for a wide range of diseases is also on the rise.

The pharmaceutical industry is a key component of the German healthcare system. According to 2022 pharma data from the Bundesverband der Pharmazeutischen Industrie (BPI), the pharma industry generated sales of over EUR 101.0 billion and employed more than 138,000 individuals. Germany is one of the leading locations for pharmaceutical research and development in the world. Thirty-two member companies of the German Association of Research-Based Pharmaceutical Companies (Verband Forschender Arzneimittelhersteller, vfa) coordinate clinical trials. These companies spend more than EUR 8.7 billion per year on research and development in Germany alone. Currently, their focus is on the following areas in particular: cancer, inflammatory diseases, cardiovascular diseases, metabolic diseases, Alzheimer's disease and dosage forms and application aids for medications.

The need for developments in Alzheimer's disease research remains critical. Until very recently, only a handful of AD drugs were on the market, which were approved more than a decade ago and treated only the symptoms of cognitive decline. This situation has changed in 2021 due to the FDA granting accelerated approval for Biogen's Abeta oligomer and plaque targeting antibody *Aducanumab* (*Aduhelm*) on June 7, 2021 and to Eisai's/Biogen's *Lecanemab* (*Leqembi*) on January 6, 2023. In addition, the FDA has granted breakthrough therapy designations for other drugs in development to treat AD (*Donanemab*, G*antenerumab*). As such AD treatment is currently in a transition between conventional drugs that only treat symptoms and new pharmacological strategies aimed at slowing or even halting the underlying nerve cell death and disease progression. Global demand for new therapeutic treatments for this challenging indication remains high given the aging global population and rapidly growing number of people affected by the disease.

1.2.2 Alzheimer`s drug development

AD is estimated to affect over 30 million people worldwide and the number is anticipated to double by 2050. The disease has a high and growing economic burden - with the currently broadly available symptomatic drugs

having no impact on slowing, halting, or reversing the advance of the disease. A full approval for a disease-modifying treatment (DMT) has not yet been granted. Despite the accelerated approval of *Aducanumab* in 2021 and several breakthrough designations for drugs with the same mode-of-action (*Lecanemab*, *Donanemab*, *Gantenerumab*), 2022 was marked by mixed news as several investigators and institutions question the efficacy of *Aducanumab* especially in light of the ARIA side effects elicited by all Abeta antibody approaches thus far.

In September 2022, Eisai published encouraging results on the efficacy of AD patients treated with their Abeta specific antibody *Lecanemab* stating that a phase 3 study had met all its endpoints. January 6, 2023, the FDA granted accelerated approval to *Lecanemab* (*Leqembi*) based on earlier data. Only a few days later Eisai applied for full approval based on the Phase 3 data mentioned. While the clinically meaningfulness of an as small as found cognitive improvement on the CDR-SB scale remains a topic of discussion among experts, the FDA granting accelerated approval for *Lecanemab* is considered a major breakthrough in the eyes of most experts, albeit with the caveat of having to closely monitor and manage the ARIA side effects reported for this Abeta antibody. Taken together, the recent decisions by FDA encouraged further investment and innovation in the field of AD drug development. Thus, in the coming years the number DMT programs with new and different therapeutic approaches is expected to increase significantly.

In November 2022 Roche announced that two large Phase 3 trials of *Gantenerumab* had not meet their endpoints. With the exception of one study -including patients with inherited forms of AD- all further clinical studies have been stopped.

In February 2022, *Alzehon* reported positive results from a Phase II biomarker trial of ALZ-801 265mg BID in early AD patients who carry either one or two copies of APOE4. In 80 patients, ALZ-801 elicited a significant 29 % reduction from baseline in plasma p- tau181 at 26 weeks. ALZ-801 also significantly reduced the plasma p-tau181/Aβ42 ratio by 30 % at 26 weeks. These pronounced reductions in AD pathology suggest a disease-modifying effect, to be ratified by clinical data from the Phase III trial.

Major Alzheimer's disease licensing deals have not been closed in 2022. In fact, only one significant deal was announced between *AbbVie* and *Sosei Heptares*. The deal marks a multi-target collaboration leveraging Sosei's structure-based drug discovery platforms to develop drugs with GPCR targets for neurological diseases. Sosei received USD 40 million upfront and is eligible for up to USD 40 million in near-term milestones and downstream milestones up to USD 1.2 billion plus tiered royalties. Sosei will conduct R&D through IND completion, and AbbVie has the option to license up to three programs and is responsible for clinical and commercial development.

1.2.3 Business activities – research & development

The primary focus in 2022 remained on the clinical trials and the development of *Varoglutamstat* (PQ912), an inhibitor of the enzymes QPCT and QPCTL for the treatment of Alzheimer's and other diseases. In November the last patient (259) has been enrolled in VIVIAD, a Phase 2b, randomized and multi-center clinical study in Europe. The study evaluates the safety and efficacy of Vivoryon's lead candidate, *Varoglutamstat* (PQ912), in patients with AD. Also, the U.S. Phase 2 clinical trial program, VIVA-MIND, for *Varoglutamstat* (PQ912) in AD progressed. On December 31, 2022, 15 sites in US are actively recruiting patients into this study. Following Vivoryon´s business model the operational work was and is carried out by external service providers, contract research organizations, contract manufacturers, and other cooperation partners.

Since the acquisition of composition of matter and assay patents on Meprin protease inhibitors from the Fraunhofer Institute for Cell Therapy and Immunology (IZI) we are advancing this preclinical program towards the nomination of an early clinical development candidate. The metal-dependent proteases, Meprin alpha and Meprin beta, are emerging targets in kidney protection, fibrotic diseases, cancer, and Alzheimer's disease. Increased Meprin expression and their mis localization has been associated with tissue damage and collagen deposition in fibrosis, which can result in the loss of organ function. Meprin-targeted protease inhibitors thus have the potential to not only target symptoms, but also treat a range of indications including acute and chronic kidney disease and multiple organ fibrosis.

Moreover, Vivoryon continued to explore the use of QPCT and QPCTL inhibitors in further disease areas like cancer, fibrosis, and inflammation. This work is expected to deliver further clinical development candidates for diseases with unmet medical need in the upcoming years.

Although the COVID pandemic continued to effect economic development in 2022, Vivoryon was well-positioned to continue moving its AD clinical trials forward while exploring the potential of its unique proprietary position in cancer and fibrosis as well as identifying additional opportunities within the small molecule therapeutics pipeline.

1.2.4 Corporate developments

Corporate events in 2022:

- We advanced our program for Meprin protease inhibitors with intended therapeutic use in fibrosis, cancer, and AD: on April 16, 2020, Vivoryon Therapeutics has entered into a research collaboration with the IZI (Fraunhofer Institute for Cell therapy and Immunology, Leipzig) and acquired related patents from the Institute for a Meprin protease inhibitor and assay platform. This collaboration will combine Vivoryon's expertise in translating basic research into marketable small molecule therapeutics with the department's focus on discovery and development of new therapeutics that target putative pathologic post-translational modifications.
- *Varoglutamstat* Phase 2b study VIVIAD in Europe: Parallel group, dose-finding part completed in June 2022, study continues with DSMB recommended maximum dose of 600 mg BID or placebo; study completed enrollment with 259 patients, and it is planned to allow for a mean treatment duration of ca. 82 weeks.
- *Varoglutamstat* Phase 2a/b study VIVA-MIND in the U.S.: Activation of the majority of clinical Phase 2a sites for VIVA-MIND and screening for the first patients eligible to be included into the study.
- Partner Simcere Pharmaceuticals received approval of Clinical Trial Application (CTA) by China's Center for Drug Evaluation (CDE) of National Medical Products Administration (NMPA) for *Varoglutamstat* development in Greater China by Simcere.

1.2.5 License agreement with Simcere Pharmaceutical Co., Ltd.

In June 2021 the Company entered into a license agreement with Simcere Pharmaceutical Co., Ltd. ("Simcere"), granting Simcere a regional, exclusive, royalty bearing and sublicensable license under our know-how and patents covering the lead compound *Varoglutamstat* (PQ912) and any pharmaceutical product that contains PQ912, to research, develop, manufacture and commercialize PQ912 in mainland China, Hong Kong, Macao and Taiwan. Pursuant to the agreement, Simcere will be responsible for clinical development of PQ912 in patients with early AD through the clinical development program in mainland China, Hong Kong, Macao and Taiwan to complement our efforts in Europe and the US. Subject to certain exceptions, Simcere is required to use commercially reasonable efforts to develop and commercialize at least one product for at least three indications in all fields excluding oncology.

Under the terms of the agreement, Simcere agreed to a combined upfront and early milestone consideration of USD 12.8 million (which includes an option fee) and is required to make additional payments upon the achievement by Simcere of certain additional development and sales milestones (up to USD 553.7 million). If the milestones are not reached, Simcere has no further payment obligation. As of December 31, 2022, the Company has received all 'fixed' considerations totaling EUR 7.4 million (USD 8.8 million). In addition, the Company realized variable consideration also in 2021 from the first development milestone in the amount of EUR 3.4 million (USD 4.0 million) in revenues, while payment is contingent on the actual start of the first human trial in Greater China. In line with the contract, no further payments have been made up to December 31, 2022.

1.3 Financial review

1.3.1 Introduction

The following discussion is based on Vivoryon Therapeutics´ financial information prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the EU (European Union). The following discussion includes forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under 'Risk Factors' and 'Forward looking statements.'

The board declares that, to the best of its knowledge, the annual Financial Statements for the year ended December 31, 2022 provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company in accordance with IFRS as adopted in the EU, and this Annual Report provides a true and fair view of the position of the Company as at December 31, 2022 and the development of the business during the financial year 2022, accompanied by a description of the principal risks the Company faces.

1.3.2 Revenue

kEUR	2022	2021	Change
Revenue			
Recognized at a point in time	—	10,764	(10,764)
Recognized over time	—	—	—
Total revenue from contracts with customers	**—**	**10,764**	**(10,764)**
Geographical information			
Greater China	—	10,764	(10,764)
Total revenue from contracts with customers	**—**	**10,764**	**(10,764)**

In 2022 the Company didn`t recognize any revenue, compared to EUR 10.8 million in 2021. Our revenue in prior year was derived from our regional licensing partnership with Simcere Pharmaceutical Group Ltd for Greater China (Mainland China, Hong Kong, Macao and Taiwan), which was signed on June 29, 2021. Other than pursuant to the strategic regional licensing partnership we entered into with Simcere in 2021, we have not yet generated any revenue from our product candidates, and we do not expect to generate any revenues from any product candidates that we are developing until we either sign a licensing agreement or obtain regulatory approval and commercialize our products or enter into collaborative agreements with third parties. We expect losses as we continue the development of, and seek regulatory approvals for, *Varoglutamstat* (PQ912) and other product candidates and, if approved, begin to commercialize any approved products.

The ability to generate revenue for each product candidate for which we receive regulatory approval will depend on numerous factors, including level of competition, availability of reimbursement from payers, commercial manufacturing capability, market acceptance and approved use by regulators.

1.3.3 Research and development expenses

kEUR	2022	2021	Change
Research and development expenses			
Third-party research and development services	(16,751)	(14,294)	(2,457)
thereof manufacturing	*(7,579)*	*(6,049)*	*(1,530)*
thereof clinical research and development activities	*(7,090)*	*(6,055)*	*(*1,035)
thereof pre-clinical research and development activities	*(2,009)*	*(1,861)*	*(*148)
thereof other research and development activities	*(73)*	*(329)*	*256*
Personnel expenses	(2,165)	(2,066)	(99)
thereof share-based payment expenses	*(923)*	*(878)*	*(45)*
Patent-, legal and consulting fees	(1,090)	(947)	(143)
Other expenses	(218)	(145)	(73)
Total	**(20,224)**	**(17,452)**	**(2,772)**

In 2022 research and development expenses increased by EUR 2.8 million compared to the year ended December 31, 2021. This increase is primarily attributable to EUR 2.5 million higher third-party expenses and EUR 0.1 million increased other expenses. Third-party research and development services increased by EUR 2.5 million mainly because of EUR 1.5 million higher manufacturing cost following the Company`s risk mitigation strategy in establishing a second source for study drug supply and higher clinical costs of EUR 1.0 million mainly due to the progress of the phase 2b clinical trial VIVIAD. Other expenses increased by EUR 0.1 million as a result of higher traveling costs.

Research and development expenses consist of costs incurred that are directly attributable to the development of the company´s platform technology and product candidates. Those expenses include:

- salaries for research and development staff and related expenses, including management benefits and expenses for share-based compensation;
- costs for production of drug substances by contract manufacturers;
- service fees and other costs related to the performance of clinical trials and preclinical testing;
- costs of related facilities, materials and equipment;
- costs associated with obtaining and maintaining patents and other intellectual property;

- amortization and depreciation of intangible and tangible assets used to discover and develop the Company's clinical compounds and pipeline candidates; and
- other expenses directly attributable to the development of the Company's product candidates and preclinical pipeline;
- patent related, legal and consulting expenses.

Research and development 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 commercialization 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 research and development expenses relate to the following key programs:

- *Varoglutamstat* (PQ912): In 2020, VIVIAD, the Phase 2b, randomized and multi-center clinical study in Europe, has been enrolled the first patient. This study was fully recruited in November 2022, a total of 259 patients have been randomized. All participants are now treated with a dose of 600 mg *Varoglutamstat* or placebo twice daily for at least 48 weeks and a maximum of 96 weeks – depending on their time of enrollment. In the fourth quarter of 2021 also VIVA-MIND, the U.S. Phase 2a/b core program for *Varoglutamstat* (PQ912) has started with the first patient screening activities. Meanwhile 15 sites across the United States of America are randomizing patients into this study. The Company anticipate that the research and development expenses will increase substantially in connection with the commencement of these clinical trials. In addition, Vivoryon is also incurring expenses related to the manufacturing of clinical trial material and investigating commercial scale production option.
- Meprin: In 2020 we started a new development program for Meprin protease inhibitors with intended therapeutic use in fibrosis, cancer and AD. This drug development program with focus on small molecule inhibitors of Meprin proteases, which are primarily expressed in renal brush border membranes and upregulated or mislocated in various cancers or fibrotic diseases. The main physiological functions of Meprins are the maturation of fibrillar procollagens in the connective tissue, regulation of the intestinal barrier and immunological processes. During the course of 2022 the search for potent and qualified drug candidates was ongoing.

The successful development of the product candidates is uncertain. At this time, Vivoryon cannot reasonably estimate the nature, timing and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from, any of Vivoryon´s product candidates. This is due to numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- clinical trials or the product candidates producing negative or inconclusive results, including failure to demonstrate statistical significance;
- the scope, rate of progress, results and cost of the clinical trials, nonclinical testing, and other related activities;
- delays in reaching, or failing to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites or prospective CROs, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- the cost of manufacturing clinical supplies and establishing commercial supplies of the product candidates and any products that we may develop;
- third-party contractors failing to comply with regulatory requirements or meet their contractual obligations to the in a timely manner, or at all;
- the number and characteristics of product candidates that we pursue;
- undesirable side effects or other unexpected characteristics, causing Vivoryon or the investigators, regulators or institutional review boards to suspend or terminate the trials;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the cost, timing, and outcomes of regulatory approvals;

- the number of trials required for approval;
- the duration of patient follow-up;
- the cost and timing of establishing sales, marketing, and distribution capabilities; and
- the terms and timing of any collaborative, licensing and other arrangements that we may establish, including any milestone and royalty payments thereunder.

A change in the outcome of any of these variables with respect to the development of VIVIAD and VIVAMIND or any other product candidate that Vivoryon may develop could mean a significant change in the costs and timing associated with the development of such product candidate.

1.3.4 General and administrative expenses

kEUR	2022	2021	Change
General and administrative expenses			
Personnel expenses	(2,644)	(1,867)	(777)
thereof share-based payment expenses	*(1,622)*	*(885)*	*(737)*
Capital raising costs	(2,633)	—	(2,633)
Legal and consulting fees	(1,757)	(1,917)	160
Compensation expense for non-executive directors	(1,239)	(200)	(1,039)
thereof share-based payment expenses	*(943)*	—	*(943)*
Office and facility expenses	(248)	(243)	(5)
Depreciation and amortization expenses	(127)	(128)	1
Other expenses	(260)	(194)	(66)
Total	**(8,908)**	**(4,549)**	**(4,359)**

General and administrative expenses were EUR 8.9 million in 2022, compared to EUR 4.5 million in 2021. The increase of EUR 4.4 million was largely attributable to expensed capital raising costs with EUR 2.6 million and EUR 1.7 million higher expenses for share based payments. In 2021 and 2022 the Company was seeking to complete an initial public offering ('IPO') of its common shares on the Nasdaq Global Market. All costs for legal and consulting services incurred in 2021 and 2022 in connection with these IPO activities were expensed as a completion of an IPO under acceptable terms was not expected anymore given the significant decline of capital markets in 2022.

Our general and administrative expenses consist principally of:

- employee-related expenses, including salaries, benefits and stock-based compensation expense based upon employees' role within the organization;
- professional fees for auditors and consulting expenses not related to research and development activities;
- professional fees for lawyers not related to the filing, prosecution, protection and maintenance of our intellectual property; and
- cost of facilities, communication and office expenses. As our business expands and we progress towards more advanced stages in preclinical and clinical studies, commercialization and marketing with respect to our product candidates and future products, we expect that our administrative costs will increase further.

Since we started researching and developing therapies for the treatment of AD, we have established a patent portfolio that addresses the composition of matter and medical use of QPCT-inhibitors in AD, inflammatory diseases and other indications. Overall, we have rights to 33 patent families, which comprise approximately 617 patent applications and issued patents, including with respect to PQ912, PBD-C06 and further small molecule compounds including PQ1565, PQ2020 and PQ2043 as well as small molecule inhibitors of Meprin alpha and Meprin beta. As a result of increasing competition in the development of drug products targeting AD, we might incur higher expenses in connection with maintaining, expanding and protecting our intellectual property portfolio which form part of the general and administrative expenses. Furthermore, if any of the risks associated with the protection of our intellectual property rights or knowhow are realized, this would increase the expenses accordingly.

General administrative expenses are expected to decrease to the level of 2021.

1.3.5 Finance result

kEUR	2022	2021	Change
Finance income			
Foreign exchange income	1,614	920	694
Reversed expected credit loss allowance	54	—	54
Reversed impairments on financial assets	—	26	(26)
Interest income	42	21	21
Total	**1,710**	**967**	**743**
Finance expenses			
Foreign exchange expense	(920)	(166)	(754)
Impairments on quoted money market funds	(8)	(102)	94
Expected credit loss allowance on financial assets	—	(100)	100
Interest expenses	(24)	(24)	—
Total	**(952)**	**(392)**	**(560)**
Finance result	**758**	**575**	**183**

Finance income in 2022 predominantly results from FX-valuation of cash held in USD (2022: EUR 0.8 million, 2021: EUR 0.5 million) and the translation of the translation of USD denominated receivables and liabilities resulting from the licensing partnership with Simcere (2022: EUR 0.8 million, 2021: EUR 0.4 million).

Interest income results from the Company`s U.S. Dollar and EUR term deposits and distributions from a money market funds. The expected credit loss allowance was deducted from receivables resulting from the licensing partnership with Simcere. Interest expenses for 2022 as well as for 2021 includes interest expense from pensions and leasing.

1.3.6 Critical judgement and accounting estimates

The preparation of the Financial Statements in conformity with EU-IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these Financial Statements, the critical judgments made by the board in applying the accounting policies involves the accounting estimates identified in note 5.3 ‘Use of judgements and estimates’ to Vivoryon´s Financial Statements included elsewhere in this Annual Report.

1.3.7 New standards and interpretations not yet adopted

The standards, amendments to standards and interpretations that are effective for annual periods beginning after December 31, 2022 and have not been applied in preparing these consolidated Financial Statements are disclosed in note 6.2 ‘New standards and interpretations’ to the Financial Statements included elsewhere in this Annual Report.

1.3.8 Liquidity and capital resources

1.3.8.1 Overview

The Company`s liquidity requirements are primarily related to the funding of research and development expenses and its general and administrative expenses. The net loss for the year ended December 31, 2022 was EUR 28.2 million compared to EUR 12.7 million in the year ended December 31, 2021. The Company`s primary uses of cash are for working capital, operating leases and general corporate purposes. Historically, the Company was funded by equity investments, the issue of convertible bonds and the receipt of public grants and subsidies. Also, the Company received cash funds from an initial public offering of shares in 2014, a public offering in the form of a rights issue in October 2019, private placements in 2015, 2016, 2019 and 2022. We refer to note ‘8.11 Equity’ to our 2022 Financial Statements with regards to the issue of share capital on April 1, 2022, and September 30, 2022. Management will also actively seek to obtain appropriate grants and subsidies in the future. Furthermore, management will seek to find suitable collaboration partners to generate revenues in the future from our research and development programs and the Company`s product candidates. Finally, the Company may raise additional funds in the future by issuing additional shares or convertible bonds or other financial instruments.

1.3.8.2 Cash and cash equivalents

As at December 31, 2022, Vivoryon held cash of EUR 26.6 million. The cash primarily consist of EUR and USD cash. The banks are all investment graded.

1.3.8.3 Cash flows

The table below summarizes the statement of cash flows for the years ended December 31, 2022, and 2021:

kEUR	December 31, 2022	December 31, 2021
Net cash flow from provided / (used in):		
Operating activities	(21,794)	(11,257)
Investing activities	(13)	(28)
Financing activities	33,381	(827)
Net decrease in cash and cash equivalents	**11,574**	**(12,112)**
Cash and cash equivalents at the beginning of the period	14,661	26,306
Effect of exchange rate fluctuation on cash held	320	467
Cash and cash equivalents at the end of the period	**26,555**	**14,661**

Operating activities

Negative cash flows from operating activities was EUR 21.8 million in 2022, compared to EUR 11.3 million in the year 2021. The increase in negative cash flows by EUR 10.5 million was mainly due to the EUR 10.8 million revenues shown in 2021 in connection with the regional licensing partnership with Simcere.

Investing activities

Net cash used for investing activities slightly decreased in the year ended December 31, 2022, mainly due to lower investments in tangible and intangible assets.

Financing activities

Cash flows from financing activities were EUR 33.4 million for the year 2022 compared to cash used in financing activities of EUR 0.8 million in 2021. The change mainly relates to two private placements with net proceeds of EUR 34.2 million in 2022, partially offset by EUR 1.1 million lower expenditures for capital raising costs.

1.3.8.4 Funding requirements

The primary goal of Vivoryon´s financial management is to ensure the liquidity reserves required for advancing its assets into those clinical stages of development that are considered as attractive in-licensing opportunities by international biopharmaceutical companies. 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.

Vivoryon expects, that the operating expenses increase in 2023 as well as in subsequent years. With ongoing clinical trials, the operating costs are expected to increase accordingly. The Company aims to generate new sources of income from the new product pipeline. Both, the AD trials and the new product pipeline will need substantial funding, hence Vivoryon aims to finance its cash needs through a combination of equity offerings, other financial instruments like convertibles and licensing arrangements. We also refer to note 3 of the 2022 Financial Statements.

1.3.9 Post-balance sheet date events

We refer to note ‘9.6 Subsequent events’ to our 2022 Financial Statements.

1.4 Company outlook

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

- Conclude phase 2b clinical study program for *Varoglutamstat* (PQ912) in Europe,
- Continue to enroll clinical phase 2a/b with *Varoglutamstat* (PQ912) in the U.S.,
- Continuing the development of QPCTL inhibitors in oncology,
- Further scientific analysis of potential indications for the use of QC and iso-QC inhibitors,

- Further strengthening Vivoryon's financial resources.

As a result of the continuing costs being incurred for development activities and the running Phase 2b-study in Europe and the Phase 2a/b study in the U.S., which are not yet offset by any sales, the Company also projects a net loss for the financial year 2023 which, based on the current budget, is expected to be higher than that of 2022.

Due to its business model, Vivoryon is dependent on the acquisition of additional capital to be able to continue to execute on its R&D strategy until such time at which an industrial partnership is concluded and potentially beyond. This can be achieved in the form of equity through capital increase or via alternative financing forms such as loans, convertible bonds, option bonds, etc. With the Company's articles of association, the board is authorized to issue shares and right to acquire shares and exclude related pre-emptive rights until November 27, 2025, providing the Company with sufficient flexibility for capital measures as mentioned above.

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

1.5 Risk management

1.5.1 Risk management and control systems

For the leadership of the Company, a continuous and systematic management of the entrepreneurial opportunities and risks is of essential importance. For this reason, the Company implemented internal risk management and control systems. The board on a regular basis assesses 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.

The business of the Company is exposed to specific industry risks, as well as general business risks. The financial condition or results of operations could be materially and adversely affected if any of these risks occurs, and as a result, the market price of the Company´s shares could decline. This Annual Report also contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors.

1.5.1.1 Opportunities

The Company 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 and changing regulatory requirements in the field of drug development as well as cost pressure on healthcare systems.

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

1.5.1.2 Risks

On the other hand, the Company is exposed to various individual risks, which are described in detail in "Risk factors" of the Management Report, relating to the Annual Financial Statements 2022. 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 the Company'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 the Company. Overall, the Company is well-positioned. As per the Company's current planning, the cash and cash equivalents as of December 31, 2022 provide for the Company's financing at least through December 31, 2023. Further activities to finance our operations beyond the upcoming twelve months are planned, we refer to chapter '3.' of our annual Financial Statements 2022.

1.5.1.3 Risk management

The Company 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. The board analyses in a continuous process the potential risks, evaluating impact and likelihood, and determining appropriate measures to mitigate and minimize these risks.

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 and changing 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 demand of efficacious AD therapies, the generation of additional positive data from Vivoryon`s proprietary programs, licensing agreements on the basis of Vivoryon's comprehensive and well-positioned patent portfolio as well as takeovers and M&A opportunities with Vivoryon as a potential target. On the other hand, Vivoryon Therapeutics is exposed to various individual risks, which are described in detail in "Risk factors" of this report.

1.5.2 Risks associated with the COVID pandemic

The lockdown regulations in Europe, the United States and China initially have had a negative impact on the timelines of projects resulting in a slight delay of patient enrollment in the Company's Phase 2b, randomized and multicentric clinical VIVIAD study in Europe and its Phase 2a/b, randomized and multicentric clinical VIVA-MIND study in the US. It may also negatively impact the Company's licensing partner Simcere Pharmaceutical Co., Ltd.'s plans and timelines in performing clinical trials in China with the licensed compound *Varoglutamstat* (PQ912). Moreover, with the outbreak of the pandemic, the Company carried out a respective risk analysis for its projects. Since Alzheimer's patients are mostly elderly individuals and thus are representing a particular risk group towards severe COVID-19 progressions, the Company has made the initiation of its clinical study in relation to the community-spreading situations in participating countries (Denmark, the Netherlands, Germany, Spain and Poland). Additionally, appropriate precautionary measures have been established at all test centers. These analyses and measures were part of the applications to the respective competent national authorities for approval of the clinical trial. However, it was found that none of the patients who nevertheless had been infected with the Sars-CoV-2 virus had to discontinue the study. This situation is being re-evaluated at regular intervals and, if necessary, appropriate measures will be implemented.

A further risk resulting from the pandemic, is the increased vulnerability of the supply chain for clinical study materials. To mitigate this risk, the Company has been establishing a second source for the synthesis of the active pharmaceutical ingredient. Some of the pre-clinical and clinical trial sites are located in countries, which have experienced a shortage of medical staff due to the COVID-19 pandemic. The shortage of medical staff at US sites has also been the main reason so far for the slow recruiting for the Company's Phase 2a/b trial, VIVA-MIND, which was launched in the US in late 2021.

The extent to which the COVID-19 pandemic impacts the Company's future business will depend on future developments that cannot be accurately predicted.

1.5.3 Disclosure controls and procedures

The board of Vivoryon Therapeutics is responsible for reviewing the Company's risk management and control systems in relation to the financial reporting by the Company. The board has charged its audit committee with the periodic oversight of these risk management and control systems, with reports being provided to the board. The audit committee assists the board, among other things, in reviewing and discussing with the board and the independent auditor the audit plan as well as the annual audited Financial Statements and condensed interim financial statements prior to the filing of the respective annual and interim reports.

The success as the business depends on the ability to identify opportunities while assessing and maintaining an appropriate risk appetite. The risk management of Vivoryon Therapeutics considers a variety of risks, including those related to the industry and business, those related to the ongoing relationship with the shareholders of Vivoryon and those related to the intellectual property. The approach to risk management is designed to provide reasonable, but not absolute, assurance that the assets are safeguarded, the risks facing the business are being assessed and mitigated and all information that may be required to be disclosed is reported to the senior management including, where appropriate, to the Chief Executive Officer.

As of December 31, 2022, under the supervision and with the participation of the board, the company performed an evaluation of the effectiveness of the design and operation of Vivoryon´s disclosure controls and

procedures. There are inherent limitations to the effectiveness of any disclosure controls and procedures system, including the possibility of human error and circumventing or overriding them. Even if effective, disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, the board discussed a significant deficiency that was detected in 2021 including necessary remediation measures (we refer to note '4 Risk management system' of the Financial Statements), but given the progress reached until year end the board concluded that the core disclosure controls and procedures are effective to provide reasonable assurance that the information the company is required to disclose in the reports it files or submits are recorded, processed, summarized and reported within the time periods specified in section 5:25d of the Dutch Financial Supervision Act (Wet op het financieel toezicht (Wft)).

Any material failings in, material changes to, and/or material improvements of the Company's risk management and control systems which have been observed, made and/or planned, respectively, during the financial year to which this report relates, have been discussed with the audit committee and with the non-executive directors.

1.5.4 Summary of key risk factors

Vivoryon Therapeutics has an active, systematic risk management on the basis of which risks are to be identified, monitored and, with 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 with the goal to optimize the Company's opportunities/risks position. For further details on the opportunities, the risks and the risk management please refer to "1.6 Risk factors" and "1.6.4 Risk control measures".

1.6 Risk factors

1.6.1 RISKS RELATING TO THE COMPANY'S BUSINESS, INDUSTRY AND OPERATIONS

1.6.1.1 Risks of failure in completing commercializing the Company's product candidates for treatment of Alzheimer's disease ("AD")

1.6.1.1.1 A substantial portion of the Company's research and development efforts is concentrated on the treatment and detection of AD

The Company is currently focusing most of its research and development ("R&D") efforts on developing its lead candidate, *Varoglutamstat* (PQ912), for the treatment of AD. Collectively, efforts by biopharmaceutical companies in the field of neurodegenerative diseases, such as AD, have seen many failures and limited success in drug development. While the Company is encouraged by the United States Food and Drug Administration's (the "FDA") recent approval of aducanumab for the treatment of AD via the FDA's accelerated approval pathway, this is the first such approval for an AD treatment in nearly 20 years, despite the completion of many large clinical studies with the intent to successfully develop a drug that treats AD during such timeframe. The Company's future success is highly dependent on the successful development of its product candidates for treating AD. Developing and, if approved, commercializing its product candidates for treatment of AD subjects the Company to many challenges, including obtaining regulatory approval from the FDA and other regulatory authorities who have only a limited set of precedents to rely on. For further elaboration related to the challenges of obtaining regulatory approval from the competent regulatory authorities, please see — *1.6.1.2 Risks related to the regulatory environment*—Regulatory approval processes below. The Company cannot be sure that its approach of concentrating approximately over 90 % of its R&D efforts on the treatment and detection of AD will yield satisfactory therapeutic products that are safe and effective, scalable, or profitable. The focus on the treatment of AD bears the risk of a material adverse effect on the Company's business, prospects, liquidity position, financial condition and results of operations and on the Company's share price in case of negative project outcome.

1.6.1.1.2 The focus on the development of the Company's main product candidate, Varoglutamstat (PQ912)

The Company's current drug development programs focus on novel therapeutics with a differentiated mode of action for treating AD, cancer, and fibrotic indications. The Company's future opportunities depend on the success of its R&D programs. As a product-orientated biotechnology company, the Company is subject to the risks generally inherent in the drug development business, i.e., whether the Company will eventually succeed in developing a product that can be successfully and profitably licensed out to a biopharmaceutical company, approved by FDA, European Medicines Agency (the "EMA"), and other applicable regulatory authorities (please see for more

information on the risks relating to these approval processes also —*1.6.1.2 Risks related to the regulatory environment*—Regulatory approval processes below), and ultimately commercialized. Such risks are particularly pronounced in the biotechnology industry especially because of the long development time of the individual product candidates. Development of a drug may take 10 to 15 years or even longer and so far, drug companies have failed to develop drugs with proven disease-modifying capabilities for the treatment of AD (i.e., drugs that alter, stop or cure the development of the disease, instead of merely alleviating symptoms).

Prior to potential licensing partnerships, the Company's product candidates may have to pass preclinical development stages, followed by individual phases of clinical studies in humans when the effectiveness of the drugs and their potential side effects are investigated. Please see for more information on the risks relating to any serious adverse event —Risks of failure in completing commercializing the Company's product candidates for treatment of AD—Any of the Company's drug candidates could cause or contribute to a death or a serious injury before or after approval. Only after it has been demonstrated with substantial evidence through well-controlled clinical studies that the product candidates are safe and effective for use, the Company will be positioned as an attractive licensing partner by global pharmaceutical companies.

So far, based on study results, the Company believes that its clinical product candidate *Varoglutamstat* (PQ912) will be well tolerated in humans. Success in early preclinical or clinical studies does however not mean that future larger clinical studies will be successful. Product candidates in later-stage clinical studies may fail to demonstrate sufficient safety and efficacy despite having shown promising results in and progressed through early clinical studies. Similarly, the outcome of preclinical testing and early clinical studies may not be predictive of the success of later clinical studies, and interim results of a clinical study do not necessarily predict final results. Progress in studies of one product candidate does not indicate that the Company will make similar progress in additional studies for that product candidate or in studies for other product candidates. A number of companies in the pharmaceutical industry, including those with greater resources and experience than the Company, have suffered significant setbacks in advanced clinical studies and have stopped their development programs, even after obtaining promising results in earlier clinical studies. Also, there can be significant variability in safety and /or efficacy results between different studies of the same product candidate due to numerous factors, including changes in study protocols, differences in size and type of the patient populations, adherence to the dosing regimen and other study protocols and the rate of dropout among clinical study participants. The Company therefore cannot predict whether any Phase 2, Phase 3 or other clinical studies conducted will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market its product candidates. The Company can also not guarantee that its product candidates will show sufficient efficacy in patients in future studies or will not display harmful side effects or other relevant adverse events or that other findings will not exclude the further development of its respective product candidates. Any such findings may result in significant delay or even termination of the development of the relevant product candidate which could have a material adverse effect on the Company's business, prospects, liquidity position, financial condition, and results of operations.

1.6.1.1.3 Any of the Company's drug candidates could cause or contribute to a death or a serious injury before or after approval

The Company's product candidates targeting AD are aimed at a patient population largely made up of frail, elderly patients that are in a state of perpetual cognitive decline. Under the FDA's medical reporting regulations, the Company is required to report to the FDA instances in which its product candidate has or may have caused or contributed to a death or serious injury. Any such serious adverse event involving the Company's product candidates could result in future FDA action, such as an inspection, enforcement action or warning, or in more serious cases, a complete shutdown of its clinical program, which may delay or suspend regulatory approval. For further elaboration related to the challenges of obtaining regulatory approval from the competent regulatory authorities, please see —*1.6.1.2 Risks related to the regulatory environment*—Regulatory approval processes below. Any corrective action, whether voluntary or involuntary, and either pre- or post-market (if applicable), needed to address any serious adverse event may require the dedication of substantial time and capital, distract management from operating the Company's business, and harm its reputation and financial results.

1.6.1.1.4 If we encounter difficulties in enrolling or retaining patients in our clinical trials, our clinical development activities could be delayed and result in increased costs and longer development periods or otherwise adversely affected.

We will be required to identify and enroll a sufficient number of patients for our planned clinical trials. Also, FDA requests a “Race and Ethnicity Diversity Plan” for the targeted randomization of study participants from underrepresented racial and ethnic populations in the U.S. (draft guidance April 13, 2022). Study participant enrollment could be limited in future trials given that many potential participants may be ineligible because of pre-existing

conditions, medical treatments or other reasons. We may not be able to initiate or continue clinical trials required by the FDA, EMA or other foreign regulatory agencies or any of our other product candidates that we pursue if we are unable to locate and enroll a sufficient number of eligible patients or volunteers to participate in these clinical trials.

Patient enrollment and/or retention are affected by other factors, including:

- severity of the disease under investigation;
- design of the clinical trial protocol;
- size and nature of the patient population;
- eligibility criteria for the trial in question;
- perceived risks and benefits of the product candidate under trial;
- perceived safety and tolerability of the product candidate;
- proximity and availability of clinical trial sites for prospective patients;
- availability of competing therapies and clinical trials;
- clinicians' and patients' perceptions as to the potential advantages of the drug being studied in relation to
- other available therapies, including standard-of-care and any new drugs that may be approved for the
- indications we are investigating;
- efforts to facilitate timely enrollment in clinical trials;
- effects of the COVID pandemic on our clinical trial sites;
- patient referral practices of physicians; and
- our ability to monitor patients adequately during and after treatment.

We also may encounter difficulties in identifying and enrolling such patients with a stage of disease appropriate for our ongoing or future clinical trials. In addition, the process of finding and diagnosing patients may prove costly. Our inability to enroll a sufficient number of patients for any of our clinical trials would result in significant delays or may require us to abandon one or more clinical trials.

1.6.1.2 Risks related to the regulatory environment

1.6.1.2.1 Legal compliance matters

The international biopharmaceutical and medical technology industry is highly regulated by legislation and regulating governmental bodies authorized to approve the commercialization of pharmaceutical products (the "Competent Authorities") that impose substantial requirements covering nearly all aspects of the Company's activities, notably on R&D, manufacturing, preclinical tests, clinical studies, labeling, marketing, sales, storage, record keeping, promotion and pricing of its R&D programs, product candidates and future products. Failure to comply with such regulatory requirements could also result in delays, suspensions, refusals and withdrawals of approvals as well as fines or other sanctions and could make it impossible for the Company's licensing partner to commercialize its products and/or product candidates.

The third parties with whom the Company contracts to manufacture its product candidates are also subject to these and other environmental, health and safety laws and regulations. For more information on these third parties and associated risks, please see *—1.6.1.3 Risks related to the Company's dependence on third parties and key personnel—*The Company relies upon third party contractors and service providers for the execution of most aspects of its development programs below. Liabilities that incur pursuant to these laws and regulations could result in significant costs or in certain circumstances, an interruption in operations, any of which could adversely impact the Company's business and financial condition if the Company is unable to find an alternate supplier in a timely manner.

1.6.1.2.2 Regulatory approval processes

The development, manufacture, and marketing of the Company's products are subject to government regulation in the United States, the European Union (the "EU") and other jurisdictions. In most jurisdictions, the Company must complete rigorous preclinical testing and extensive human clinical trials that demonstrate the safety and efficacy of a product in order to apply for regulatory clearance or approval to market the product. The regulatory approval processes of the FDA, the EMA, the National Medical Products Administration of China ("NMPA") and

other Competent Authorities are lengthy, time consuming and inherently unpredictable. Even if the FDA, the EMA, the NMPA or a notified body grants regulatory clearance or approval of a product, the clearance or approval may be limited to specific indications or limited with respect to its distribution. Consequently, even if the Company believes that preclinical and clinical data are sufficient to support regulatory clearance or approval for its products, the FDA, the EMA, the NMPA or other Competent Authorities may not ultimately grant regulatory clearance or approval for commercial sale in any jurisdiction. If the Company fails to obtain regulatory approval in any jurisdiction, it will not be able to commercialize its products and consequently the ability to generate revenues will be limited in that jurisdiction and its business, results of operations, financial condition, and prospects, may be materially adversely affected.

Preclinical tests and clinical studies are expensive and time-consuming, and their results are uncertain. The Company, its collaborative partners or other third parties may not successfully complete the preclinical tests and clinical studies of the R&D programs as well as the Company's product candidates, which could delay or prevent regulatory approval and ultimately the commercialization of its product candidates. The Company cannot guarantee that the R&D programs as well as its product candidates will demonstrate sufficient safety or efficacy or performance in its preclinical tests and clinical studies to obtain marketing approval in any given country or at all, and the results from earlier preclinical tests and clinical studies may not indicate the results of later-stage preclinical tests and clinical studies. At any stage of development, based on a review of available preclinical and clinical data, the estimated costs for the continued development of the Company's product candidates, market assessments and other factors could change, and the development of any of its R&D programs and its product candidates may be delayed, suspended or discontinued. Such delays, suspension or discontinuity may result in a reduced exclusivity period of the product and an overall increase of expenditures over time, which both may have a material adverse effect on the Company's liquidity position, business, prospects, financial condition and results of operation.

Clinical studies can be delayed for a variety of reasons, including delays in obtaining regulatory approval to commence a study, in reaching agreement on acceptable terms with prospective contract research organizations ("CROs"), contract manufacturing organizations ("CMOs") and clinical study sites, in obtaining ethics committee approval, in recruiting suitable patients to participate in a study, in having patients complete a study or return for follow-up, in adding new sites or in obtaining sufficient supplies of clinical study materials or clinical sites dropping out of a study and in the availability of appropriate clinical study insurances. Furthermore, the Company, its collaborative partners or regulators may require additional preclinical tests and clinical studies. Such delays or additional testing could result in increased costs and delay or jeopardize the Company's ability to obtain regulatory approval and thus the commencement of the marketing of its product candidates as expected. The realization of this risk may therefore have a material adverse effect on the Company's liquidity position, business, prospects, financial condition and results of operation.

Successful and timely completion of clinical studies will require the enrollment of a sufficient number of patient candidates. Studies may be subject to delays as a result of patient enrollment taking longer than anticipated or patient withdrawal. Many factors affect patient enrollment, including the size and nature of the patient population, the severity of the disease under investigation, the patient eligibility criteria for the study in question, the ability to monitor patients adequately during and after the treatment, the Company's payments for conducting clinical studies, the proximity of patients to clinical sites, the design of the clinical study, clinicians' and patients' perceptions as to the potential advantages of the product candidates being studied in relation to other available therapies, including any new products that may be approved for the indications the Company is developing and whether the clinical study design involves comparison to placebo or standard of care. COVID-19 could also have an effect on the Company's ability to enroll candidates for clinical trials, please see *—1.6.1.4 Risks related to COVID-19—* for more information.

In addition, some of the Company's competitors have ongoing clinical studies for product candidates that treat the same indications as the Company's product candidates, and patients who would otherwise be eligible for the Company's clinical studies may instead enroll in clinical studies of product candidates of its competitors. Other risks relating to competitors are described under *—1.6.1.8 Risks related to competing product candidates*. If the Company experiences lower than expected enrollment in the studies, the studies may not be completed as envisaged or may become more expensive to complete. Such delays, suspension or lack of completion could result in increased costs and jeopardize the Company's ability to obtain regulatory approval and thus the commencement of the marketing of its product candidates as expected. The realization of this risk may therefore have a material adverse effect on the Company's liquidity position, business, prospects, financial condition and results of operation.

1.6.1.3 Risks related to the Company's dependence on third parties and key personnel

1.6.1.3.1 The Company relies upon third party contractors and service providers for the execution of most aspects of its development programs

The Company outsources and expects to outsource the majority of functions, tests and services to CROs, medical institutions and other specialist providers in relation to, among others, assays, animal models, toxicology studies, and pharmacokinetic/pharmacodynamic studies. The Company furthermore relies on these third parties for quality assurance, clinical monitoring, clinical data management and regulatory expertise. The Company has engaged, and may in the future engage, CROs to run all aspects of a clinical study on its behalf, e.g., the Company entered into service agreements with Julius Clinical, Zeist, the Netherlands and the VU Medical Center, Amsterdam, the Netherlands, regarding the planning and execution of the Phase 2a study of *Varoglutamstat* (PQ912).

There is no assurance that such individuals or organizations will be able to provide the functions, tests, or services as agreed upon or with the necessary quality which could result in significant delays in the development of the Company's product candidates.

There is also no assurance that these third parties will not make errors in the design, management or retention of the Company's data or data systems. The failure of such third parties could lead to loss of data, which in turn could lead to delays in commercialization. These third parties may not pass FDA, EMA or other regulatory audits, which could delay or prohibit regulatory approvals. For further disclosure related to the challenges of obtaining regulatory approval from the competent regulatory authorities, please see *—1.6.1.2 Risks related to the regulatory environment—*Regulatory approval processes above. In addition, the costs of such services could significantly increase over time. If these third parties do not successfully carry out their contractual duties or meet expected timelines, obtaining regulatory approval for manufacturing and commercialization of the Company's product candidates may be delayed or prevented, which would have a material adverse effect on its business prospects, results of operations and/or financial condition. The risk factors that apply to the Company as described under *—1.6.1.4 Risks related to COVID-19 —1.6.1.5 Risks related to geopolitical uncertainties, business interruptions and other uncertainties beyond the Company's control* and *—1.6.1.9 Risks related to information technology and cyber-attacks* could also apply to these third parties and, if materialized, could therefore have the result that these parties will not be able to timely and/or successfully carry out their contractual duties.

The Company relies on third parties to supply and manufacture its product candidates, and it expects to rely on third parties to manufacture its products, if approved. The development of such product candidates and the commercialization of any products, if approved, could be stopped or delayed if any such third party fails to manufacture or provide sufficient quantities of product candidates or products or fails to do so at acceptable quality levels or prices or fails to maintain or achieve satisfactory regulatory compliance, which would have a material adverse effect on the Company's business prospects, results of operations and/or financial condition.

1.6.1.3.2 The Company depends on the ability to attract and retain key personnel and executive directors

The Company has only a small number of management executives responsible for managing its core business. The Company's success significantly depends on the performance of its management executives and highly qualified employees in key positions, in particular executive board members and other management executives with substantial sector experience. The services of the Company's management executives are essential for the success of its business, research, development, and regulatory strategies.

Additionally, it is important for the Company's success to attract, retain and motivate highly qualified clinical and scientific personnel. Many of the other biotechnology and pharmaceutical companies and academic institutions that the Company competes against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than the Company. Therefore, the Company might not be able to attract or retain such key persons on conditions that are economically acceptable or enforce non-competition undertakings, where necessary. In the event of a loss of certain clinical and scientific personnel or management executives, the Company's R&D efforts may be materially adversely affected.

The failure to attract the needed personnel, the loss of certain clinical and scientific personnel or management executives or the failure to develop or obtain the necessary expertise could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

1.6.1.4 Risks related to COVID-19

The development of the Company's product candidates has been and could continue to be disrupted and materially adversely affected by the COVID-19 pandemic. The extent to which the COVID-19 pandemic impacts the

Company's business will depend on future developments that cannot be accurately predicted, including new information that may emerge concerning COVID-19, the evolving actions to contain COVID-19 or treat its impact and the emergence of new variants, among others. The pandemic has resulted in national and local governments in affected countries around the world implementing stringent measures to help control the spread of the virus, including quarantines and lockdowns, which have been subject to change, sometimes at short notice, since the start of the pandemic.

Site initiation, participant recruitment and enrollment, participant dosing, distribution of clinical trial materials, study monitoring and data analysis may be paused or delayed (or continue to be paused or delayed) due to changes in hospital or university policies, federal, state or local regulations or restrictions, prioritization of hospital resources toward pandemic efforts, travel restrictions, concerns for patient safety in a pandemic environment, or other reasons related to the pandemic. Patient recruitment for the Company's product candidates may be adversely impacted.

Some of the Company's pre-clinical and clinical trial sites are located in countries which have experienced a shortage of medical staff due to the COVID-19 pandemic. If clinical trial sites are adversely impacted or closed to enrollment in the Company's trials, such impacts or closures could have a material adverse effect on its clinical trial plans and timelines. In addition, due to the disruption of the pandemic to the global business outlook, the Company may face a shortage in the supply of materials that are necessary to produce its product candidates. The Company cannot predict whether it will be able to continue to enroll new patients in its clinical trials, whether the clinical sites will continue to operate in a reduced capacity for the long-term and whether strict restrictions on social distancing and mobility will resume due to new waves of COVID-19.

Due to the continually evolving situation with respect to COVID-19 and the emergence of new variants, the Company is unable to predict the long-term consequences of COVID-19 on its business and ability to progress clinical development of its product candidates. Moreover, if COVID-19 continues to spread and new variants continue to emerge, the Company may experience ongoing disruptions that could severely impact its business, preclinical studies and clinical trials, including:

- changes in local regulations as part of a response to new waves of COVID-19 and delays in receiving authorization from local regulatory authorities, which may require the Company to change the ways in which its clinical trials are conducted, which in turn may result in unexpected costs, delays or to discontinue the clinical trials altogether;
- diversion of healthcare resources away from the conduct of clinical trials, including the diversion of hospitals serving as the Company's clinical trial sites and hospital staff supporting the conduct of its clinical trials;
- interruption of key clinical trial activities, such as clinical trial site monitoring, due to limitations on travel imposed or recommended by federal or state governments, employers and others, or interruption of clinical trial subject visits and study procedures, the occurrence of which could affect the integrity of clinical trial data;
- risk that participants enrolled in the Company's clinical trials will acquire COVID-19 while the clinical trial is ongoing, which could impact the results of the clinical trial, including by increasing the number of observed adverse events;
- delays in necessary interactions with local regulators, ethics committees and other important agencies and contractors due to limitations in employee resources or forced furlough of government employees;
- limitations in employee resources that would otherwise be focused on the conduct of the Company's clinical trials, including because of sickness of employees or their families or the desire of employees to avoid contact with large groups of people; and
- interruption or delays to the Company's sourced discovery and clinical activities.

In addition, quarantines, travel restrictions, shelter-in-place and similar government orders, or the perception that such orders, shutdowns or other restrictions on the conduct of business operations could occur, related to COVID-19 or other infectious diseases could impact personnel at third-party manufacturing facilities upon which the Company relies or may rely in the future, or the availability or cost of materials, which could disrupt the supply chain for its product candidates. For more information on the reliance on third parties, please see *—1.6.1.3 Risks related to the Company's dependence on third parties and key personnel—*The Company relies upon third party contractors and service providers for the execution of most aspects of its development programs above.

In line with the generally recommended measures of the governmental and regulatory authorities, the Company has taken a series of actions aimed at safeguarding its employees and business associates, including regular PCR-

based COVID-19 testing, implementing a work-from-home policy for employees, and these arrangements may cause reduced productivity of its employees and/or delays or disruptions of its business operations.

The Company's suppliers or collaborators could also be disrupted by conditions related to COVID-19, possibly resulting in disruption to its supply chain, clinical trials, partnerships or operations. If the Company's suppliers, CMOs, CROs or collaborators are unable or fail to fulfill their obligations to the Company for any reason, the Company's ability to continue meeting clinical supply demand for its product candidates or otherwise advancing development of its product candidates may become impaired.

The spread of COVID-19 and actions taken to reduce its spread may also materially affect the Company economically and negatively affect its liquidity and financial position.

The Company continues to assess the impact COVID-19 may have on its clinical trial timelines, its ability to enroll candidates for clinical trials and obtain the materials that are required for the production of its product candidates, but there can be no assurance that this assessment will enable the Company to avoid part or all of any impact from the spread of COVID-19 or its consequences. The extent to which COVID-19 and global efforts to contain its spread may impede the development of the Company's product candidates, reduce the productivity of its employees, disrupt its supply chains, delay its clinical trials, reduce its access to capital or limit its business development activities, will depend on future developments, which are highly uncertain and cannot be predicted with confidence.

1.6.1.5 Risks related to geopolitical uncertainties, business interruptions and other uncertainties beyond the Company's control

Geopolitical uncertainties, terrorism and other business threats could damage or disrupt the Company's operations and those of its suppliers, partners or collaborators. In addition, war or geopolitical conflicts can lead to cybersecurity attacks even outside of the conflict zone. Interruptions to the Company's operations could adversely affect its ability to timely proceed with its clinical trials, and could imply incurring in significant expenditures as fixed costs such as salaries and project management would continue. Following Russia's invasion of Ukraine in February 2022, the United States, several European Union nations, and other countries have announced sanctions against Russia, and the North Atlantic Treaty Organization (the "NATO") has deployed additional military forces to Eastern Europe. The invasion of Ukraine and the retaliatory measures that have been taken, or could be taken in the future, by Russia, the United States, NATO, and other countries have created global security concerns that could result in a regional conflict and otherwise have a lasting impact on regional and global economies, any or all of which could disrupt the Company's supply chain, adversely affect the anticipated timing, completion and/or results of its clinical trials, and adversely affect potential future commercialization efforts. Additionally, geopolitical tensions could lead to sharply rising energy prices, which would have a negative impact on raw materials for drug products. In addition, the ongoing uncertainty in global markets, including as a result of the events described above, may have a wide impact on the availability and price of various materials and services and might also sustainably affect global financial markets. Cost inflation may negatively impact the Company's cash reach while capital markets disruptions may adversely affect its future financing possibilities. All these changes may materially affect the Company economically and negatively affect its liquidity and financial position.

1.6.1.6 Climate-related risk

Climate change presents risks to our operations, including the potential for additional regulatory requirements and associated costs, and the potential for more frequent and severe weather events and water availability challenges that may impact our facilities and those of our suppliers. We cannot provide assurance that physical risks to our facilities or supply chain due to climate change will not occur in the future. We periodically review our vulnerability to potential weather-related risks and other natural disasters and update our assessments accordingly. Based on our reviews, we do not believe these potential risks are material to our operations at this time.

To address the increasing relevance of climate change, the board has initiated to discuss the implementation of an Environmental, Health and Safety Policy reflecting our organization’s commitment to minimize our carbon footprint.

We have analyzed the impact of climate-related risks on our Financial Statements and conclude that the effect of climate-related risks do not have a material impact on accounts and disclosures, including judgements and estimates in the Financial Statements.

1.6.1.7 Risks related to intellectual property rights

1.6.1.7.1 Patent terms may be inadequate to protect the Company's competitive position on its product candidates for an adequate amount of time

Patents have a limited lifespan. For example, in the United States, if all maintenance fees are timely paid, the natural expiration of a patent is generally 20 years from its earliest US non-provisional filing date. For the Company, the composition of matter patents of its products (PQ912, PBD-C06) are especially important. The matter patents of its products (PQ912, PBD-C06) will, subject to any possibly extension of five years, expire on September 13, 2030, respectively January 29, 2039. Various extensions may be available, but the life of a patent, and the protection it affords, is limited. Even if patents covering the Company's product candidates are obtained, once the patent life has expired for a product candidate, it may be open to competition from competitive medications, including generic medications. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such product candidates might expire before or shortly after such product candidates are commercialized. As a result, the Company's owned and licensed patent portfolio may not provide it with sufficient rights to exclude others from commercializing product candidates similar or identical to the Company's. As a result, the Company's revenue from applicable products could be reduced. Further, if this occurs, the Company's competitors may take advantage of its investment in development and trials by referencing clinical and preclinical data and launch their product earlier than might otherwise be the case, and the Company's competitive position, business, financial condition, results of operations and prospects could be materially harmed. Other risks relating to competitors are described under *—1.6.1.8 Risks related to competing product candidates*.

1.6.1.7.2 The Company may be unable to obtain and maintain patent protection for its product candidates and technology

The Company's success depends, in large part, on its ability to obtain and maintain patent protection in the United States and other countries with respect to its product candidates and its technology. The Company has sought, and intend to seek, to protect its proprietary position by filing patent applications in the United States and abroad related to its product candidates and its technology that are important to its business. As of December 31, 2022, our patent portfolio consisted of 33 owned patent families, which comprise approximately 38 issued U.S. patents, 5 pending U.S. applications, 497 issued foreign patents and 77 pending foreign patent applications. Our patent portfolio is focused on our R&D programs relating to glutaminyl cyclase (“QC”), isoenzyme (“isoQC”) and N-terminally modified forms of Abeta peptide as the medical targets. The composition of matter patents of products (PQ912, PBD-C06) are especially important for the Company.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has, in recent years, been the subject of much litigation. As a result, the issuance, scope, validity, enforceability and commercial value of the Company's patent rights are highly uncertain. Changes in either the patent laws or interpretation of the patent laws in the European Union, United States and other jurisdictions may diminish the value of the Company's patents or narrow the scope of its patent protection.

The Company has been and may become involved in legal proceedings in relation to intellectual property rights and the protection or enforcement of its patents, which could result in i) costly litigation, ii) it having to pay substantial damages or iii) the limitation of its ability to commercialize its products and/or product candidates. There can be no assurance that the Company will be successful in these proceedings and any adverse ruling may have a material adverse effect on its business, prospects, financial condition and results of operations. See further *— 1.6.1.10 Risks related to legal proceedings* —Risks related to legal proceedings below.

1.6.1.8 Risks related to competing product candidates

The Company's competitors also develop new product candidates in the therapeutic areas targeted by the Company. These competitive product candidates may have a better effectiveness, tolerability or side effect profile and might also be preferred by the Competent Authorities in the approval process. As a result, the Company's product candidates may not be approved for the market or may not be sustainably established in the market once approved, if ever. Please see for further elaboration on risks relating to regulatory approval processes *—1.6.1.2 Risks related to the regulatory environment*—Regulatory approval processes above. In addition, the Company may fail to agree on licensing partnerships for the licensing of its product candidates or the potential cooperation or licensing partner may fail to further develop, file for market approval or market its relevant product candidate. Consequently, the Company may not be able to receive revenues or potential milestone payments or licenses fees or revenue participation out of licensing agreements with pharmaceutical or biotechnical companies in the future which could have material adverse effects on its business, prospects, financial condition and results of operations.

1.6.1.9 Risks related to information technology and cyber-attacks

The Company, collaborators or other contractors and consultants depend on information technology ("IT") systems, and any failure of these systems could harm the Company's business. Basically, like all other computer systems, the Company systems and those of current and any future collaborators, vendors, and other contractors or consultants are vulnerable to damage from computer viruses, natural disasters, terrorism, war, cybersecurity threats, unauthorized access and telecommunication and electrical failures. If any such material system failure, accident or security breach were to occur and cause interruptions in our operations, it could result in a material disruption of our development programs and our business operations, whether due to a loss of our trade secrets or other proprietary information or other similar disruptions. IT systems are additionally vulnerable to security breaches from inadvertent or intentional actions by the Company's employees, third-party vendors, contractors, consultants, business partners, and/or other third parties, or from cyber-attacks by malicious third parties (including the deployment of harmful malware, ransomware, denial-of-service attacks, social engineering, and other means to affect service reliability and threaten the confidentiality, integrity, and availability of information). This risk extends to the third-party vendors and subcontractors the Company uses to manage this sensitive data. The Company has systems and procedures in place to minimize the likelihood of security breaches but cannot guarantee that third parties will not be able to gain unauthorized access to or otherwise breach our systems in the future. Any such unauthorized access or breach could adversely affect the business, results of operations and financial condition.

The Company manages and maintains its applications and data utilizing on site-systems in combination with cloud computing services to process, transmit and store electronic information in connection with its business activities. The backup plans include a dedicated secured area in a geo-redundant and managed data center, which is an essential component of the disaster recovery strategy. The Company utilizes external security and infrastructure vendors to manage its IT systems and data center services according to contracts for the operational support of current operations, as well as disaster recovery and business continuity plans.

Cyber threats are persistent and constantly evolving. Such threats have increased in frequency, scope, and potential impact in recent years, which increase the difficulty of detecting and successfully defending against them. The techniques used by cyber criminals change frequently, may not be recognized until launched, and can originate from a wide variety of sources, including outside groups such as external service providers, organized crime affiliates, terrorist organizations, or hostile foreign governments or agencies.

The abovementioned threats pose a risk to the security of the Company's systems and networks, the confidentiality and the availability and integrity of its data and these risks apply both to the Company, and to third parties on whose systems the Company relies for the conduct of its business.

If the Company's IT systems or the IT systems of its third-party vendors and other contractors and consultants become subject to disruptions or security breaches, the Company may have insufficient recourse against such third parties and it may have to expend significant resources to mitigate the impact of such an event, and to develop and implement protections to prevent future events of this nature from occurring.

Any cyber-attack or destruction or loss of data could have a material adverse effect on the Company's business, financial condition, results of operations, and prospects. For example, the loss of clinical trial data from one or more ongoing, completed, or future clinical trials could result in delays in our regulatory efforts and significantly increase our costs to recover or reproduce the data. Because we are conducting clinical trials in parallel, a breach of our computer systems could result in a loss of data or compromised data integrity across multiple programs and different stages of development. While no personally identifiable information is stored and processed directly in-house, CROs and other partner organizations are at risk of loss, which could result in civil fines and penalties, including under the General Data Protection Regulation and relevant Member State laws in the European Union, as well as the Health Insurance Portability and Accountability Act and other relevant state and federal privacy laws in the United States.

1.6.1.10 Risks related to legal proceedings

The Company is currently involved in two legal proceedings in connection with its patents related to *Varoglutamstat* (PQ912) and the other QPCT inhibitors and the Company's transformation from a German stock corporation (Aktiengesellschaft) into a Dutch N.V. and the transfer its official seat to the Netherlands. It cannot be excluded that in the future new proceedings, whether related to those currently in progress or not, may be initiated against the Company.

For a more elaborate description of certain key ongoing material litigation, see — *1.7 Legal proceedings*. The ultimate outcome of such proceedings or claims could have a material adverse effect on the Company's business, results of operations or financial condition in the period in which the impact of such matters is determined or paid.

Such proceedings could represent a significant cost and require the involvement of management. In addition, in the event of an unfavorable decision, these proceedings could have a material adverse effect on the Company's business, financial condition, results and prospects and on its share price.

1.6.1.11 No comprehensive risk detection, evaluation and management system has been implemented yet

Due to the Company's size and history, it does not yet have a fully deployed and formalized risk detection, evaluation, and management system in place. The Company currently does not set, report, and monitor risk appetite levels for the risk identified given the size of operations. The Company's management monitors operational risks as they arise and evolve, assesses their development, and implements necessary countermeasures in regular internal meetings. The risks are reported and discussed during regular quarterly board meetings. The lack of a fully implemented, comprehensive risk detection, evaluation and management system could result in the failure to identify, understand, and address potential risks, which could have a material adverse effect on the Company's business, financial condition and results of operations.

1.6.1.12 Internal control over financial reporting

The Company has historically operated with limited accounting personnel and other resources with which to address its internal controls over financial reporting. In connection with the audit of the Financial Statements 2021, the Company identified a significant deficiency (further: "deficiency") in its internal control over financial reporting, primarily related to a lack of sufficient accounting and supervisory personnel to ensure proper segregation of duties between the preparation and approval of journal entries or that allows effectively designed review controls over manual, judgmental and complex journal entries in the financial statement close process. As a result of the deficiency, the Company failed to identify adjustments in some areas of the closing process, including but not limited to completeness of accrued liabilities (cost of legal proceedings, completion of a manufacturing contract) and correct disclosures on forfeited share-based compensation.

To address this deficiency, the Company is implementing a remediation plan, which includes improving the design of its internal control environment and as the Company only recently commenced the implementation of this plan, it may continue to be exposed to errors. The Company's remediation plan aims to improve its controls over financial reporting, by enhancing the robustness of its processes. For example, the Company has eliminated manual spreadsheet solutions and instead use automated system-based procedures, the Company also intends to advance its internal control procedures by broader four eyes-principle reviews and the Company will provide additional training to its finance staff. The Company will continue to engage third parties as required to assist with technical accounting, application of new accounting standards, tax matters and valuations of equity instruments. Starting in 2021, the Company has also added a highly experienced Chief Financial Officer to its executive board who will lead the Company's efforts to further improve the design and operational effectiveness of its internal control procedures. In addition, the Company has engaged further external resources to allow its further strengthening of the four-eye principle of its controls. The board discussed the deficiency including necessary remediation measures (we refer to note ‘4 Risk management system’ of the Financial Statements).

If the Company is unable to remediate the deficiency, or if other control deficiencies are identified, it may not be able to report its financial results accurately, prevent fraud or file its periodic reports as a public company in a timely manner.

1.6.2 RISKS RELATING TO FINANCIAL MATTERS

1.6.2.1 Expectation to incur losses for the foreseeable future

The Company was founded in 1997 and has focused since 2004 on the identification, research and development of drug candidates. Based on these research and development activities, the Company has not yet generated recurring revenues, with the exception of smaller licensing revenues (see licensing arrangements Simcere under section 1.2.5). The Company reported a net loss of EUR 28.2 million for the year ended December 31, 2022 and EUR 12.7 million for the year ended December 31, 2021; the accumulated deficit reported was EUR 120.5 million for the year ended December 31, 2022 and EUR 92.3 million for the year ended December 31, 2021. As the Company is a pre-revenue stage company, the generated losses result from the lack of revenues on the one hand and the costs and expenses for research and development and administrative expenses on the other hand.

The Company will only become profitable if it succeeds in generating substantial revenues from the commercialization of our product candidates, such as advance payments, milestone payments, commissions or fees from licensing agreements or partnerships with pharmaceutical or biotechnology companies. For as long as the Company does not generate sufficient revenues that enable it to offset its costs and expenses, and possibly even then, the

Company is and will remain dependent on additional financing. The Company´s future profitability largely depends on the success of the preclinical and clinical studies and on its ability to commercialize its products and/or product candidates, which may require the Company to find a suitable partner. It cannot be excluded that some or even all its development programs in respect of its product candidates may need to be terminated in the research and development stage prior to out-licensing or thereafter, so that no revenues from such product candidates are generated. Because numerous factors influence the development of product candidates, it is uncertain whether the Company will ever achieve any substantial revenues. Likewise, the point in time when the Company may operate profitably, if ever, cannot be predicted. Therefore, because the Company will continue to incur expenses for research and development and general administration in the future, the Company expect that it will continue to report losses for the foreseeable future. If the Company fails to generate sufficient revenues to cover its costs and expenses and /or to obtain sufficient funding to continue its business activities, the Company will be forced to file for insolvency or to go into liquidation. This could in turn lead to the total loss of the capital invested in the Company.

To date the Company largely financed its operations through equity raises, licensing proceeds and government grants. Most recently, on April 1, 2022, the Company completed a private placement, resulting in gross proceeds to the Company in an amount of EUR 21.0 million and on October 6 and 7, 2022 it settled another private placement, resulting in gross proceeds to the Company in an amount of EUR 15.0 million. In addition, the Company is seeking to complete further private equity financing transactions in 2023 to fund the phase 2b clinical trial in the US and other operational costs beyond December 2023.

In its interim financial statements H1 2022, the Company concluded that there is no doubt about its ability to continue as a going concern for a period of at least one year from September 30, 2022. As of April 19, 2023, the issuance date of its annual Financial Statements 2022, the Company expects on the basis of its most recent financing and business plan that its existing cash and cash equivalents will be sufficient to fund its research and development expenses as well the general and administrative expenses and cash flows from investing and financing activities at least through December 2023 in case none of the options granted in connection with the private placement from September 30, 2022, will be exercised. The Company's future viability beyond December 2023 is dependent on its ability to raise additional funds to finance its operations. Please see also — *1.6.2.2 Substantial additional funding will likely be needed in the future*. If the Company is unable to obtain sufficient funding on acceptable terms or at all, its business, prospects, financial condition, and results of operations may be materially and adversely affected, and it may be unable to continue as a going concern. If the Company is unable to raise capital on acceptable terms or at all, it would be forced to delay, limit, reduce or terminate its product development or future commercialization efforts of one or more of its product candidates, or may be forced to reduce or terminate its operations. If the Company is unable to continue as a going concern, it may have to liquidate its assets and may receive less than the value at which those assets are carried on its Financial Statements, and it is likely that investors will lose all or a part of their investment.

1.6.2.2 Substantial additional funding will likely be needed in the future

The Company relies mainly on equity financing for the funding of its operations complemented by public grants or other financing instruments, e.g., loans and convertible debt instruments. Most recently, on April 1, 2022, the Company completed a private placement, resulting in gross proceeds to the Company in an amount of EUR 21.0 million, and on October 6 and 7, 2022 it settled the private placement, resulting in gross proceeds to the Company in an amount of EUR 15.0 million. The Company's future financing needs will depend on many factors, including the progress, costs and timing of its R&D activities and clinical studies, the costs and timing of obtaining regulatory approvals, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of obtaining manufacturing of its product candidates, the costs and timing of establishing sales and marketing capabilities and the terms and timing of establishing collaborations, license agreements and other partnerships.

The Company's ability to raise additional funds in the future will depend on financial, economic and market conditions and other factors over which it may have no or limited control, and it cannot exclude that additional funds may not be available to the Company, when necessary, on commercially acceptable or sensible terms, if at all. In case the necessary funds are not available when needed, or not at commercially acceptable or sensible terms, the Company may need to seek funds through collaborations and licensing arrangements earlier than planned or other alternatives, which may requires it to reduce or relinquish significant rights to its R&D programs and product candidates, to grant licenses on its technologies to partners or third parties or to enter into cooperation agreements, the terms of which could be less favorable to the Company than originally expected. In addition, the perception that the Company may not be able to continue as a going concern may cause others to choose not to deal with the Company due to concerns about its ability to meet its contractual obligations.

The Company expects to finance its operations in the foreseeable future primarily with equity-related transactions. However, intended equity-related transactions such as the issue of new shares may not be successful, whether due to market conditions or otherwise.

Further, the Company may be required to finance its cash needs with debt financing. Any debt financing could involve substantial restrictions on activities and creditors could seek assignments or pledges of some or all of the Company's assets including patents.

If adequate funds are not available on commercially acceptable or sensible terms when needed, the Company may also be forced to delay, reduce or terminate the development or marketing of all or part of its products or product candidates and it may be unable to take advantage of future business opportunities all of which could have a material adverse effect on the Company's business, prospects, financial condition and results of operations.

1.6.3 RISKS RELATING TO THE SHARES

1.6.3.1 Risk of dilution

The Company expects to require significant further capital in the future in order to finance its business and the further development of its product candidates, as also described under *—1.6.2.2 Substantial additional funding will likely be needed in the future*. As the Company did in the past, it expects to finance its operations in the foreseeable future primarily with equity.

For example, in 2019, the Company issued new shares (without granting pre-emption rights) amounting to 50 % of the then outstanding share capital, at that time leading to substantial dilution of its then existing shareholders. In addition, in April 2022 as a result of a private placement and in October 2022 as a result of another private placement, the Company issued new shares (without granting pre-emption rights) amounting to 10 % and 9.3 % of the then outstanding share capital respectively, resulting in further dilution of its then existing shareholders.

Further, each investor in the private placement from October 2022 have the option to purchase, in aggregate, up to another 1,027,398 Shares at a price of €7.30 per Share, at any time up to but excluding the business day that is the later of (a) twelve months after November 18, 2022, and (b) 3 months following the publication by the Company by means of a public announcement of the final read-out from the Phase 2B VIVIAD trial, provided that as long as the Phase 2B VIVIAD trial has met its primary safety and efficacy endpoints and a public announcement detailing the same has been released by the Company, the final day of the exercise period shall not be later than the date which is 5 business days prior to the Shares being approved for listing on the Nasdaq Stock Market. If, at any time during the exercise period, an investor is unable to exercise any part of the option as a result of the lack of any required regulatory approval (including, for the avoidance of doubt, any required under antitrust laws), the expiry date of the exercise period shall be extended (if it would otherwise be reached) until the earlier to occur of (i) 60 days after the date on which the relevant investor is able to exercise all of its option without violating the exercise condition or (ii) 6 months after the date on which the exercise condition becomes incapable of being satisfied by a final, non-appealable adjudication from an administrative agency, court or judicial body. Within this exercise period, each investor in the private placement from October 2022 may exercise all or part of its option, provided that each exercise by an investor must be in respect of at least 342,466 shares or, if less, the remaining number of shares the option gives right to. Each exercise of this option will result in further dilution of the Company's then existing shareholders.

Both the issuance of new shares with exclusion of pre-emption rights in order to raise new equity capital and the possible exercise of conversion and option rights by the holders of options or warrants (such as those issued in connection with the private placement of October 2022) or convertible or warrant-linked bonds that may possibly be issued in the future would lead to a dilution of existing shareholders' equity. In addition, the acquisition of other companies or interests in companies or other assets in return for shares in the Company as well as the exercise of stock options under stock option plans by the Company's employees within the scope of existing and /or future management or employee participation would lead to a dilution of the shareholders.

1.6.3.2 The Company does not anticipate being able to pay any cash dividends in the foreseeable future

Based on the development activities in the field of AD, the Company has not yet generated any revenues over the three preceding years. Because of numerous factors of influence on the development of product candidates, the time when the Company may operate profitably cannot be predicted. Likewise, it is uncertain whether the Company will ever achieve any substantial revenues in the future.

The Company intends to retain all available funds and future earnings for use in the development and commercialization of its product candidates and technologies and the expansion of its business. Payment of future dividends to shareholders will be subject to a decision of the Company's annual shareholders' meeting and subject to legal

restrictions as provided under applicable laws. Furthermore, financial restrictions and other limitations may be contained in future credit agreements that may impair the Company's ability to distribute dividends.

Therefore, and under consideration of indispensable future R&D expenses, the Company expects to continue to report losses in the foreseeable future and cannot predict if and when it will be able to pay dividends to its shareholders.

Accordingly, investors may have to sell their shares to generate cash flows from their investment and capital appreciation, if any, will be the sole source of gains from the investment. Investors may however never receive a gain on their investment when they sell shares and may lose the entire amount of their investment.

1.6.3.3 The market price of the shares may fluctuate substantially

It is likely that the price of the shares will be significantly affected by many factors, some of which are beyond its control, including:

- the failure of financial analysts to continue to cover the shares;
- actual or anticipated variations in the Company's operating results;
- changes in financial estimates by financial analysts, or any failure by the Company to meet or exceed any of these estimates, or changes in the recommendations of any financial analysts that elect to follow its shares or the shares of its competitors;
- announcements by the Company or its competitors of significant contracts or acquisitions;
- future sales of the shares; and
- investor perceptions of the Company and the industries in which it operates.

In addition, trends in research and product developments in the field of AD, such as failures or the premature termination of development programs of the Company's competitors, the willingness of investors to invest in companies active in the field of AD as well as general developments in the stock market and fluctuations therein could also influence the market price of the shares irrespective of factors directly connected with its own business.

These and other factors may cause the market price and demand for the shares to fluctuate substantially, which may limit or prevent investors from readily selling their shares and may otherwise negatively affect the liquidity of the shares. In addition, the stock market in general has from time-to-time experienced extreme price and volume fluctuations, including in recent months, which have often been unrelated or disproportionate to the operating performance of particular companies affected. These broad market and industry factors may materially harm the market price of the shares, regardless of its operating performance. In the past, following periods of volatility in the market price of certain companies' securities, securities class action litigation has been instituted against these companies. This litigation, if instituted against the Company, could adversely affect its financial condition or results of operations.

1.6.4 Risk control measures

Due to its size and history, the Company does not yet have a fully deployed and formalized risk detection, evaluation, and management system in place. The Company currently does not set, report, and monitor risk appetite levels for the risk identified given the size of operations. Management monitors operational risks as they arise and evolve, assesses their development and implements necessary countermeasures in regular internal meetings. The risks are reported and discussed during regular quarterly board meetings.

Risks related to financial matters

The Company has a budget and forecast process that monitors, plans and approves costs for at least the next 24 months. This planning process is supplemented by cash planning. The results are discussed regularly in management and with the Board. This enables the Company to prepare capital measures at the right points in time and to adequately finance our future development activities.

Risks related to the discovery, development and commercialization of our product candidates

We use highly experienced staff for our research and clinical studies, as well as very experienced consultants. The results of our studies are constantly, closely and systematically monitored. This enables us to react early to new findings in manufacturing process, as well as in the conduct of pre-clinical and clinical activities. The close monitoring of the costs associated with these activities through our regular internal forecasting process further allows us to

recognize any deviations from our financial plans early on in the conduct of these activities and initiate appropriate countermeasures in time.

Risks related to our dependence on third parties

Since we are highly dependent on third parties, we take special care in selecting our contractors. Before we select a contractor, the company convinces itself of the quality and experience in a detailed selection process, moreover, several service providers are considered. Major clinical trial and manufacturing service providers are selected through a stringent selection process including all management team members. The operational performance of third parties is subject to constant review and assessment by management.

Risks related to employee matters and managing growth

Our management pays very close attention to the fact that the respective department heads announce personnel requirements at an early stage and that adequate resources are available. Personnel planning is discussed by the management on a regular basis. In addition, we take care to retain key employees in our company.

Risks related to our intellectual property

We use only highly specialized consultants and attorneys to secure and monitor our IP. In addition, Management monitors ongoing patent protection and potential conflicts on a regular basis.

Risks Resulting from Infectious Disease Outbreaks

The company has implemented a series of measures to protect employees and third-party service providers from the risks of infection while attending our premises for the performance of their duties. The measures are in line with the generally recommended measures of the governmental and regulatory authorities. Furthermore, we are closely monitoring the progress of our clinical activities and production of *Varoglutamstat* (PQ912) to anticipate any negative developments resulting from the pandemic. To date, there have been delays in the conduct of our clinical trial. However, these delays have not had a significant impact on the study. Apart from the operational risks described above the Company believes no additional material risk will apply due to the pandemic situation.

To mitigate risk during the COVID pandemic, the Company has contracted manufacturing sites on three continents. *Varoglutamstat* (PQ912) is currently produced by a supplier, located in Switzerland, at its subsidiary in Shanghai, China, and past production runs were operated by another supplier in North Carolina, USA. Both manufacturers have successfully produced *Varoglutamstat* (PQ912) in the past and all sites act in accordance with GMP and regulatory standards required for the manufacture of drug substances and products. The drug product "study drug" is manufactured, filled, labeled, packaged, and distributed by Haupt Pharma, a subsidiary of the Aenova Group located in Wülfing, Germany. For the VIVA-MIND study in the United States the Company has an additional agreement with Caligor-Coghlan, located in Bastrop, Texas, USA, which will take over secondary packaging and distribution to U.S. study sites.

1.7 Legal proceedings

With the exception of the proceeding described below, the Company is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which management is aware) which management believes may have, or have had, a significant effect on the Company`s financial position or profitability.

On July 19, 2019, the Company initiated proceedings on the merits with the District Court of The Hague against Dutch cancer Institute, the academic Hospital Leiden and Scenic Biotech B.V. in connection with certain of our patents related to *Varoglutamstat* (PQ912) and the other QPCT inhibitors. An oral hearing as part of these proceedings was held on March 5, 2021. The parties have started negotiations for a settlement and have therefore requested the Court to pause the proceedings until February 2023.

Shareholders collectively holding around 120,000 shares raised an objection (Widerspruch) against the Company`s transformation from a German stock corporation (Aktiengesellschaft) into a Dutch N.V. and the transfer of the official seat to the Netherlands as resolved upon by the Company`s shareholders' meeting held on September 30, 2020. The objection does not challenge the transformation as such but seeks a revaluation of the Company`s business to increase the compensation amount offered by us to dissenting shareholders tendering their shares to us. In the ongoing appraisal proceedings (Spruchverfahren) before the district court at Halle (Saale), Germany, the claimants intend to increase the compensation amount per share beyond the amount originally offered by us, i.e., EUR 9 per share. Based on the expert valuation report the Company had commissioned before determining the compensation amount and the opinion of an independent auditor appointed by the court confirming the offered amount to be adequate, the Company believes that the compensation amount offered by the Company is adequate and that there

are no valid grounds for an adjustment. However, should the competent court decide that a revaluation is required, the compensation amount the Company has to offer could be adjusted by the court based on a new valuation report to be prepared by another independent expert appointed by the court. The amount of such adjustment cannot be predicted. Although such revaluation must be based on circumstances prevailing at the time the of shareholders' meeting that has resolved upon the transformation, it cannot be excluded that a potential revaluation would also take into account the trading price of our common share, which was continuously above the offered compensation amount since the beginning of the year 2021. In case the revaluation came to the conclusion that the offered amount would have to be adjusted to for instance EUR 18.00, thereby doubling the compensation amount originally offered, this would lead to an additional payment obligation on the Company`s side amounting to approximately EUR 1.08 million. In return, the Company would acquire the shares of the dissenting shareholders. The Company has been and may become involved in legal proceedings in relation to its re-domiciliation from Germany to the Netherlands, which may result in costly litigation and the Company having to pay substantial amounts to dissenting shareholders.

1.8 Corporate governance

1.8.1 Introduction

This chapter summarizes certain information concerning the Board and the Company's corporate governance. It is based on the relevant provisions of Dutch law, including the Dutch Corporate Governance Code (the 'Code') the text of which can be accessed at www.mccg.nl, as in effect on the date of this management report, the board rules and the articles of association. The articles of association in effect as of June 29, 2021, can be found on the Company's website www.vivoryon.com.

This chapter does not purport to give a complete overview and should be read in conjunction with and is qualified in its entirety by reference to the relevant provisions of Dutch law as in force on the date of this management report, the articles of association and the board rules.

1.8.2 Code of conduct and other corporate governance practices

The Company has adopted a code of conduct, which explicitly incorporates and refers to core values of the Company, being honesty, accountability, integrity, professionalism and fairness. The text of the Company's code of conduct can be accessed at www.vivoryon.com. The Company does not voluntarily apply other formal codes of conduct or corporate governance practices.

1.8.3 Board

1.8.3.1 Board rules

The Company maintains a one-tier board (the 'board'). The articles of association provide that the board shall consist of one or more executive directors and one or more non-executive directors. The number of non-executive directors must always exceed the number of executive directors. As of the date of this Management Report, the provisions in the DCC (Dutch Civil Code) that are commonly referred to as the 'large company regime' (*structuurregime*) do not apply to the Company. On December 31, 2022, the board consisted of three executive directors and six non-executive directors.

Directors are appointed by the General Meeting as an executive director or a non-executive director.

In the event two or more executive directors are in office, the board may grant titles to the individual executive directors, including (but not limited to) those of 'Chief Executive Officer' (CEO), 'Chief Financial Officer (CFO) and 'Chief Business Officer' (CBO). In the event one executive director is in office, that executive director shall be granted the title of CEO and CFO. The board shall appoint one of the non-executive directors as chair of the board (Chair) and may appoint another non-executive director to be the vice-Chair of the board (Vice-Chair). The composition of the board shall be balanced considering the respective skills, experience and knowledge of each of the directors.

If a director is to be appointed, the board shall make a binding nomination. The General Meeting may at all times set aside such binding nomination by a resolution adopted by a majority of at least two-thirds of the votes cast, such majority representing more than one-half of the issued capital of the Company. A second meeting as referred to in Section 2:120 (3) DCC cannot be convened. If the General Meeting sets aside the binding nomination, the board shall make a new binding nomination. The nomination shall be included in the notice of the General Meeting at which the appointment shall be considered. The executive directors shall not take part in the discussions and decision-making by the board in relation to nominations for the appointment of directors. If no nomination has been

made for the appointment of a director, this shall be stated in the notice of the General Meeting at which the appointment shall be considered, and the General Meeting shall then be free to appoint a director at its discretion. A resolution to appoint a director that was not nominated by the board can only be adopted by a majority of at least two-thirds of the votes cast, such majority representing more than one-half of the issued capital of the Company. A second meeting as referred to in Section 2:120(3) DCC cannot be convened.

A director may be suspended or removed by the General Meeting at any time. A resolution to suspend or remove a director can only be adopted by a majority of at least two-thirds of the votes cast, such majority representing more than one-half of the issued capital of the Company, unless the proposal to suspend or remove the relevant director was made by the board, in which case the resolution can be adopted by a simple majority of the votes cast. A second meeting as referred to in Section 2:120(3) DCC cannot be convened. An executive director may also be suspended by the board. A suspension by the board may at any time be discontinued by the General Meeting. Any suspension may be extended one or more times but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on removal, the suspension shall end.

The directors are collectively responsible for the Company's management and the general affairs of the Company's business. In discharging its duties, the board shall be guided by the interests of the Company and its business; it shall take into account the relevant interests of all those involved in the Company (including Shareholders). The board is responsible for the continuity of the Company and must establish a position on the relevance of long-term value creation for the Company and its business and take into account the relevant stakeholder interests. The board shall adopt values for the Company and the Company's business that contribute to a culture focused on long-term value creation. The board is responsible for the incorporation and maintenance of these values within the Company and the Company's business. The directors may divide their tasks by mutual consultation, provided that (i) the day-to-day management of the Company shall be entrusted to the executive directors and (ii) the task to supervise the performance by the directors of their duties cannot be taken away from the non-executive directors. The responsibilities of the board include:

- the achievement of the Company's operational and financial objectives;
- determining the strategy and policy designed to achieve the objectives;
- corporate social responsibility issues that are relevant to the Company's business;
- the general state of affairs in and the results of the Company;
- identifying and managing the risks connected to the business activities;
- ensuring that effective internal risk management and control systems, including its disclosure controls and procedures and internal control over financial reporting, are in place and reporting on this in the Management Report;
- maintaining and preparing the financial reporting process;
- compliance with legislation and regulations;
- compliance with and maintaining the corporate governance structure of the Company;
- publishing the corporate structure of the Company and any other information required under the Code, through the Company's website, publication in the Management Report and otherwise;
- preparing the annual accounts and drawing up the annual budget and important capital investments of the Company;
- facilitating the audit committee in relation to the selection process of the external auditor and the nomination of the external auditor for appointment by the General Meeting;
- ensuring that internal procedures are established and maintained which safeguard that all relevant information is known to the board in a timely fashion;
- ensuring that the external auditor receives all necessary information to perform his work in a timely fashion; and
- ensuring that the draft audit plan is discussed with the external auditor before the external auditor presents the plan to the audit committee.

Notwithstanding the responsibilities of the board, the responsibilities of the non-executive directors include:

- selecting and recommending the external auditor for appointment (upon a proposal by the board) by the General Meeting;
- selecting and recommending individuals for appointment (upon a proposal by the board) by the General Meeting as directors;
- preparing the Remuneration Policy to be adopted (upon a proposal by the board) by the General Meeting, establishing the remuneration (in accordance with the Remuneration Policy) and contractual terms and conditions of employment of the executive directors;
- proposing the remuneration of the non-executive directors for adoption by the General Meeting;
- reviewing the performance of the board and individual directors and discussing the conclusions that must be drawn on the basis of this review at least on an annual basis; and
- preparing up the Company's diversity policy for the composition of the board.

These responsibilities may be carried out by the respective committees of the board consistent with the rules of the committees as drawn up by the board. The board rules and profile can be found on the Company's website www.vivoryon.com/investors-news/corporate-governance/.

1.8.3.2 Composition of the board

The following table as of December 31, 2022, lists our current executive directors, who are also executive officers, and our current non-executive directors, as well as their age, gender, term served, the year of expiration of their term as directors of Vivoryon Therapeutics N.V. and position:

Name	Age, gender	Term served	Year in which the term expires	Position
Ulrich Dauer, PhD	57, m	2018– present	2024	Executive director, CEO
Michael Schaeffer, PhD	54, m	2018 – present	2024	Executive director, CBO
Florian Schmid*	48, m	2021 – present	2024	Executive director, CFO
Erich Platzer, MD, PhD	72, m	2007 – present	2025	Non-Executive director, Chair
Dinnies von der Osten, PhD*	61, m	2007 – present	2025	Non-Executive director, Vice-Chair
Charlotte Lohmann*	52, f	2015 – present	2025	Non-Executive director
Jörg Neermann, PhD*	55, m	2011 – present	2025	Non-Executive director
Claudia Riedl, PhD	52, f	2022 – present	2025	Non-Executive director
Samir Shah, MD	61, m	2022 – present	2025	Non-Executive director

* Financial expert within the meaning of Art. 39(1), Directive 2014/56/EU

The term of each Executive and non-executive directors will end on the date of the annual general meeting (AGM) of shareholders in the year indicated above.

Ulrich Dauer

Ulrich Dauer has been our Chief Executive Officer since May 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, Ulrich Dauer previously worked as CEO of 4SC AG for 14 years, attracting multiple private and, upon the company's IPO at the Prime Standard of the Frankfurt Stock Exchange 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 the €130 million trade sale of Activaero in 2014 and later took up CEO positions of two privately held biotech companies (Omeicos GmbH, Ventaleon GmbH). Currently. Ulrich Dauer is also a non-executive board member (Vorsitzender des Beirats) of Atriva Therapeutics GmbH. Ulrich Dauer holds a PhD in Chemistry from the Julius Maximilians University of Würzburg, Germany.

Michael Schaeffer

Michael Schaeffer has been our Chief Business Officer since October 2018. He has around 20 years of experience across pharma and biotech in strategic business development, scientific project and alliance management. Michael Schaeffer is a highly experienced serial entrepreneur and was founder, CEO and managing director of the biotech companies CRELUX GmbH and SiREEN AG prior to joining Vivoryon. CRELUX is a world leader in biophysical and structure-based drug discovery services. He was responsible for integrating CRELUX into WuXiAppTec, a leading Shanghai based CRO with over 20,000 employees globally, following the acquisition of CRELUX by WuXiAppTec in 2016. Michael Schaeffer received his PhD in Molecular Biology from the Ludwig Maximilians University in Munich, Germany.

Florian Schmid

Florian Schmid has been our Chief Financial Officer since April 2021. He has more than 20 years of finance leadership experience in public biopharmaceutical, technology and consulting businesses. Florian Schmid joined us from InflaRx N.V., where he served as director finance & controlling supporting various financing transactions including a U.S. IPO. Prior to that role, he spent six years at T-Systems International GmbH, where he most recently led the Global Deal & Business Support department. Mr. Schmid started his career as certified Tax Advisor and Public Accountant at Arthur Andersen and Ernst & Young. Florian Schmid holds a degree in business economics from the Ludwig-Maximilians-University in Munich, Germany.

Erich Platzer

Erich Platzer has served as a non-executive director on our board of directors since 2007. He is a business angel and board member of Swiss angel organization StartAngels-Network, focusing on Life Sciences and technology investments. In addition, he serves as a board member and healthcare partner at Swiss venture capital firm MTIP in Basel, which focuses on medtech and e-health investments. Prior to this, he was an investment advisor and industry partner at HBM Partners AG, a venture capital company, which he co-founded in 2001. Erich Platzer has been chairman or board member of various biotech companies, public or private, in the US and Europe and he currently serves on the boards of the privately held life sciences companies, AOT and Panavance as well as the public biotech company Aptose Biosciences (NASDAQ, TSE). Until 1999, Erich Platzer worked in various functions in product development and marketing at F. Hoffmann — La Roche, Basel, most recently as Business Director Oncology (worldwide). Prior to that, he worked in academic medicine and research and had a key role in the team at MSKCC that purified natural human G-CSF, which lead to the development of Neupogen and Neulasta. Erich Platzer holds an MD from the Medical Faculty of the University of Erlangen, Germany, where he also earned his MD PhD (Habilitation).

Dinnies Johannes von der Osten

Dinnies von der Osten has served as a non-executive director on our board of directors since 2007. He is CEO and Partner at GoodVent Beteiligungsmanagement GmbH & Co. KG since 2007. He is managing director of Elector GmbH. He is member of the board of directors at Market Logic Software AG as well as at Acktar Ltd, Israel. He has served as member of the board of directors at numerous private and public companies in the tech sector. Dinnies von der Osten spent over 20 years in the venture and private capital sector in various positions. Until 2017 he served as CEO of Cedrus Private Equity. Between 1998 and 2007 he was sole managing director of IBG Beteiligungsgesellschaft Sachsen-Anhalt mbH. Before that he worked as managing director of VWM Waste und Beteiligungsgesellschaft mbH (1994 – 1997) after having been responsible for business development of TechnoCommerz GmbH, a Treuhandanstalt owned company (1993 – 1994). Dinnies von der Osten holds a Ph.D. in Economics from the Freie Universität Berlin, Germany, a diploma in Economics from the Ludwig Maximilians University in Munich, Germany and a Bachelor of Business and Engineering from the TU Karlsruhe, Germany.

Charlotte Lohmann

Charlotte Lohman has served as a non-executive director on our board of directors since 2015 and has the German and Swedish nationality. She is a member of the Executive Committee at MorphoSys AG in Planegg, Germany, since July 2020 and serves as General Counsel at MorphoSys since 2012, and, since 2018, in her role as Senior Vice President. Prior to this, she spent eleven years at Wilex AG in Munich, most recently as Senior Vice President Legal Affairs & Human Resources. Prior to her position at Wilex, she practiced law at the law firm KPMG Treuhand & Goerdeler GmbH in Munich. She started her career in the tax and law department of the auditing company KPMG Deutsche Treuhand-Gesellschaft AG. Ms. Lohmann received her degree in law from the Ludwig Maximilians University of Munich and is a licensed attorney.

Jörg Neermann

Jörg Neerman has served as a non-executive director on our board of directors since 2011. He advises various biotech companies and a venture fund. He is the former CEO of the privately held German biotech company Curexsys GmbH, active in exosome and anti-aging technologies, which he built from start-up to clinical readiness. Between 2007 and 2020 he was Partner at LSP, a leading European Venture Capital group, and from September 2009 onwards Managing Partner at LSP Services Deutschland GmbH, the German subsidiary of LSP. Prior to that he was Managing Partner at DVC Deutsche Venture Capital, a venture subsidiary of Deutsche Bank, where he joined in 1998. Jörg Neermann started his venture capital career as an associate with Atlas Venture in 1996. Since April 2019, he has served as a non-executive member of the board of directors of Immunic Inc. (NASD: IMUX), New York, USA, and since April 2016, as chairman of the board of Immunic AG Munich, Germany (now a 100% subsidiary of Immunic Inc.). Since November 2021 he also serves as a non-executive member on the board of privately held Idea AG, Munich. In the past, he served on the boards of various private and public biotech companies, where he accompanied numerous private financings, IPOs and M&As. In the last five years he served as a non-executive member on the boards of: Imcyse S.A. (Liège, Belgium, July 2019 – January 2021); ViCentra B.V. (Utrecht, Netherlands, January 2016 to January 2021); Eyesense AG (Basel, Switzerland, July 2012 – January 2021); Ventaleon GmbH (Gemünden, Germany, July 2012 – December 2020); and Kuros AG (Zurich, Switzerland, August 2015 – May 2017). Jörg Neermann studied Biotechnology at TU Braunschweig and at the Massachusetts Institute of Technology (Cambridge, MA, USA) and holds a Master's degree and a Ph.D. in biotechnology from TU Braunschweig, Germany. He also studied economics at TU Braunschweig and Harvard Business School (Cam-bridge, MA, USA).

Claudia Riedl

Claudia Riedl has served as a non-executive director on our board of directors since 2022. As Senior Advisor at MC Services AG, she supports various clients in the biotechnology industry in all aspects of investor relations and corporate communications. During her more than 15-year tenure as Head of Corporate Communications and Investor Relations at the German biotech MorphoSys until 2016, she supported the company's transformation and growth from a technology-focused antibody discovery and development enterprise into a fully integrated biopharmaceutical company. Subsequently, in a senior advisor capacity, she was instrumental in the company's successful secondary listing on Nasdaq in 2018. Following an apprenticeship at Deutsche Bank AG, Dr. Riedl studied biology and earned a PhD at Technical University, Munich, Germany.

Samir Shah

Samir Shah has served as a non-executive director on our board of directors since 2022. In addition to his current role as Head of Investor Relations and Strategic Projects for Novartis, a company he has been with since 2004, he is a member of several executive groups and committees within the organization, including Finance Leadership Team, Innovation Management Board and Trust & Reputation Committee. Prior to Novartis, Samir Shah spent more than 12 years at Merck Serono, where he led several global franchises, including neurology. He graduated as a physician from University of Sheffield, England and joined the pharmaceutical industry after completing his postgraduate medical training (MRCP). Dr. Shah also holds an MBA from the University of Warwick, England.

1.8.3.3 Board meetings and resolutions

The meetings of the board shall be presided over by its chair or his deputy. The chairperson of the meeting shall appoint a secretary for the meeting.

All resolutions of the board shall be adopted by a simple majority of the votes cast. However, the board may determine that certain resolutions of the board require the consenting vote of a majority of the non-executive directors. Such resolutions must be clearly specified and laid down in writing. In the board, each director may cast one vote. If there is a tie in voting, the proposal shall be deemed to have been rejected.

A director shall not take part in the discussions and decision-making by the board if he has a direct or indirect personal interest therein that conflicts with the interests of the Company or the business connected with it. The provision of the first full sentence shall not apply if as a result no resolution can be adopted.

1.8.4 Committees

1.8.4.1 Audit committee

The audit committee consists of Dinnies Johannes von der Osten (as chair), Charlotte Lohmann and Jörg Neermann. The duty of the audit committee is to prepare the decision-making of the board regarding the integrity and

quality of the Company's financial reporting and the effectiveness of the Company's internal risk management and control systems. The responsibilities of the audit committee include monitoring the board with regard to:

- relations with, and compliance with recommendations and following up of comments by the external auditor;
- the funding of the Company;
- the application of information and communication technology by the Company, including risks relating to cybersecurity; and
- the Company's tax policy.

In addition, the audit committee shall, *inter alia*:

- inform the board of the outcome of the statutory audit and explain how the statutory audit contributed to the integrity of financial reporting and what the role of the audit committee was in that process;
- monitor the financial reporting process and submit recommendations or proposals to ensure its integrity;
- monitor the effectiveness of the Company's internal risk management and control systems in relation to the financial reporting of the Company including review and discuss flaws in the effectiveness of the internal controls;
- monitor the statutory audit of the annual accounts, in particular the performance thereof, taking into account any findings and conclusions by the Dutch Authority for the Financial Markets;
- review and monitor the independence of the external auditor, and in particular the appropriateness of the provision of non-audit services to the Company, and request from the external auditor a formal written statement at least annually delineating all relationships between the external auditor and the Company consistent with applicable requirements of the Public Company Accounting Oversight Board regarding the external auditor's communications with the audit committee concerning independence;
- be responsible for the procedure for the selection of an external auditor and recommend an external auditor to be appointed in accordance with Article 16 of Regulation (EU) No 537/2014, as well as submit a proposal to the board for the relevant external auditor's engagement to audit the annual accounts;
- assist the Company in preparing the disclosure to be included in the Company's applicable filings as required by the Securities and the Exchange Act and their related rules; and
- assist and discuss the effectiveness of the design and operation of the Company's internal controls with the board, the CEO, and the CFO, as appropriate.

The board has determined that each of Dinnies Johannes von der Osten, Charlotte Lohmann and Jörg Neermann satisfies the "independence" requirements set forth in Rule 10A-3 under the Exchange Act and that Dinnies Johannes and Jörg Neermann qualify as "audit committee financial experts," as such term is defined in the rules of the SEC. The composition of our audit committee is consistent with the best practice provisions of the Code.

The audit committee rules can be found on the Company's website www.vivoryon.com/investors-news/corporate-governance/.

1.8.4.2 Compensation committee

The compensation committee consists of Jörg Neermann (as chair), Charlotte Lohmann and Erich Platzer. The task of the compensation committee is to prepare the decision-taking of the board regarding the Company's compensation policy and benefits policies generally and the compensation of the Company's executive officers and the individual directors. The compensation committee rules can be found on the Company's website www.vivoryon.com/investors-news/corporate-governance/.

1.8.4.3 Nomination and corporate governance committee

The nomination and corporate governance committee consists of Charlotte Lohmann (as chair), Jörg Neermann and Erich Platzer. The task of the nomination and corporate governance committee is to prepare the decision-taking of the board regarding the selection and appointment procedure for the Company's executive officers and individual directors, as well as developing and monitoring the compliance of the Company's code of conduct. The composition of our nomination and corporate governance committee is consistent with the best practice provisions of the Code. The nomination and corporate governance committee rules can be found on the Company's website www.vivoryon.com/investors-news/corporate-governance/.

1.8.4.4 Investor Relations Committee

The investor relations committee consists of Samir Shah (as chair), Claudia Riedl and Erich Platzer. The task of the investor relations committee is to oversee and advise the Board on the Company's investor relations activities and investor relations communications with existing, potential and former shareholders of the Company, as well as members of the broader financial community. In doing so, the Investor Relations Committee will review and comment on the Company's investor relations strategy and plan and its execution, to assess whether the Company is being properly valued and positioned with shareholders whose investment objectives are consistent with the Company's strategy of creating and attaining long-term shareholder value. The investor relations committee rules can be found on the Company's website www.vivoryon.com/investors-news/corporate-governance/.

The investor relations committee was installed on August 5, 2022, whereby the composition of the investor relations committee was completed and thereby the investor relations committee became operational on August 5, 2022. It held two meetings in 2022 which mainly focused on the Company's investor relations strategy and appropriate measures for operational implementation.

1.8.5 Meeting participation

The table below shows the meeting participation per committee or board meeting:

Name	Board	Audit committee	Compensation committee	Nomination/corporate governance committee	Investor relations committee
Charlotte Lohmann	9/9	8/8	13/13	2/2	–
Claudia Riedl, PhD	7/7*	–	–	–	2/2
Dinnies von der Osten, PhD	9/9	8/8	–	–	–
Erich Platzer, MD, PhD	9/9	–	13/13	2/2	2/2
Florian Schmid	9/9	–	–	–	–
Jörg Neermann, PhD	9/9	8/8	13/13	2/2	–
Michael Schaeffer, PhD	9/9	–	–	–	–
Samir Shah, MD	7/7*	–	–	–	2/2
Ulrich Dauer, PhD	9/9	–	–	–	–

* From nomination as board member on June 1, 2022, seven board meetings were held in 2022.

1.8.6 Allocation of profits

According to the articles, the board shall determine the amount of the profits accrued in a financial year that shall be added to the reserves of the Company. The allocation of the remaining profits shall be determined by the General Meeting. The board shall make a proposal for that purpose. Distribution of profits shall be made after adoption of the annual accounts if permissible under the laws of the Netherlands given the contents of the annual accounts.

1.9 Shareholders and the general meeting

1.9.1 Introduction

The general meeting should be able to exert such influence on the policies of the board that it plays a fully-fledged role in the system of checks and balances in the Company. As good corporate governance practice, the Company promotes the fully-fledged participation of shareholders in the decision-making in the General Meeting.

1.9.2 Stakeholder dialogue

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. The Company is committed to a fair information policy.

1.9.3 Shares and shareholdings

The authorized share capital (maatschappelijk kapitaal) amounts to EUR 60,000,000, divided into 60,000,000 common shares, each with a nominal value of EUR 1.00, numbered 1 through 60,000,000. The Company`s issued share capital amounts to EUR 24,105,278.

Shares may be issued pursuant to a resolution of the General Meeting or of the board if and insofar as the board has been designated for that purpose pursuant to a resolution of the General Meeting for a fixed period, not exceeding five years. On such designation the number of Shares which may be issued must be specified. The designation may be extended, each time for a period not exceeding five years. Unless the designation provides otherwise, it may not be withdrawn. A resolution of the General Meeting to issue Shares or to designate the board as the competent body to issue Shares can only be adopted at a proposal by the board. In addition, pursuant to article 40 of the Company's articles of association the board has been designated as the body of the Company authorized to issue Shares and grant rights to subscribe for Shares (including but not limited to any options, warrants, or convertible loans or bonds entitling the holder thereof to subscribe for Shares) and (ii) to limit or exclude pre-emptive rights upon issuance of Shares, for a period of five years that will end on November 27, 2025, which designation applies to 100 % of the Shares of the Company's authorized capital as this reads or will read from time to time.

Upon issuance of Shares, each Shareholder shall have a pre-emptive right in proportion to the aggregate nominal value of his Shares, subject to the provisions of article 7 of the articles of association. Shareholders shall have a similar pre-emptive right if rights are granted to subscribe for Shares.

The Company's issued capital and voting rights are notified to the Dutch Authority for the Financial Markets (AFM). Shareholders notify the AFM when their holding or short position reach, exceed or fall below certain thresholds between 3 and 95 %. The reporting by the Company and significant shareholders can be found at www.afm.nl/en/professionals/registers.

Pursuant to the register kept by the AFM, through December 31, 2022, the below table specifies the persons having notified a substantial holding, i.e. a holding of 3 % or more, in the share capital or voting rights of the Company (i.e. at December 31, 2022 723,158 or more shares/voting rights):

	Voting rights	Share capital	Date of notification
C. Christiansen	3,042,398	12.6 %	October 10, 2022
Den Danske Forskningsfond	1,999,547	8.3 %	October 10, 2022
KKR & Co. Inc.	1,027,398	4.3 %	September 30, 2022
T&W Holding A/S	1,999,547	8.3 %	January 18, 2021
Mackenzie Financial Corporation	1,053,206	4.4 %	November 22, 2022

1.9.4 Quorum and voting requirements

Each common share confers the right on the holder to cast one vote at the general meeting of shareholders. Shareholders may vote by proxy. No votes may be cast at a general meeting of shareholders on shares held by the Company or its subsidiaries or on shares for which the Company or its subsidiaries hold depositary receipts. The Company must make a proxy form available to shareholders and others with voting rights when convening a general meeting. As a matter of Dutch law, the board of directors must allow and facilitate that shareholders and others with voting rights can provide the proxy to the Company by electronic means of communication (e.g., via e-mail). Nonetheless, the holders of a right of use and enjoyment (*vruchtgebruik*) and the holders of a right of pledge (*pandrecht*) in respect of shares held by the Company or its subsidiaries in the Company`s share capital are not excluded from the right to vote on such shares, if the right of use and enjoyment (vruchtgebruik) or the right of pledge (*pandrecht*) was granted prior to the time such shares were acquired by the Company or any of its subsidiaries. Neither the Company nor any of its subsidiaries may cast votes in respect of a share on which the Company or such subsidiary holds a right of use and enjoyment (*vruchtgebruik*) or a right of pledge (*pandrecht*). Shares which are not entitled to voting rights pursuant to the preceding sentences will not be taken into account for the purpose of determining the number of shareholders that vote and that are present or represented, or the amount of the share capital that is provided or that is represented at a general meeting of shareholders.

Decisions of the general meeting of shareholders are taken by a simple majority of votes cast, except where Dutch law or the Articles of Association provide for a qualified majority or unanimity.

1.9.5 Powers of the general meeting

All powers that do not vest in the board pursuant to applicable law, the articles of association or otherwise, vest in the general meeting. The main powers of the general meeting of shareholders include subject in each case to the applicable provisions in the articles of association:

- the appointment, suspension and dismissal of the directors;
- the approval of certain resolutions of the board concerning a material change to the identity or the character of the Company or its business;
- the reduction of the Company's issued share capital through a decrease of the nominal value, or cancellation, of shares in its capital;
- the adoption of the Company's statutory Financial Statements;
- the appointment of the Dutch independent auditor to examine the Company's statutory Financial Statements;
- amendments to the articles of association;
- approving a merger or demerger by the Company, without prejudice to the authority of the board to resolve on certain types of mergers and demergers if certain requirements are met; and
- the dissolution of the Company.

In addition, the general meeting of shareholders has the right, and the board must provide, any information reasonably requested by the general meeting of shareholders, unless this would be contrary to an overriding interest of the Company.

1.9.6 Annual general meeting

An AGM must be held within six months from the end of the preceding financial year of the Company. The agenda for this AGM shall in any case contain the following business to be discussed:

- discussion of the management report;
- discussion and submission for advisory vote of the remuneration report (Section 2:135b DCC);
- discussion and adoption of the annual Financial Statements;
- discussion of the reservation and dividend policy, allocation of profits; and
- release from liability of directors.

1.9.7 Extraordinary general meeting

Other general meetings may be convened by the board as often as the board deems necessary. Shareholders and/or persons with meeting rights alone or jointly representing in the aggregate at least one-tenth of the Company's issued capital may request the board in writing to convene a general meeting, stating specifically the business to be discussed. If the board has not given proper notice of a general meeting within two weeks following receipt of such request such that the meeting can be held within eight weeks after receipt of the request, the applicants can at their request be authorized by the preliminary relief judge of the district court to convene a meeting.

A general meeting must also be held within three months after the board has decided that it is likely that the Company's equity has decreased to or below 50 % of its paid up and called up share capital.

Each general meeting must be held in Amsterdam or Schiphol ('Haarlemmermeer').

For purposes of determining who have voting rights and/or meeting rights at a general meeting of shareholders under Dutch law, the board may set a record date. The record date, if set, shall be the 28th day prior to that of the general meeting. Under Dutch law, those who have voting rights and/or meeting rights on the record date and are recorded as such in one or more registers designated by the board shall be considered to have those rights at the general meeting of shareholders, irrespective of any changes in the composition of the shareholder base between the record date and the date of the meeting. The articles of association require shareholders and others with meeting rights to notify the Company of their identity and their intention to attend the general meeting of shareholders. This notice must be received by the Company ultimately on the date specified in the notice of the meeting.

1.9.8 Shareholder meetings in 2022

Annual general meeting on June 22, 2022

The Company's AGM that took place virtually on June 22, 2022. 7,020,878 shares or 32 % of the voting shares were represented. The shareholders approved all resolutions proposed by the Company's board with a large majority, including:

- Adoption of the remuneration report 2021 (accepted with 88 % of the votes),
- Adoption of the Financial Statements for the year 2021 (accepted with 100 % of the votes),
- The discharge of the executive and non-executive members of the board with respect to the 2021 financial year (both accepted with 100 % of the votes),
- Re-appointment of Charlotte Lohman as non-executive member of the board (accepted with 100 % of the votes),
- Re-appointment of Erich Platzer, MD, PhD as non-executive member of the board (accepted with 99 % of the votes),
- Re-appointment of Dinnies von der Osten, PhD as non-executive member of the board (accepted with 98 % of the votes),
- Re-appointment of Jörg Neermann, PhD as non-executive member of the board (accepted with 98 % of the votes),
- Appointment of Claudia Riedl, PhD as non-executive member of the board (accepted with 98 % of the votes),
- Appointment of Samir Shah, MD as non-executive member of the board (accepted with 98 % of the votes),
- Adoption of the suggested remuneration for non-executive members of the board (accepted with 88 % of the votes),
- Re-appointment of KPMG Accountants NV. as auditor for the financial year 2022 (accepted with 100 % of the votes),
- Authorization to acquire own shares (accepted with 100 % of the votes).

1.10 Remuneration report

This remuneration report (the Remuneration Report) gives an overview of the remuneration of the board in 2022 and explains how this relates to the policy of the Company on the remuneration of its board (the Remuneration Policy) as adopted at the 2021 AGM. This Remuneration Report has been prepared in line with Section 2:135b Netherlands Civil Code and best practice provision 3.4.1 of the code and is separately made available on the Company's website.

The General Meeting's advisory vote relating to the previous remuneration report was taken into account when preparing this Remuneration Report.

1.10.1 Remuneration policy

With due observance of the Remuneration Policy, the authority to establish remuneration and other conditions of employment for executive directors is vested in the board. The executive directors shall not take part in the discussions and decision-making by the board in relation to the establishment of the remuneration and other conditions of employment of the executive directors.

As indicated in the articles of association and in this Remuneration Report, the Remuneration Policy was adopted by the General meeting on June 28, 2021, at the proposal of the board. The Remuneration policy can be found on the Company's website www.vivoryon.com/investors-news/corporate-governance/.

1.10.2 Remuneration for executive directors

1.10.2.1 Amount and structure

The annual remuneration for the executive directors has the following components:

- fixed compensation, comprising an annual base salary and possibly also (optional) benefits for the capacity of executive director, such as medical insurance, retirement benefits, travel expenses and/or representation allowances;
- variable compensation, comprising an annual performance-based compensation (depending on achievement of individual management corporate / management goals as defined on an annual base respectively);
- and may also comprise Share-based compensation.

1.10.2.2 Fixed remuneration

The amount of the fixed compensation depends on the executive director'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 remuneration is paid out as a monthly salary.

1.10.2.3 Variable remuneration

The variable compensation consists of annual performance-based compensation measured in terms of one year. The remuneration package of the executive directors is designed to be weighted towards fixed pay and benefits. This allocation does not consider share option expenses.

Pursuant to Dutch law, the variable remuneration of the executive directors may be reduced, or executive directors may be obliged to pay (part of) their variable remuneration to the Company if certain circumstances apply:

- test of reasonableness and fairness – pursuant to Dutch law, any variable remuneration payable to an executive director may be adjusted by the board to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness; or
- claw back – the board will have the authority under Dutch law to recover from an executive director any variable remuneration paid based on incorrect financial or other data.

1.10.2.4 Share based remuneration

Where the Company has awarded share-based remuneration, the following applies:

- such share-based remuneration has the form of options for shares or other awards like SARs (stock appreciation rights), restricted stock, RSUs (restricted stock units) performance awards or other share-based awards;
- these options for shares or other warrants may not be transferred, pledged or otherwise encumbered;
- the share options can be exercised during applicable exercise periods after the achievement of performance and vesting conditions as described in note 8.12 'Share based payments' to the Financial Statements;
- no additional holding periods apply to option for shares or shares acquired upon exercise of options for shares, unless determined differently upon the grant of the options for shares in accordance with the provisions of the respective share option plan; and
- the share-based remuneration contributes to the Company's business strategy, long-term interests, and sustainability by creating an alignment of long-term interests between the Company and its directors.

1.10.2.5 Contribution to long term performance and value creation

The remuneration of the executive directors is consistent with and supports the strategy of the Company. The remuneration also supports the ongoing efforts of the Company aimed at improving the overall performance, facilitating growth and sustainable success, and enhancing the other long-term value and interests of the Company, as it has been designed to provide remuneration packages that are competitive to attract the required executive and non-executive talent and expertise for reaching these objectives in accordance with the Company's long-term strategy. As a result of the foregoing, the remuneration is aimed to enable the Company to compete in a global market, including the challenging US labor market, to attracting both the required top talent to execute the Company's long-

term strategy and the required non-executive directors' expertise to effectively supervise such execution, creating long-term value and sustainable growth in the best interest of the Company and all its stakeholders.

1.10.2.6 Evolution of the company`s performance

The following table shows the performance of the Company`s share price in 2022 and the preceding four years compared to stock indices of the industry and thus describes the effectiveness of performance targets addressed by the Remuneration Policy.

kEUR	**2022**	**2021**	**2020**	**2019**	**2018**
Euronext next biotech	2,312	2,781	2,791	2,979	1,855
Year-on-year difference %	(17) %	0 %	(6) %	61 %	—
Nasdaq Biotechnology	4,213	4,729	4,759	3,787	3,044
Year-on-year difference %	(11) %	(1) %	26 %	24 %	9%
Vivoryon Therapeutics N.V.	10.32	19.00	9.01	5.44	2.56
Year-on-year difference %	(46) %	111 %	66 %	113 %	(76)%

1.10.2.7 Executive directors` remuneration

A detailed listing of the individual remuneration of the executive directors is presented in the tables below.

	Ulrich Dauer, CEO			Michael Schaeffer, CBO			Florian Schmid, CFO, since Apr 1, 2021		
kEUR	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**	**2022**	**2021***	**2020**
Fixed compensation	290	273	240	250	240	220	215	154	—
Health insurance contribution	5	5	5	5	5	5	5	4	—
Direct insurance	—	—	—	5	5	5	—	—	—
Total fixed compensation	**295**	**278**	**245**	**260**	**250**	**230**	**220**	**158**	—
Annual performance-based compensation	78	78	60	55	54	40	31	27	—
Total variable compensation	**78**	**78**	**60**	**55**	**54**	**40**	31	**27**	—
Share-based compensation	**910**	**885**	**78**	**745**	**885**	**78**	**711**	—	—
Total compensation	**1,283**	**1,241**	**383**	**1,060**	**1,189**	**348**	**962**	**185**	—
Proportion of fixed compensation, excluding share-based compensation expenses	79 %	78 %	80 %	83 %	82 %	85 %	88 %	85 %	—

* All values include remuneration for 9 months only.

1.10.2.8 Change in remuneration

The table below provides an overview of the annual compensation of each individual director for the financial year 2021 and the preceding four years. The amounts in the table below are include fixed compensation and where applicable, variable and share-based compensation.

kEUR	2022	2021	2020	2019	2018
executive directors					
Ulrich Dauer since, since 2018	1,283	1,241	383	530	223
Year-on-year difference %	3 %	224 %	(28) %	138 %	—
Michael Schaeffer, since 2018	1,060	1,189	348	347	57
Year-on-year difference %	(11) %	242 %	0 %	509 %	—
Florian Schmid, since 2021	962	185*	—	—	—
Year-on-year difference %	420 %	—	—	—	—
Former board members till 2018	—	—	—	—	557
Year-on-year difference %	—	—	—	—	—
Total executive directors	3,306	2,615	731	877	837
Year-on-year difference	26%	258 %	(17) %	5%	(21) %
non-executive directors					
Total non-executive directors	1,239	200	195	105	112
Year-on-year difference %	520 %	3 %	86 %	(6) %	(18) %

* Value include remuneration for 9 months only.

1.10.2.9 Liability insurance and indemnity

The Company maintains D&O (Directors and Officers) insurance where all the executive directors are included, with a reasonable retained amount.

Pursuant to article 23 of the Company's articles of association, executive directors are indemnified, held harmless and reimbursed by the Company for all expenses, financial effects of judgements, fines and amounts paid in settlement actually and reasonably incurred by him in connection with an action, suit, proceeding or investigation against him in his capacity as executive director.

1.10.2.10 Shareholdings of executive directors

According to the information available to the Company as of December 31, 2022, the executive directors held less than 1 % of the shares of the Company.

1.10.2.11 Compliance with remuneration policy

The remuneration of the executive directors over the financial year 2022 fully complies with the Remuneration Policy as adopted by the General meeting on June 28, 2021.

1.10.2.12 Scenario analysis

The board (whereby the executive directors have not taken part in the discussions and decision-making by the board) have performed - before determining the remuneration of individual executive directors - analyses of the possible results of the variable remuneration components and the way in which this affects the remuneration of the executive directors. The board has also considered whether scenario analyses result in appropriate levels of remuneration, and whether measures are required to limit the remuneration.

1.10.2.13 Performance assessment

The variable compensation of the executive directors is determined by the board (whereby the executive directors have not taken part in the discussions and decision-making by the board) based on an annual performance assessment and professional judgement. The variable remuneration is linked to the performance against a set of financial and non-financial targets that is consistent with and supportive of the strategy and long-term interests of the Company. These targets include, among other topics, performance, business development, strategy, investor relations and general management. Risk alignment is also embedded in the target setting to promote sound and effective risk management. The variable remuneration is paid out according to how the Company's business develops, the scope of the individual executive director's achievement, as well as the realization of the Company's general objectives.

At the end of the financial year 2022, the board has assessed to what extent the financial and non-financial targets have been met and determined the amounts of the variable remuneration of each of the executive directors. The board has determined that over the financial year 2022, Ulrich Dauer is entitled to a variable compensation of

EUR 78 thousand, Michael Schaeffer is entitled to a variable compensation of EUR 55 thousand and Florian Schmid is entitled to a variable compensation of EUR 31 thousand.

1.10.3 Remuneration for non-executive directors

From the Company's perspective, it should especially be in the non-executive directors' interest to focus on the Company's sustainable and long-term successful development. As such, the Company believes that fixed remuneration for the non-executive directors is effective. Regardless of their remuneration, all executive directors are entitled to reimbursement for their travel expenses.

1.10.3.1 Remuneration

For the financial year 2022, the non-executive directors were entitled to the following fixed remuneration.

kEUR	Base compensation	Committees	Share-based compensation	**Total**
Erich Platzer, MD, PhD Chair, member of the compensation committee and nomination, corporate governance committee and investor relations committee	60	13	149	**222**
Dinnies von der Osten, PhD Vice-Chair, chair of the audit committee	43	7	149	**199**
Charlotte Lohmann Chair of the nomination and corporate governance committee, member of the audit committee and compensation committee	43	17	149	**209**
Jörg Neermann, PhD Chair of the compensation committee, member of the audit committee, nomination, and corporate governance committee	43	17	149	**209**
Claudia Riedl, PhD Member of the investor relations committee	24	3	129	**156**
Samir Shah, MD Chair of the investor relations committee	21	5	216	**242**
Total compensation	234	62	943	**1,239**

1.10.3.2 Share based remuneration

Where the Company has awarded share-based remuneration for non-executive directors, the same applies as described under '1.10.2.4 Share based remuneration'. In June 2022 the non-executive directors were awarded with share-based compensation through a grant of share options from the LTIP 2021.

1.10.3.3 Liability insurance and indemnity

The Company maintains D&O insurance where all the non-executive directors are included. Pursuant to article 23 of the Company's articles of association, non-executive directors are indemnified, held harmless and reimbursed by the Company for all expenses, financial effects of judgements, fines and amounts paid in settlement actually and reasonably incurred by them in connection with an action, suit, proceeding or investigation against them in their capacity as non-executive director.

1.10.3.4 Shareholdings of non-executive directors

According to the Company's information as of December 31, 2022, the non-executive directors held a total of approximately 1.6 % of the Company's shares.

1.10.4 Pay ratio

Following the best practice provision 3.4.1 of the Code, the Company discloses the pay ratio between the executive directors and that of a representative reference group of employees of the Company. If applicable, any important variation in the pay ratios in comparison with the previous financial year are explained. The calculation of the pay ratios is based on the average of the remuneration received by the employees of the Company, excluding directors. The remuneration of the employees of the Company taken into account was the entire remuneration received during the year concerned. For executive directors both fixed and variable

remuneration components were considered when determining the pay ratio for a given year. To allow comparison highly volatile expenses from share-based compensation were excluded.

The average executive irector-to-employee pay ratio 2022 with 3.26 has hardly changed compared to 2021 with 3.41.

The full-time equivalence of each employee (excluding directors) is calculated based on the number of hours worked by the employee in each period, compared to the maximum number of hours/period allowed as per the local law prevalent in the country of operation. On December 31, 2022, the Company had 11,9 FTEs.

kEUR	**2022**	**2021**	**2020**	**2019**	**2018**
Full time equivalent employees (FTE)	12	15	16	13	14
Average remuneration per FTE	96	90	98	82	97
Year-on-year difference %	7 %	(8) %	20 %	(15) %	2 %

1.11 Diversity

The Company has a diversity policy with respect to the composition of the board. This is the diversity policy of the Company as prepared by the non-executive directors in accordance with best practice provision 2.1.5 of the Code. The board recognizes the importance of diversity within the board and believes that the Company's business gains from a wide range of skills and a variety of different backgrounds. A diverse composition of the board contributes to a robust decision-making and proper functioning of the board. The board furthermore recognizes that diversity should not be limited to the board but should extend to all areas of the Company's business, including but not limited to other key leadership positions. However, the importance of diversity, in and of itself, should not set aside the overriding principle that someone should be recommended, nominated, and appointed for being 'the right person for the job', to the extent permitted by law. The Company believes that it is important for the board to represent a diverse composite mix of personal backgrounds, experiences, qualifications, knowledge, abilities and viewpoints. The Company seeks to combine the skills and experience of long-standing members of the board with the fresh perspectives, insights, skills, and experiences of new members.

In accordance with section 2:142b DCC, as long as the number of non-executive directors does not for at least one third consist of men and for at least one third of women, a person whose appointment does not make the ratio of male and female more balanced cannot be appointed as a non-executive director, unless there is a reappointment within eight years after the year of appointment or in exceptional circumstances as referred to in section 2:135a (5) DCC. In addition, under the Company's diversity policy, to the extent possible and practicable, the Company intends for the composition of the board to be such that at least one third of the non-executive directors are men and at least one third of them are women, consistent with applicable Dutch law. Given the limited headcount, the Company has no defined group of employees in managerial positions for which it has defined target figures on 31 December 2022 and therefore considers target figures on all employees as a whole. As of 31 December 2022, 8 employees (64%) were women, and 6 employees (36%) were men. In addition to age and gender, the Company recognizes and welcomes the value of diversity with respect to nationality, background: education, background: (work) experience and skills/knowledge: listed company experience. The Company is committed to seeking broad diversity in the composition of the board and its employees and will consider these attributes when evaluating new candidates in the best interests of the Company and its stakeholders. In terms of experience and expertise, the Company intends for the board to be composed of individuals who are knowledgeable in one or more specific areas detailed in the Company's diversity policy.

The composition of the non-executive directors (one third of the non-executive directors are female and two thirds of the non-executive directors are male) is in line with the requirements of section 2:142b DCC. In 2022, there were no vacancies in the board. As part of our strategy, diversity is a key focus area and business priority embedded in the operational plans.

1.12 Compliance with the Dutch Corporate Governance Code

The Company is incorporated under Dutch law and adheres to the Code. The code contains best practice provisions that apply to the Company's corporate governance structure. Except as set out below, the Company complies with the principles and best practice provisions of the Code:

- Internal audit function (principle 1.3): The Company has not established an internal audit department. The non-Executive directors and the audit committee will remain involved in the execution of the internal audit function as stipulated in best practice provisions (bpp) 1.3.1 to 1.3.5. The board is of the opinion that

adequate alternative measures have been taken in the form of the Company's risk management and control systems, as outlined elsewhere in this report, and that it is presently not necessary to establish an internal audit function.

- Appointment and dismissal - bpp 1.3.1, assessment of the internal audit function bbp 1.3.2, Internal audit plan bbp 1.3.3, performance of work 1.3.4, Reports of findings bpp 1.3.5: The Company has not established an internal audit department. We refer to our explanation under principle 1.3.
- Company secretary bpp 2.3.10: Given its limited size and as the lines of communication between the directors are short and the procedures of the board are fairly straight forward, during the financial year to which this report relates, the board has decided not to appoint a company secretary.
- Remuneration policy proposal bpp 3.1.1, remuneration committee's proposal 3.2.1: The Company has a one-tier board, and therefore, the board as a whole proposes the remuneration policy upon a proposal by the compensation committee to the general meeting for adoption, based on a recommendation of the non-executive directors.
- Remuneration – supervisory board (principle 3.3): The Company has a one-tier board. Therefore, the board as a whole upon a proposal by the compensation committee proposes the remuneration for its non-executive directors to the general meeting.
- Remuneration report (principle 3.4.1): Due to the Company's one tier board structure, the Remuneration Report is prepared by the compensation committee and adopted by the board as a whole.
- Majority requirements for dismissal and overruling binding nominations bpp 4.3.3: The directors are appointed by the general meeting upon the binding nomination by the board. The general meeting may only overrule the binding nomination by a resolution passed by a two thirds majority of votes cast, provided such majority represents more than half of the Company's issued share capital. In addition, except if proposed by the board, the directors may be suspended or dismissed by the general meeting at any time by a resolution passed by a two thirds majority of votes cast, provided such majority represents more than half of the Company's issued share capital. The possibility to convene a new general meeting as referred to in Section 2:120(3) DCC in respect of these matters has been excluded in the articles of association. The Company believes that these provisions support the continuity of the Company and its business and that those provisions, therefore, are in the best interests of the shareholders and the other stakeholders.

2 Report by the Vivoryon`s non-executive board

2.1 Introduction

The Company's non-executive directors are entrusted with supervising the performance by the members of the board of their respective duties. The board also acts as a collegial body and as such, the board discussed and budgeted for the coming financial year. Also, at least once a year, the board monitors the operation of the internal risk management and control systems and carries out a systematic assessment of their design and effectiveness. This monitoring covers all material control measures relating to strategic, operational, compliance and reporting risks. Attention is given to observed weaknesses, instances of misconduct and irregularities, indications from whistleblowers, lessons learned and findings from the auditor.

For information on the composition and profile of our non-executive board members, please refer to section 1.8.3.2 of this report. For information on the attendance at meetings of our non-executive board members, please refer to section 1.8.5 of this report.

2.2 Independence

A non-executive director shall not be considered independent from the Company if one of the criteria as included in best practice provision 2.1.8 of the code apply to him, her, or his or her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree. The board shall function independently from any instructions by third parties outside the Company. The composition of the board shall be such that the non-executive directors are able to operate independently and critically vis-à-vis one another, the executive directors and any interests involved. In particular, the following criteria apply to the non-executive directors:

- at most one non-executive board member is not independent pursuant to best practice provision 2.1.8 sections (i) to (v) inclusive of the Code;
- less than half of the total number of non-executive board members is not independent pursuant to best practice provision 2.1.8 of the Code; and
- for each shareholder or group of affiliated shareholders who directly or indirectly hold more than 10 % of the shares in the Company, there is at most one non-executive board member who can be considered to be affiliated with or representing them as stipulated to in best practice provision 2.1.8 sections (vi) and (vii) of the Code.

All non-executive directors are independent within the meaning of the Code.

2.3 Board profile

The size and composition of the board, including the number and the selection of non-executive directors are established in conformity with the board profile available on the Company's website. The non-executive directors aim to ensure a diverse composition that contributes to a proper functioning of the board. To meet the board's diversity targets as laid down in its diversity policy, diversity aspects shall be considered and be taken into account. The board profile and diversity policy can be found on the Company's website www.vivoryon.com/investors-news/corporate-governance/

2.4 Evaluation

The board is responsible for the quality of its own performance. It discusses, once a year, without the presence of the executive directors, its own performance, as well as the performance of its individual members, its committees, the executive directors, and its individual members.

Performance of the executive directors for 2022 was discussed in the last board meeting of the year. Without the presence of the executive directors, target achievement for the executive directors was discussed individually and in the aggregate.

In addition, the non-executive directors conducted an evaluation through a self-assessment regarding their own performance in 2022. The self-assessment was based on a detailed questionnaire that was completed by all non-executive directors. The feedback from the individual directors was summarized and subsequently evaluated. In the questionnaire specific attention was given to functioning of the committees, functioning and performance of the entire board, interaction with the executive directors, ethics, compliance, long-term value creation and the external auditor. The non-executive directors concluded that they are operating well, with open discussions and constructive contributions from all members. It assessed the expertise of the individual members and whether the combined

expertise is in line with the characteristics of the Company and its business. Several suggestions were made for further improvement. These relate among other things to succession planning and future board dynamics.

For 2022, the board's performance evaluation resulted in a positive assessment of the board and its individual members.

3 Financial Statements

Index to Financial Statements

Vivoryon Therapeutics N.V. Financial Statements
Statement of Operations and Comprehensive Loss for the Years Ended December 31, 2022 and 2021

in kEUR, except for share data	Note	2022	2021
Revenue	6.1, 7.1	—	10,764
Cost of Sales	7.2	—	(1,569)
Gross profit		**—**	**9,196**
Research and development expenses	7.3	(20,224)	(17,452)
General and administrative expenses	7.4	(8,908)	(4,549)
Other operating income		19	7
Operating loss		**(29,113)**	**(12,798)**
Finance income	6.16, 7.6	1,710	967
Finance expense	6.16, 7.6	(952)	(392)
Finance result		**758**	**575**
Result before income taxes		**(28,355)**	**(12,223)**
Income taxes	6.17, 7.7	199	(432)
Net loss for the period		**(28,156)**	**(12,655)**
Items not to be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit pension liability	6.11, 8.13	392	83
Total other comprehensive income / (loss)		392	83
Comprehensive loss		**(27,764)**	**(12,572)**
Loss per share in EUR (basic and diluted)	6.19, 8.11.2	(1.28)	(0.63)

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

Vivoryon Therapeutics N.V.
Statements of Financial Position as December 31, 2022, and 2021

in kEUR	Notes	2022	2021
ASSETS			
Non-current assets			
Property, plant and equipment	6.7, 8.2	49	66
Intangible assets	6.8, 8.2	494	533
Right-of-use assets	6.18, 8.3	127	219
Financial assets	6.5, 8.8, 9.1	14	3,473
Total non-current assets		**684**	**4,291**
Current assets			
Financial assets	8.8	3,716	3,074
Other current assets and prepayments	8.9	423	2,494
Cash and cash equivalents	6.5, 8.10	26,555	14,661
Total current assets		**30,694**	**20,229**
TOTAL ASSETS		**31,378**	**24,520**
Equity			
Share capital	6.6, 8.11	24,105	20,050
Share premium		113,382	83,211
Other capital reserves	6.10, 8.12	9,656	6,168
Accumulated other comprehensive loss	8.11.1	(180)	(572)
Accumulated deficit		(120,457)	(92,300)
Total equity		**26,506**	**16,557**
Non-current liabilities			
Pension liability	6.11, 8.13, 8.14	1,323	1,823
Provisions long-term	6.12	12	12
Lease liabilities	6.18, 8.6	38	132
Other liabilities	9.1	—	513
Deferred tax liabilities	6.17, 7.7	234	432
Total non-current liabilities		**1,607**	**2,912**
Current liabilities			
Provisions	6.12	—	35
Trade payables	6.5, 9.1	2,543	4,360
Lease liabilities	6.18, 8.6	94	92
Other liabilities	8.15	628	564
Total current liabilities		**3,265**	**5,051**
Total Liabilities		**4,872**	**7,963**
TOTAL EQUITY AND LIABILITIES		**31,378**	**24,520**

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

Vivoryon Therapeutics N.V.
Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2022 and 2021

in kEUR	Share capital	Share premium	Other capital reserves	Accumulated other comprehensive loss	Accumulated deficit	Total equity
January 1, 2021	**19,975**	**82,143**	**4,404**	**(655)**	**(79,646)**	**26,221**
Net loss for the period	—	—	—	—	(12,655)	(12,655)
Remeasurement of the net defined benefit pension liability	—	—	—	83	—	83
Comprehensive income / (loss)	**—**	**—**	**—**	**83**	**(12,655)**	**(12,572)**
Share-based payments	—	—	1,763	—	—	1,763
Proceeds from exercise of share options	75	1,069	—	—	—	1,144
December 31, 2021	**20,050**	**83,211**	**6,168**	**(572)**	**(92,300)**	**16,557**
Net loss for the period	—	—	—	—	(28,156)	(28,156)
Remeasurement of the net defined benefit pension liability	—	—	—	392	—	392
Comprehensive income / (loss)	**—**	**—**	**—**	**392**	**(28,156)**	**(27,764)**
Proceeds from the issuance of common shares	4,055	31,945	—	—	—	36,000
Transaction costs of equity transactions	—	(1,774)	—	—	—	(1,774)
Share-based payments	—	—	3,488	—	—	3,488
December 31, 2022	**24,105**	**113,382**	**9,656**	**(180)**	**(120,457)**	**26,506**

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

Vivoryon Therapeutics N.V.
Statements of Cash Flows for the Years ended December 31, 2022 and 2021

in kEUR	Notes	2022	2021
Operating activities			
Net loss for the period		(28,156)	(12,655)
Adjustments for:			
Finance result	6.16, 7.6	(758)	(575)
Depreciation and amortization	8.5	161	165
Share based payments	6.10, 8.12	3,488	1,763
Capitalized capital raising costs that were expensed	8.9	2,633	—
Actuarial gains / (losses) from pension liabilities	8.13	392	83
Foreign currency gain (loss) from other items than cash		373	287
Deferred income tax		(199)	432
Other non-cash adjustments		61	(192)
Changing in			
Financial assets	8.8	2,817	(6,522)
Other current assets and prepayments	8.9	191	1,852
Pension liabilities	6.11, 8.13, 8.14	(500)	(158)
Provisions	6.12	(35)	—
Trade payables	6.5, 9.1	(1,817)	3,449
Other liabilities	8.15	(449)	800
Interest received		9	21
Interest paid		(5)	(7)
Cash flows used in operating activities		**(21,794)**	**(11,257)**
Investing activities			
Purchase of plant and equipment		(11)	(20)
Purchase of intangible assets		(2)	(8)
Cash flows used in investing activities		**(13)**	**(28)**
Financing activities			
Proceeds from the issuance of common shares	8.11	36,000	—
Transaction costs of equity transactions	8.11	(1,774)	—
Capital raising costs	8.9	(753)	(1,881)
Payment of lease liabilities	8.6	(92)	(90)
Proceeds from exercise of share options	8.12	—	1,144
Cash flows provided by / (used in) financing activities		**33,381**	**(827)**
Net decrease in cash and cash equivalents		**11,574**	**(12,112)**
Cash and cash equivalents at the beginning of period	6.5, 8.10	14,661	26,306
Effect of exchange rate fluctuation on cash held		320	467
Cash and cash equivalents at the end of period	6.5, 8.10	**26,555**	**14,661**

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

Vivoryon Therapeutics N.V.
Notes to the Financial Statements

1 Company information

Vivoryon Therapeutics N.V. is a Dutch public company with limited liability ('*Naamloze Vennootschap*') that has its statutory seat in Amsterdam, the Netherlands and branch offices in Halle (Saale) and Munich, Germany. The Company's ordinary shares are listed under the ticker symbol 'VVY' with NL00150002Q7 on Euronext Amsterdam, the Netherlands. The Company is registered with the name Vivoryon Therapeutics N.V. in the Trade Register of the Netherlands Chamber of Commerce under number 81075480 (until November 28, 2020 Vivoryon Therapeutics AG). The Company's registered office and business address is Weinbergweg 22, 06120 Halle (Saale), Germany.

Vivoryon Therapeutics N.V. (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 several research and development programs with a focus on the inhibition of the enzyme Glutaminyl Cyclase ('QC' or 'QPCT') and its iso-form iso-Glutaminyl Cyclase (iso-QC or QPCTL) for the treatment of Alzheimer's disease and other diseases. Vivoryon Therapeutics extended its portfolio in 2020 by acquiring patents for the further development of Meprin protease inhibitors which have a therapeutic potential for a range of indications including acute and chronic kidney disease and multiple organ fibrosis. The activities of the Company are carried out in Germany being the primary location for its development activities.

The financial statements of Vivoryon Therapeutics N.V. for the year ended December 31, 2022 were authorized for issue by a resolution of the board of directors on April 18, 2023.

2 Financial reporting period

These financial statements cover the year 2022 and 2021, which started on January 1, 2022, respectively January 1, 2021, and ended at the balance sheet date of December 31, 2022, respectively December 30, 2021.

3 Going concern

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that may cast significant doubt about the Company's ability to continue as a going concern.

As a clinical stage biopharmaceutical company, the Company has incurred operating losses since inception. For the year ended December 31, 2022, the Company incurred a net loss of EUR 28.2 million (including an operating loss amounting to EUR 29.1 million, resulting in an operating cash outflow of EUR 21.8 million). As of December 31, 2022, the Company had generated an accumulated deficit of EUR 120.5 million and had an equity position amounting to EUR 26.5 million. The Company expects it will continue to incur significant operating losses for the foreseeable future due to, among other things, costs related to development of its product candidates and its preclinical programs, strategic alliances and its administrative organization.

As of April 19, 2023, the issuance date of the Company's financial statements for the year ended December 31, 2022, the Company expects on the basis of its most recent financing and business plan that its existing cash and cash equivalents will be sufficient to fund its research and development expenses, general and administrative expenses and cash outflows from investing and financing activities at least through December 31, 2023. For this assessment, it was assumed that none of the options granted in connection with the private placement from September 30, 2022, will be exercised (see note 8.11). The future viability of the Company beyond December 31, 2023 is dependent on its ability to raise additional funds to finance its operations.

To date the Company largely financed its operations through equity raises, licensing proceeds and government grants and is now seeking to complete private equity financings within the first half year of 2023 to fund the phase 2b clinical trial in the US and other operational costs beyond December 31, 2023. In the event the Company does not complete private equity financing transactions, the Company expects to seek additional funding through government or private-party grants, debt financings or other capital sources or through collaborations with other companies or other strategic transactions, including partnering deals for one or more of its product candidates. The Company is currently exploring various financing alternatives to meet the Company's future cash requirements, including the exercise of EUR 15.0 million options granted in connection with the private placement from September 30, 2022, seeking additional investors, pursuing industrial partnerships, or obtaining further funding from existing investors through additional funding rounds. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter into collaborations or other arrangements. The terms of any financing may adversely affect the holdings or rights of the Company's shareholders.

If the Company is unable to raise capital on acceptable terms or at all, the Company would be forced to delay, limit, reduce or terminate its product development or future commercialization efforts of one or more of our product candidates, or may be forced to reduce or terminate its operations. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all.

Management has considered the ability of the Company to continue as a going concern. Based on the Company's recurring losses from operations incurred since inception, expectation of continuing operating losses for the foreseeable future, and the need to raise additional capital to finance its future operations, as of April 19, 2023, the issuance date of the financial statements for the year ended December 31, 2022, the Company has concluded that a material uncertainty exists that may cast significant doubt about its ability to continue as a going concern for a period of at least one year from the date that these financial statements are issued.

The accompanying financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. Accordingly, the accompanying financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

4 Risk management system

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 (including exchange rate risk). The Company is in the process of establishing 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 identified deficiencies and 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. 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.

Internal Control Over Financial Reporting

We have historically operated with limited accounting personnel and other resources with which to address our internal controls over financial reporting. In connection with the audit in 2021 of our financial statements for the years ended December 31, 2019 and 2020, and internal review procedures of our interim financial statements for the six months ended June 30, 2021, a significant control deficiency in our internal control over financial reporting was identified, primarily related to a lack of sufficient accounting and supervisory personnel to ensure proper segregation of duties between the preparation and approval of journal entries or that allows effectively designed review controls over manual, judgmental and complex journal entries in the financial statement close process.

To address this significant control deficiency, we are following a remediation plan, which includes improving the design of our internal control environment; as this remediation plan is not fully implemented, we may be exposed to errors. Our remediation plan aims to improve our controls over financial reporting, by enhancing the robustness of our processes. For example, we have advanced our internal control procedures by broader four eyes-principle reviews and we have provided additional training to our finance staff. We will continue to engage third parties as required to assist with technical accounting, application of new accounting standards, tax matters and valuations of equity instruments. In 2021 we have started to address this weakness by adding a highly experienced Chief Financial Officer to our executive board who will lead our efforts to further improve the design and operational effectiveness of our internal control procedures. In addition, we have eliminated the majority of manual spreadsheet solutions in the closing process, we now use automated system-based procedures. In 2022 we have further strengthened our Finance & Controlling department with external resources and thus advance our internal control procedures by broader four eyes-principle reviews and additional controls. While we are working to remediate the weakness as quickly and efficiently as possible, at this time we estimate that we will need considerable time to staff our Finance Controlling Department and further on install and document procedures for the preparation and

approval of all journal entries allowing auditable effectively designed review controls over all manual, judgmental and complex journal entries.

Executive board members

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

Non-Executive board members

The non-executive board members are having a control function with respect to all measures for risk limitation and risk management in the Company.

4.1 Risk groups

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

4.1.1 Credit risks

Default risks exist for substantially all financial instruments recognized as assets. The amount of cash and licensing receivables 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.

The Company`s cash balances are held at Deutsche Bank, Landesbank Baden-Württemberg and Commerzbank. All three banks have a rating of bbb or better (S&P). 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. The default risk of the licensing partner Simcere (7.1) is considered moderate and is monitored on a regular basis.

The maximum default risk for financial assets without considering credit improvements (e.g. right to offset) is estimated with carrying amount:

in kEUR	**December 31, 2022**	**December 31, 2021**
Maximum risk of default		
Non-current financial assets (8.8)	14	3,473
Current financial assets (8.8)	3,716	3,074
Cash and cash equivalents (8.10, 6.5)	26,555	14,661
Total	**30,285**	**21,208**

As of December 31, 2022, and December 31, 2021, the fair value of current and non-current financial assets was in line with the net carrying amount. As of the reporting dates December 31, 2022, and December 31, 2021, the financial assets were neither impaired nor overdue.

4.1.2 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. To manage the liquidity situation during the year, the Company utilizes financial planning instruments. As of December 31, 2022, cash and cash equivalents amounted to EUR 26,555 thousands. For detailed disclosures regarding going concern and liquidity requirements see note 3.

The table below presents an analysis of the remaining terms of all contractually agreed financial liabilities as of December 31, 2022 and December 31, 2021.

in kEUR	Carrying amount	Up to 30 days	1 to 3 months	3 months to 1 year	1 to 5 years
December 31, 2021					
Financial liabilities					
Trade payables	4,360	4,267	93	—	—
Lease liabilities (undiscounted payments)	229	8	16	72	133
thereof lease liabilities (discounted)	*224*	*8*	*15*	*69*	*132*
Total	**4,589**	**4,275**	**109**	**72**	**133**
December 31, 2022					
Financial liabilities					
Trade payables	2,543	1,647	886	10	—
Lease liabilities (undiscounted payments)	133	8	16	71	38
thereof lease liabilities (discounted)	*132*	*8*	*16*	*70*	*38*
Total	**2,676**	**1,655**	**902**	**81**	**38**

4.1.3 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 the Company (see next chapters).

4.1.4 Exchange rate risks

The Company is currently exposed to exchange rate risks concerning cash held in USD as well as receivables and trade payables denominated in USD. At December 31, 2022 the exchange rate for EUR 1 was USD 1.0666. A 5 % decrease of the exchange rate (1 EUR = USD 1.0133) would have increased equity or decreased net loss for the period by EUR 423 thousands, respectively an increase by 5 % of the exchange rate (1 EUR = USD 1.1199) would have decreased equity or increased net loss for the period by EUR 382 thousands.

Foreign exchange risks could further develop if part of the future expenses or revenues from cooperation or licensing agreements are realized in U.S. dollars or in another foreign currency.

4.1.5 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. Vivoryon receives interest on EUR/USD cash holdings.

4.1.6 Price risks

At present, the financial commitments of the Company (9.2) do not contain variable price conditions and hence do not bear price risks.

4.1.7 Capital management

The primary objective of Company's capital management is to ensure that it maintains its liquidity to finance its operating activities and meet its liabilities when due. Following the present projections and based on current cash, the maximum cash reach is through December 31, 2023. For detailed disclosures regarding going concern and liquidity requirements see notes 3 and 4.

The Company`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.

In the year ended December 31, 2022 the Company completed two private placements, placing 4,054,796 registered shares. The gross proceeds of the offerings amounted to EUR 36.0 million. In addition the Company is seeking to complete further private equity financings within the first half year of 2023 to fund the phase 2b clinical trial in the US and other operational costs beyond December 31, 2023. Furthermore, Vivoryon currently has three share

option programs from the years 2014, 2020 and 2021. For detailed disclosures see notes 6.10 and 8.12. Vivoryon is not subject to any capital requirements stemming from the Articles of Association. As of December 31, 2022, the Company`s equity amounted to EUR 26,506 thousands (December 31, 2021: EUR 16,557 thousands). The total liabilities amount to EUR 4,872 thousands (December 31, 2021: EUR 7,963 thousands).

5 Basis of preparation

5.1 Basis of preparation

5.1.1 Statement of compliance and basis of measurement

The financial statements of Vivoryon have been prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, as adopted by the European Union (EU-IFRS) and with Section 2:362(9) of the Netherlands Civil Code.

The Company has a subsidiary, Vivoryon Therapeutics Inc. in Chicago, IL, USA. All operating activities and assets are concentrated in Vivoryon Therapeutics N.V.; currently, Vivoryon Therapeutics Inc. has no operating activities. Considering the negligible significance of this subsidiary to the financial statements, in accordance with Section 2:407 sub 1a of the Netherlands Civil Code, the Company applies the exemption pertaining to the consolidation scope and does not prepare consolidated financial statements.

The statement of profit and loss and other comprehensive income is prepared to classify the expenses by function; the classification of the statement of financial position is based on current and non-current 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 non-current.

The financial statements are prepared on the historical cost basis.

5.2 Functional and presentation currency

The financial statements are presented in Euro, which is the Company’s functional currency. All amounts have been rounded to the nearest thousand, unless indicated otherwise. As a result, rounding differences may occur.

5.3 Use of judgements and estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively. Compared to 2021 there has not been a significant change in judgements and estimates.

5.3.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes.

Notes are presented, to the extent practicable, in a systematic order and are cross-referred to/from items in the primary statements. In determining a systematic manner of presentation, an entity considers the effect on the understandability and comparability of the financial statements. The Company has applied judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and financial position. The order presented is only illustrative and entities need to tailor the organization of the notes to fit their specific circumstances.

5.3.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending December 31, 2022, is included in the following notes. 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 or loss and other comprehensive income at the time 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 concerning the expected future business development of Vivoryon.

Revenue from contracts with customers

While recognizing revenue from contracts with customers critical judgments and accounting estimates may be required in the five-step approach of IFRS 15.

In the year ended December 31, 2021, management identified variable consideration from a first milestone with highly probable outcome where significant reversals will not occur. Additionally, given the range of possible outcomes for further milestones and related payments and the uncertainty for each scenario, management applied the expected value estimation method.

The reasons leading to management's expectation in 2021 that significant reversal in the amount of cumulative revenue is not expected to occur were re-assessed and confirmed on December 31, 2022.

Recognition of 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, see note 6.14.

Income Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax entries already recorded. Deferred tax assets are recognized for unused tax losses to the extent, that deferred tax liabilities exceed deferred tax assets, while the provisions of the German Tax Act on the utilization of loss carryforwards was also considered ('minimum taxation'/'*Mindestbesteuerung*'). Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing of deferred tax liabilities that are compensated by deferred tax assets from loss carryforwards under the constraints of German tax law. Due to our history of loss-making over the last several years as well as our plans for the foreseeable future, we have not recognized any further deferred tax assets on tax losses carried forward.

Defined benefit plan (pension benefits)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate and mortality rates (see note 6.11, 8.13). Due to the complexities involved in the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date. The parameter most subject to change is the discount rate. In determining the appropriate discount rate, management considers the interest rates of corporate bonds in currencies consistent with the currencies of the post-employment benefit obligation with at least an 'AA' rating or above, as set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for Germany (see note 6.11, 8.13). Those mortality tables tend to change only at intervals in response to demographic changes. Future pension increases are based on the fixed increases as per contractual agreement (increase is 1 % p.a.). Further details about pension obligations are provided in note 6.11, 8.13.

Accounting for share-based payments (compensation)

Estimating fair value for share-based payment transactions requires determination of the most appropriate valuation model, which depends on the terms and conditions of the grant. This estimate also requires determination of the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them (see note 6.10, 8.12). The Company initially measures the fair value of equity-settled transactions with employees at the grant date, since 2022 the Company uses a binomial model, for grants before 2022 the Monte-Carlo simulation model was used. When determining the grant date fair value of share-based payment awards, assumptions must be made regarding the key parameters of the grant (see note 6.10, 8.12). Additionally, the Company must estimate the number of equity instruments which will vest in future periods as awards may be forfeited prior to vesting due to employment termination. An assumption of the forfeiture rate must be made based on historical information and adjusted to reflect future expectations. Revisions to the forfeiture rate could result in a cumulative effect of the change in estimate for current and prior periods to be recognized in the period of change. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in note 6.10, 8.12.

5.3.3 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has established a control framework with respect to the measurement of fair values. The finance department regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the finance department assesses the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of the International Financial Reporting Standards, including the level in the fair value hierarchy in which the valuations should be classified.

5.3.4 Fair value hierarchy

The Company does not measure any financial asset or liability at fair value. The carrying amount of all financial instruments approximates their fair value due to their short-term maturities. When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability could be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 Summary of significant accounting policies

6.1 Changes in accounting policies

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

With an effective date of January 1, 2022, the following amended standards and interpretations were required to be applied for the first time:

- Annual Improvements to IFRS Standards 2018–2020 (January 1, 2022)
- Amendment to IAS 37: Onerous Contracts – Cost of Fulfilling a Contract (January 1, 2022)
- Amendment to IAS 16: Property, Plant and Equipment: Proceeds before Intended Use (January 1, 2022)
- Amendment to IFRS 3: Reference to the Conceptual Framework (January 1, 2022)

The new standards and amendments do not have a material effect on the financial statements.

6.2 New standards and interpretations

The following amendments had already been issued by the IASB before the financial statements of the Company were authorized for issue, but their adoption is not yet mandatory, and they have not yet been adopted by the Company and are not expected to have a material impact on the financial statements of the Company:

Standards / Amendments	Impending change	Effective date*	Anticipated effects
Amendment to IAS 1: Classification of Liabilities as Current or Non-current	Relates to the presentation of liabilities in the financial statements. The classification of liabilities as current or non-current must be based on rights that are in existence as of the reporting date.	January 1, 2024	No material effects on the financial statements are expected.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies	The amendments should help preparers of financial statements to decide which ac-counting policies they must disclose in the financial statements.	January 1, 2023	No material effects on the financial statements are expected.
Amendments to IAS 8: Definition of Accounting Estimates	The amendments should help to distinguish between accounting policies and accounting estimates.	January 1, 2023	No material effects on the financial statements are expected.
Amendments to IAS 12: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	The amendment clarifies, that deferred tax must be recognized when an entity accounts for transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences. The amendments clarify, the recognition of deferred tax arising from transactions such as leases or restoration / decommissioning obligations.	January 1, 2023	No material effects on the financial statements are expected.
Amendments to IFRS 16: Lease Liability in a Sale and Lease Back	Due to the amendments to IFRS 16, the standard now specifies that, in subsequently measuring the lease liability, the seller-lessee determines 'lease payments' and 'revised lease payments' in a way that does not result in the seller-lessee recognizing any amount of the gain or loss that relates to the right of use it retains.	January 1, 2024	No material effects on the financial statements are expected.
IFRS 17 Insurance Contracts	The objective of this standard is to establish principles for the recognition, measurement, presentation and disclosure of insurance contracts.	January 1, 2023	No material effects on the financial statements are expected.
* The date of first-time adoption scheduled by the IASB is assumed for the time being as the likely date of first-time adoption for the entity.			

6.3 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Company at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at every reporting date. Foreign currency differences are generally recognized in profit or loss and presented within finance costs.

6.4 Determination of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price — i.e., the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price.

Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

6.5 Financial assets and liabilities — financial instruments

Definition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company`s financial assets include predominantly a receivable form a licensing deal (7.1). The financial liabilities comprise trade and other payables (incl. accrued liabilities from the R&D projects).

Criteria for the recognition and derecognition, initial measurement

In general purchases or sales of financial assets are recognized on the settlement date, i.e., the date that the Group renders or receives the counter performance (typically cash). The Company initially measures a financial asset at its fair value plus transaction costs.

The Company initially recognizes non-derivative financial liabilities on the date that they are originated at fair value net of directly attributable transaction costs. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

Classification and subsequent measurement

Considering the Company's business model for managing the financial assets, whose objective is to hold them in order to collect contractual cash flows, and their contractual cash flow characteristics, which are solely payments of principal. The financial assets are also subject to impairment.

The Company's financial liabilities are classified as subsequently measured at amortized cost which is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR (effective interest method). An analysis of the carrying amounts from the Statements of Financial Position by measurement category is disclosed under 9.1. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model. A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL (fair value through profit and loss):

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets — Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated — e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets. Financial assets — Assessment whether contractual cash flows are solely payments of principal and interest.

For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company’s claim to cash flows from specified assets (e.g., non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets — Subsequent measurement and gains and losses

Financial assets at amortized cost: These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Classification of, subsequent measurement and gains and losses from financial liabilities: Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. The Company does not apply hedge accounting.

Criteria for realization of income and expenses

Interest income, if any, would be accrued using the relevant EIR. Interest expense on liabilities, if any, is also accrued based on the effective interest rate.

Gains and losses on the disposal of financial instruments are recognized in full when all significant risks and rewards have been transferred. In the case of a partial transfer of risks and rewards, a distinction would be made as to whether control remains with the company or is transferred.

Impairment losses on financial assets are recognized in profit or loss. For the receivables from a licensing deal (7.1) the Company determines the exposure to credit default using customer specific default probabilities from external databases.

6.6 Share capital

Incremental costs directly attributable to the issue of common shares (6.15), net of any tax effects, are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12. In 2022, deferred tax liabilities (7.7) were recognized accordingly.

6.7 Property, plant and equipment

Property, plant and equipment (PP&E) are recognized at cost less accumulated depreciation as well as any accumulated impairment losses which may have been recognized. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

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 ten years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income' or 'other expenses' in the statement of profit or loss and other comprehensive Income.

6.8 Intangible assets

The intangible assets acquired by Vivoryon relate to intellectual property and other intangible assets and 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.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization begins when an asset is available for use and amortization is calculated using the straight-line method to allocate cost over the estimated useful lives. Intellectual property is amortized over the term of the patent rights (initially 18 years), other intangible assets are amortized over three to five years. The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to useful lives is recognized prospectively as a change of accounting estimate. The Company only owns intangible assets with a definite useful life.

6.9 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of 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 of the amount representing the fair value less costs of disposal or 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 based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

6.10 Share-based payment transactions

Vivoryon grants equity-settled share-based payments in the form of option rights to employees and members of the board. The share option programs allow the grantees to acquire the Company's shares. The fair value at grant-date of the share options awarded is distributed as research and development or general administrative expenses with a corresponding increase in equity (share premium), over the vesting period of the awards. Since 2022 the fair value is based on a binomial model, for grants before 2022 the Monte-Carlo simulation model was used. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

6.11 Pensions

Vivoryon has defined benefit pension commitments for 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 through equity in the other comprehensive income / (loss).

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.

The net interest expense associated with defined benefit plans is presented in finance expenses.

6.12 Provisions

Provisions are recognized for present obligations which result from past events for which the timing of the future payment is uncertain. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions with a term over one year are recognized at their discounted settlement considering expected cost increases. The discount rate used reflects the current market interest rate and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

6.13 Revenue from contracts with customers

The Company has initially adopted IFRS 15 'Revenues from Contracts with Customers' after the Company received license income from a regional licensing partnership in the third quarter of 2021 (we refer to note 7.1).

Vivoryon Therapeutics N.V. is a clinical-stage biotechnology company focused on developing innovative small molecule-based medicines. Out-licensing of our technology is part of the Company`s ordinary business activities, but revenues from such transactions are infrequently, i.e., not recurring.

Revenue from contracts with customers are recognized over time over the licensing period or at a point in time, when the right (or license) to use intellectual property and the intellectual property is conveyed.

Revenue from the licensing of intellectual property for a certain period with a right to access such intellectual property as defined in IFRS 15 ('right to access' licenses), is recognized over time over the licensing period. Such contracts require, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights. Furthermore, such rights granted by the Company directly would expose the customer to any positive or negative effects of the Company's activities mentioned before. And lastly it is necessary that those activities do not result in the transfer of a good or a service to the customer as those activities occur. If these three conditions are collectively not met, revenue is recognized as explained in the next paragraph.

Revenue from the licensing of intellectual property for a certain period ('right to use' licenses), usually in the structure of an upfront fee and later milestone payments, is recognized at a point in time, when the right (or license) to use intellectual property and the intellectual property is conveyed. The transaction price for such licenses sold for the last time in the third quarter of 2021 can comprise fixed (up-front payments) and variable elements (milestone payments and future royalties):

- The transaction price includes all of an amount of up-front payments ('fixed' consideration) as they are highly probable and significant reversal in the amount of cumulative revenue recognized will not occur.
- The transaction price also includes some or all of an amount of variable consideration to the extent described in the following steps. When a contract is signed and at each subsequent reporting date, the Company estimates the consideration for the contingent milestone payments. Given the range of possible outcomes for milestones and related payments and the uncertainty for each scenario, the Company applies the expected value estimation method. In a second step the Company estimates if it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company includes respective milestone payments in the total estimated transaction price when it is highly probable that the resulting revenue recognized would not have to be reversed in a future period.
- An exception is applied for variable consideration elements in exchange for a license of intellectual property, like sales- or usage-based royalties. These revenues are recognized only when (or as) the later of the following events occurs, the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied; and the subsequent sale or usage occurs.

The revenues from other performance obligations (like supply of the Company`s compound or special know-how) under contracts with customers are recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, usually on delivery of the goods.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company satisfies a performance obligation by transferring control over goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment. A receivable represents the Company`s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration or an amount of consideration is due from the customer (whichever is earlier). If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

6.14 Research and development expenses

Research and development expenses comprise third party services, wages and salaries, cost of materials, intellectual property-related expenses, depreciation and amortization of relevant equipment and intangibles as well as overhead. Research and development expenses mainly consist of costs for clinical trials and manufacturing of the Company`s clinical drug product. Additional costs are incurred by drug discovery and pre-clinical activities.

Research expenses are recognized as expenses when incurred. Costs incurred on development projects are recognized as intangible assets in case 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 commercialization is achieved, and costs can be measured reliably. Given the current stage of the development of the Company`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.

6.15 General and administrative expenses

General and administrative costs relate to the operation of the business, unrelated to the research and development function or any individual program. General and administrative expenses consist primarily of personnel-related costs (salaries, benefits, including share-based compensation), and other costs for administrative or operational functions, like professional fees, accounting and legal services, directors' and officers' liability insurance premiums, costs associated with investor relations, costs for information/communication technology and facility-related costs. General and administrative expenses are recognized as expenses when incurred, except for cost in relation to capital raising. Capital raising costs, are incremental costs directly attributable to the issue of common shares, such as professional fees, accounting and legal services. Such costs are initially capitalized under 'other assets and prepayments' (8.9) and later offset against share premium from a capital increase (6.6) or expensed if a capital increase did not materialize (7.4).

6.16 Finance income and expenses

Finance income and expenses are recognized in the appropriate period applying the effective interest rate method. Besides 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.

6.17 Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that items are recognized directly in equity or in other comprehensive income / (loss).

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income

taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met. The Company offsets tax assets and liabilities if and only if it has a legally enforceable right to set off current tax assets, current tax liabilities, deferred tax assets and deferred tax liabilities which relate to income taxes levied by the same tax authority.

No current income tax was recognized in 2022 and 2021.

Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

6.18 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use (RoU) asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, 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 Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased. Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6.19 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. As of December 31, 2022 and 2021, no items had a dilutive effect. The Company is loss making and therefore any dilutive additional shares, e.g. stock options, were excluded from the diluted weighted average of common shares calculation because their effect would have been anti-dilutive.

6.20 Operating segments

In light of the development activities that are being performed and the development phase of the Company, the performance of the operations is monitored at the Company level and therefore no other reportable segments have been identified.

7 Material items from Statement of Profit or Loss and Other Comprehensive Income

7.1 Contracts with customers

On June 29, 2021, the Company and Simcere Pharmaceutical Group Ltd (HKEX: 2096, 'Simcere') entered into a strategic regional licensing partnership to develop and commercialize medicines targeting the neurotoxic amyloid species N3pE (pGlu-Abeta) to treat Alzheimer's disease (AD) in Greater China. The agreement grants Simcere a regional license to develop and commercialize varoglutamstat (PQ912), The Company`s Phase 2b-stage N3pE amyloid-targeting oral small molecule glutaminyl cyclase (QPCT) inhibitor with disease-modifying potential for AD, as well as the Company's preclinical monoclonal N3pE-antibody PBD-C06 in the Greater China region.

The Company had identified the following performance obligations under the contract:

- The Company granted `right to use' licenses to Simcere to manufacture, sell and market the licensed products in Greater China for the treatment of Alzheimer, furthermore
- upon Simcere's request and payment, Vivoryon will manufacture and supply the compound to Simcere.

Under the terms of the agreement, the Company received upfront payments and will also be eligible for payments upon achievement of certain development and sales milestones. In addition, the Company might receive double-digit royalties on sales.

In 2021 the ‘fixed’ considerations totaling EUR 7.4 million (USD 8.8 million) were recognized as revenue. In addition, the Company realized variable consideration also in 2021 from the first development milestone in the amount of EUR 3.4 million (USD 4.0 million) in revenues. The following reasons substantiate management's expectation that this variable consideration amount is highly probable and that significant reversal in the amount of cumulative revenue are not expected to occur:

- On June 29, 2021, the Company and Simcere entered into a strategic regional licensing partnership to develop and commercialize medicines targeting the neurotoxic amyloid species N3pE (pGlu-Abeta) to treat Alzheimer's disease (AD) in Greater China. Given the great unmet medical need of safe and effective AD treatments in Greater China and the advanced development stage of varoglutamstat (PQ912) in Europe and the U.S., enabling initiation of clinical development in Greater China is considered to be the primary rationale underlying the agreement. The above-mentioned first milestone payment is based on the initiation of the first human clinical trial of varoglutamstat in mainland China.
- Simcere is fully committed to achieve this milestone and has advanced clinical development planning significantly, since February 28, 2022, when Simcere received a clinical trial application approval for varoglutamstat (SIM0408, PQ912) in Greater China from China's Center for Drug Evaluation (CDE) of National Medical Products Administration (NMPA).
- Preparations to have a China study integrated into VIVA-MIND phase 2b clinical study (HY1 2024) are well advanced. A successful phase 1 clinical trial is a prerequisite for Simcere`s participation.
- If Simcere misses the start of the VIVA-MIND phase 2b, it will lose considerable time and money in organizing its own clinical trials to achieve market approval in Greater China. Given the limited patent term and in light of potential competition from other pharmaceutical companies, management believes that Simcere will do its utmost to start the trial in time. Management believes Q4-2023 is the latest possible date for a Chinese Phase 1 launch.
- For Simcere the steps to be taken prior to achieving the first milestone, which will follow standard procedures of low complexity.

For the reasons listed, management considers the achievement of the above mentioned varoglutamstat development milestone to be highly probable and has therefore not reversed the amount of revenue recognized related to the variable consideration in 2021 (EUR 3.4 million). So far Simcere has made its payments in a timely manner, the Company expects with a very high probability that the revenues for the first variable consideration (EUR 3.4 million) will not be reversed in future. The transaction price was re-assessed and confirmed at December 31, 2022.

Future revenues from this agreement cannot be realized in the annual financial statements, as they are contingent upon the achievement of certain development and sales milestones and significant reversal of related revenues are possible.

The Company’s revenue is derived solely from the regional licensing partnership for Greater China (Mainland China, Hong Kong, Macao and Taiwan):

in kEUR	**2022**	**2021**
Revenue		
Recognized at a point in time	—	10,764
Recognized over time	—	—
Total revenue from contracts with customers	—	**10,764**
Geographical information		
Greater China	—	10,764
Total revenue from contracts with customers	—	**10,764**

7.2 Cost of Sales

in kEUR	2022	2021
Cost of Sales		
Chinese WHT on license payments received	—	(1,081)
Intermediary fee	—	(488)
Total Cost of Sales	**—**	**(1,569)**

The Chinese government claims 10 % WHT on the Company`s license payments under the Simcere contract. In line with IAS 12 such WHT payments in China in 2021 were recognized as an expense under 'Cost of Sales' and not as an income tax expense.

Furthermore, the Company had engaged an intermediary to conclude the regional licensing partnership. The intermediary received 5 % commission on license and milestone payments after the Company had received such payments from the Licensee. This commission is included in cost of sales in the period when related revenues are recognized.

7.3 Research and development expenses

in kEUR	2022	2021
Research and development expenses		
Third-party research and development services	(16,751)	(14,294)
thereof manufacturing	*(7,579)*	*(6,049)*
thereof clinical research and development activities	*(7,090)*	*(6,055)*
thereof pre-clinical research and development activities	*(2,009)*	*(1,861)*
thereof other research and development activities	*(73)*	*(329)*
Personnel expenses	(2,165)	(2,066)
thereof share-based payment expenses	*(923)*	*(878)*
Patent-, legal and consulting fees	(1,090)	(947)
Other expenses	(218)	(145)
Total	**(20,224)**	**(17,452)**

Research and development expenses increased by EUR 2.8 million to EUR 20.2 million in the year ended December 31, 2022, compared to EUR 17.5 million in the year ended December 31, 2021. Third-party research and development services increased by EUR 2.5 million mainly because of EUR 1.5 million higher manufacturing cost following the Company`s risk mitigation strategy in establishing a second source for study drug supply and higher clinical costs of EUR 1.0 million mainly due to the progress of the phase 2b clinical trial VIVIAD. Other expenses increased by EUR 0.1 million as a result of higher traveling costs.

7.4 General and administrative expenses

in kEUR	2022	2021
General and administrative expenses		
Personnel expenses	(2,644)	(1,867)
thereof share-based payment expenses	*(1,622)*	*(885)*
Capital raising costs	(2,633)	—
Legal and consulting fees	(1,757)	(1,917)
Compensation expense for Non-Executive Directors	(1,239)	(200)
thereof share-based payment expenses	*(943)*	—
Office and facility expenses	(248)	(243)
Depreciation and amortization expenses	(127)	(128)
Other expenses	(260)	(194)
Total	**(8,908)**	**(4,549)**

General and administrative expenses were EUR 8.9 million in 2022, compared to EUR 4.5 million in 2021. The increase of EUR 4.4 million was largely attributable to expensed capital raising costs with EUR 2.6 million and EUR 1.7 million higher expenses for share based payments. All costs for legal and consulting services deferred and

capitalized in 2021 and 2022 in connection with preparation of a US listing were expensed, as a completion under acceptable terms was not expected anymore given the significant decline of capital markets in 2022.

7.5 Employee benefit expenses

in kEUR	2022	2021
Employee benefit expenses		
Wages and salaries	(2,066)	(1,964)
Social Security contributions (employer's share)	(198)	(205)
Equity settled share-based payments	(2,545)	(1,763)
Total	**(4,809)**	**(3,932)**

During the 2022 financial year the number employees amounted to 17 (2021: 17). All employees were employed outside the Netherlands.

in FTE	2022	2021
Full time equivalents (FTE)		
Management	3	3
Research & Development	7	7
General & Administrative	5	5
Total	**15**	**15**

7.6 Finance result

in kEUR	2022	2021
Finance income		
Foreign exchange income	1,614	920
Reversed expected credit loss allowance	54	—
Reversed impairments on financial assets	—	26
Interest income	42	21
Total	**1,710**	**967**
Finance expenses		
Foreign exchange expense	(920)	(166)
Interest expenses	(24)	(24)
Impairments on financial assets	(8)	(102)
Allowance for expected credit loss	—	(100)
Total	**(952)**	**(392)**
Finance result	**758**	**575**

Foreign exchange income and expense is mainly derived from the translation of USD denominated receivables and liabilities resulting from the licensing partnership with Simcere (7.1, 8.7) and U.S. Dollar cash held by the Company (8.10).

Interest income results from the Company`s U.S. Dollar and EUR term deposits and distributions from a money market funds.

The expected credit loss allowances (2022: EUR 42 thousands, 2021: EUR 96 thousands) were deducted from receivables from the license deal (7.1, 8.8). The remaining receivable has a term of 12 months on December 31, 2022, the Company determines the exposure to credit default using customer specific default probabilities from S&P Capital IQ databases.

Interest expenses in 2022 as well as in 2021 comprise interest expense from pensions and leasing.

7.7 Income taxes

Income taxes comprise current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive loss. On December 31, 2022, Vivoryon had corporate income tax loss carry forwards of EUR 199.0 million (2021: EUR 173.6 million) and trade tax loss carry forwards of EUR 198.8 million (2021: 173.4 million). The tax losses can be carried forward for an unlimited time. The annual loss offset is limited to EUR 1 million, above this amount only 60 % of the remaining loss carryforwards can be offset. Due to the Company`s current losses and loss carry forwards no current taxes were recognized in 2022 and 2021.

For the determination of deferred taxes, German tax rates were applied as the Company is taxable in Germany only, no taxable activities in the Netherlands occurred. 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 2022 and 2021.

in kEUR	**2022**	**2021**
Income tax reconciliation		
Loss before income tax	(28,355)	(12,223)
Income tax rate	31.58 %	31.58 %
Expected tax benefits based on statutory rate	**8,953**	**3,860**
Tax losses not recognized	(7,768)	(3,488)
Non-deductible expenses/non-taxable income	(963)	(158)
Non-deductible FX-gains/ (losses)	(23)	218
Reported income tax gains/ (losses)	**199**	**(432)**

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

Differences that would result in deferred tax assets or liabilities are listed below:

in mEUR	**2022**	**2021**
Deferred tax assets result from		
lease liabilities	0.0	0.1
pension liabilities	0.1	0.2
loss carry forwards	0.7	1.0
Deferred tax liabilities result from		
right-of-use-assets	0.0	0.1
receivable from the first development milestone of the Simcere licensing deal	1.0	0.9
capitalized capital raising costs	—	0.5
FX-gains	0.0	0.2

Although the Company has significant tax loss carryforwards, IAS 12 defines very narrow limits for the recognition of deferred tax assets from tax loss carryforwards. IAS12 does not permit deferred tax assets to be recognized just to offset deferred tax liabilities. Therefore in a first step the Company determined the amount that deferred tax assets are exceeded by deferred tax liabilities, before loss carryforwards are considered. In a second step these deferred tax assets from loss carryforwards were assessed in accordance with applicable tax law. Since German tax law limits the annual amounts to be offset per year as described above, the deferred tax assets are only recognized in the amount of EUR 0.7 million and not in the amount of EUR 0.9 million. The result is an excess of deferred tax liabilities of EUR 0.2 million (2021: EUR 0.4 million). The EUR 0.2 million change in deferred tax liabilities in 2022 was disclosed as tax expense in 2022 (2021: EUR 0.4 million).

8 Material items from Statements of Financial Position

8.1 Property, plant equipment

in kEUR	Hardware	Other PP&E	Total
Acquisition costs			
Balance at January 1, 2021	**178**	**465**	**643**
Additions	**20**	—	20
Disposals	(87)	(315)	(402)
Balance at December 31, 2021	**111**	**150**	**261**
Additions	4	7	11
Disposals	—	—	—
Balance at December 31, 2022	**115**	**157**	**272**
Depreciation			
Balance at January 1, 2021	**(107)**	**(456)**	**(563)**
Additions	(30)	(3)	(33)
Disposals	86	315	401
Balance at December 31, 2021	**(51)**	**(144)**	**(195)**
Additions	(26)	(2)	(28)
Disposals	—	—	—
Balance at December 31, 2022	**(77)**	**(146)**	**(223)**
Balance at December 31, 2021	**60**	**6**	**66**
Balance at December 31, 2022	**38**	**11**	**49**

Other PP&E merely consists of IT hardware and office/laboratory equipment.

8.2 Intangible assets

in kEUR	Patents	Other intangible assets	Total
Acquisition costs			
Balance at January 1, 2021	**550**	**410**	**960**
Additions	—	8	8
Disposals	—	(356)	(356)
Balance at December 31, 2021	**550**	**62**	**612**
Additions	—	2	2
Disposals	—	—	—
Balance at December 31, 2022	**550**	**64**	**614**
Amortization			
Balance at January 1, 2021	**(23)**	**(372)**	**(395)**
Additions	(30)	(9)	(39)
Disposals	—	335	335
Balance at December 31, 2021	**(53)**	**(26)**	**(79)**
Additions	(31)	(10)	(41)
Disposals	—	—	—
Balance at December 31, 2022	**(84)**	**(36)**	**(120)**
Balance at December 31, 2021	**497**	**36**	**533**
Balance at December 31, 2022	**466**	**28**	**494**

On April 7, 2020, Vivoryon acquired IP-rights related to Meprin Substrates from Fraunhofer Gesellschaft/ Institute for Cell Therapy and Immunology (IZI) in the amount of net EUR 550 thousands. The remaining term for the patents is about 15 years (remaining amortization period).

8.3 Right-of-use assets

in kEUR	Buildings	IT assets	Total
Acquisition costs			
Balance at January 1, 2021	**457**	**5**	**462**
Additions	—	—	—
Disposals	—	—	—
Balance at December 31, 2021	**457**	**5**	**462**
Additions	—	—	—
Disposals	—	(5)	(5)
Balance at December 31, 2022	**457**	**—**	**457**
Accumulated depreciation			
Balance at January 1, 2021	**(147)**	**(5)**	**(152)**
Additions	(91)	—	(91)
Disposals	—	—	—
Balance at December 31, 2021	**(238)**	**(5)**	**(243)**
Additions	(92)	—	(92)
Disposals	—	5	5
Balance at December 31, 2022	**(330)**	**—**	**(330)**
Net balance at December 31, 2021	**219**	**—**	**219**
Net balance at December 31, 2022	**127**	**—**	**127**

Buildings RoU assets consists of non-cancellable lease agreements mainly relating to the Company`s leases of office space in Halle (Saale) and München (Germany).

8.4 Expenses in connection with leases

in kEUR	2022	2021
Expenses in connection with leases		
Depreciation of RoU assets	(91)	(91)
Interest expense on lease liabilities	(4)	(6)
Leases of low-value assets	(3)	(1)
Total	**(98)**	**(98)**

8.5 Depreciation and Amortization

in kEUR	2022	2021
Expenses for depreciation and amortization		
Amortization of intangible assets	(41)	(40)
Depreciation of PP&E	(28)	(34)
Depreciation of RoU assets	(92)	(91)
Total	**(161)**	**(165)**

Depreciation of PP&E and RoU assets and amortization of intangible assets is included in the statements of operations and comprehensive loss within research and development expenses and general and administrative expenses.

8.6 Lease liabilities

Lease obligations consist of payments under non-cancellable lease agreements relating to the Company`s leases of office space in Halle (Saale) and München (Germany). In 2022 the Company had total cash outflows for leases of EUR 92 thousands (2021: EUR 90 thousands). Set out below, are the carrying amounts and the movements of the Company's lease liabilities:

in kEUR	2022	2021
Lease liabilities		
Balance at January 1	**225**	**315**
Additions	—	—
Repayments	(96)	(96)
Interest	4	6
Balance at December 31	**133**	**225**
thereof long-term lease liabilities	*39*	*133*
thereof short-term lease liabilities	*94*	*92*

8.7 Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of December 31, 2022, and December 31, 2021:

in kEUR	December 31, 2022	December 31, 2021
Contract balances		
Receivables included in 'Financial asset'		
Receivable from first development milestone, non-current	—	3,532
ECL allowance, non-current	—	*(73)*
Receivable from first development milestone, current	3,751	—
Receivable from unavoidable license payment, current	—	3,090
ECL allowance, current	*(42)*	*(23)*
Total receivables included in 'Financial assets'	**3,751**	**6,622**
Total receivables included in 'Financial assets' after ECL allowance	*3,709*	*6,526*
Contract assets, which are included in 'Financial assets, current'	—	—
Contract liabilities which are included in 'Other liabilities, current'	—	—

The contract assets are disclosed when the Company has rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional.

For the year ending December 31, 2021, the Company recognized unavoidable license payments and variable consideration for the first development milestone under receivables. The receivables related to the unavoidable license payments were paid until April 2022. The receivable from the first development milestone is contractually not due before April 30, 2023. As payment is currently expected until December 31, 2023, the receivable was reclassified to current financial assets during the year ended December 31, 2022.

The contract liabilities would primarily relate to performance obligations of the company not yet fulfilled. The company did not disclose any amounts in contract liabilities at the beginning of the period that have been recognized as revenue subsequently. Furthermore, the amount of revenue recognized in the year ended December 31, 2022, from performance obligations satisfied in this period is nil (2021: EUR 10,764 thousands).

8.8 Financial assets

in kEUR	December 31, 2022	December 31, 2021
Financial assets, non-current		
Receivable after ECL allowance	—	3,459
Other non-current financial assets	14	14
	14	**3,473**
Financial assets, current		
Receivable after ECL allowance	3,709	3,067
Other current financial assets	7	7
	3,716	**3,074**

A last receivable related to the unavoidable license payment was paid in April 2022 (EUR 3.1 million). As of December 31, 2022, a receivable, already recognized in September 2021, from a variable consideration in the amount of EUR 3.8 million (USD 4.0 million) was not due yet. The receivable was reclassified to current financial assets in 2022 (8.7). Expected credit loss allowances (December 31, 2022: EUR 42 thousands, December 31, 2021: EUR 96 thousands) were deducted from receivables.

8.9 Other assets and prepayments

in kEUR	December 31, 2022	December 31, 2021
Other current assets and prepayments		
Value-added tax receivables	248	281
Prepayments	167	320
Other taxes	8	12
Capital raising costs	—	1,881
Total	**423**	**2,494**

Current VAT tax assets as of December 31, 2022, include regular tax reclaims from incoming invoices.

As of December 31, 2022 the prepayments include advance payments for a number of general and administrative service providers such as IT, investor relations or insurance services (2022: EUR 167 thousands, 2021: EUR 141 thousands). Due to advancing services there were no prepayments as of December 31, 2022 to our clinical research organizations, who are conducting our Alzheimer's Disease clinical trials (2021: EUR 179 thousands).

Capital raising costs capitalized in 2021 have been expensed in the year ended December 31, 2022 (see 7.4).

8.10 Cash and cash equivalents

in kEUR	December 31, 2022	December 31, 2021
Cash and cash equivalents		
Cash equivalents		
Money market funds	—	861
Total	—	**861**
Cash at banks		
Cash held in U.S. Dollars	4,653	7,274
Cash held in Euro	21,902	6,526
Total	**26,555**	**13,800**
Total cash and cash equivalents	**26,555**	**14,661**

The banks (Deutsche Bank, Landesbank Baden Württemberg and Commerzbank) are all investment graded (BBB or better; S&P).

8.11 Equity

The authorized share capital (*maatschappelijk kapitaal*) amounts to EUR 60,000,000, divided into 60,000,000 common shares, each with a nominal value of EUR 1.00, numbered 1 through 60,000,000. As of December 31, 2022, the Company`s issued capital comprised 24,105,278 registered no par common shares (as of December 31, 2021: 20,050,482). The nominal amount per share is EUR 1.00. All shares are fully paid up.

	2022	2021
Shares outstanding on January 1	**20,050,482**	**19,975,482**
Issuance of common shares	4,054,796	—
Shares issued as a result of the exercise of share options (8.12)	—	75,000
Shares outstanding on December 31	**24,105,278**	**20,050,482**

On April 1, 2022 the Company completed a private placement by way of accelerated book building, placing 2,000,000 registered shares at an offering price of EUR 10.50 per share, of which 133,331 new shares have been directly subscribed by Executive Board members (4,761 shares) and Non-Executive Board members (128,570 shares). The new shares have been issued from the Company's authorized capital under exclusion of the existing shareholders' pre-emptive rights. The gross proceeds of the offering amount to EUR 21.0 million.

On September 30, 2022, the Company entered into a private placement of 2,054,796 registered shares at an offering price of EUR 7.30 per share. The new shares were issued from the Company's authorized capital under exclusion of the existing shareholders' pre-emptive rights. The Company's issued share capital increased to EUR

24,105,278 on completion of the private placement as of October 7, 2022. In addition, the investors have the option to purchase, in aggregate, up to another 2,054,796 registered shares at a price of EUR 7.30 during a period ending twelve months after November 18, 2022, or three months after the achievement date of a defined clinical milestone, whichever is later. The gross proceeds of the private placement amount to EUR 15.0 million, and up to an additional EUR 15.0 million if the option to purchase the additional shares is exercised in full.

8.11.1 Accumulated other comprehensive income/(loss)

The accumulated other comprehensive income/(loss) (OCI) amounts to EUR (180) thousands as of December 31, 2022 (December 31, 2021 EUR (572) thousands). The OCI solely consists of annual remeasurements of the net defined benefit pension liability.

8.11.2 Loss per share

As of December 31, 2022, the Company's issue capital consisted of 24,105,278 common shares (December 31, 2021: 20,050,482). All common shares are registered with no par value common shares. The calculated nominal amount per share is EUR 1.00. The net loss for the period amounted to EUR 28,156 thousands in the financial year 2022 (2021: net loss of EUR 12,655 thousands). The loss per share was calculated as follows:

Loss per share calculation	**2022**	**2021**
Weighted average number of common shares outstanding	22,019,557	20,000,014
Loss for the period (in kEUR)	(28,156)	(12,655)
Loss per share (basic/diluted) in Euro	**(1.28)**	**(0.63)**

As of December 31, 2022, and 2021, no items had a dilutive effect. The Company is loss making and therefore any dilutive additional shares, e.g., share options, were excluded from the diluted weighted average of common shares calculation because their effect would have been anti-dilutive.

8.12 Share based payments

2014 Share Option Program

Under the 2014 Share Option Program ("2014 Plan") the Company granted rights to purchase common shares of Probiodrug AG ("Probiodrug"), the Company`s former name, to certain members of the management board (as was installed at that time) and employees of Probiodrug. Under this share option program options were issued in the years 2014 to 2017. Since December 31, 2017, no new grants could be issued under the 2014 Plan. In October 2022 239,501 share options granted under the 2014 Plan have expired, thus 92,874 share options are still outstanding and exercisable under the 2014 Plan.

2020 Share Option Program

The Company further established a new share option program on September 13, 2019 (amended on December 4, 2020) ("2020 Plan"), with the purpose of promoting the long-term loyalty of the beneficiaries to the Company. The 2020 Plan governed issuances of share options to employees and members of the board. The maximum number of common shares available for issuance under option awards granted pursuant to the 2020 Plan equaled 615,000 options. As of December 31, 2022, no new grants could be issued under the 2020 Plan. The number of share options granted during the year ended December 31, 2022, under the 2020 Plan was as follows:

Share options granted in 2022	**Number**	**Fair value per option**	**Share price at grant date / Exercise price**	**Expected volatility of Company`s share**	**Risk-free rate**
July 1	141,450	EUR 4.11	EUR 7.57/8.45	65 %	1.26 %

None of the share options granted in the year ended December 31, 2022, under the Plan 2020 were granted to members of the Board. Lifetime of the options was estimated with a minimum of 3 years with an early exercise when the share reaches a value of 150 % of the exercise price. Expected dividends are nil for all share options listed above.

2021 Equity Incentive Plan

The Company established an omnibus equity incentive plan on June 28, 2021 (the "2021 Plan") governing the issuance of equity incentive awards to enhance our ability to attract, retain and motivate key employees. The initial maximum number of common shares available for issuance under equity incentive awards granted pursuant to the 2021 Plan equals 2,000,000 common shares. On January 1, 2024 and on January 1 of each calendar year thereafter,

an additional number of common shares equal to 3 % of the total outstanding amount of common shares on December 31 of the immediately preceding year (or any lower number of common shares as determined by the board of directors) will become available for issuance under equity incentive awards granted pursuant to the 2021 Plan. The plan is administered by the Compensation Committee, the committee determines designated Participants, number of shares to be covered as well as the terms and conditions of any award. The number of share options granted during the year ended December 31, 2022 under the 2021 Plan was as follows:

Share options granted in 2022	Number	Fair value per option	Share price at grant date / Exercise price	Expected volatility of Company`s share	Risk-free rate
April 25	625,000	EUR 4.71	EUR 9.39	60 %	0.87 %
June 22	600,000	EUR 3.96	EUR 7.42	65 %	1.70 %
December 9	80,000	EUR 5.82	EUR 10.88	65 %	1.86 %
	1,305,000				

All 1,305,000 options granted in the year ended December 31, 2022, were granted to members of the Board. Lifetime of the options was estimated with a minimum of 3 years with an early exercise when the share reaches a value of 150 % of the exercise price. Expected dividends are nil for all share options listed above.

Key terms and conditions of equity incentive plans

The key terms and conditions related to the grants under the share option programs 2021, 2020 and 2014 are as follows; all options are to be settled by the physical delivery of shares. The fair value of the options granted has been measured using the binomial model since 2022, grants before 2022 were measured with the Monte-Carlo simulation model. Service and non-market performance conditions attached to the option programs are not taken into account in measuring fair value.

Beneficiaries	Options available	Options outstanding	Vesting conditions	Option term
Plan 2021				
Granted to executive and non-executive board members	695,000	1,305,000	Graded vesting*	10 years, exercisable after a tranche has vested
Plan 2020				
Granted to executive board members	—	473,550	Graded vesting over 3-year period (33,3 % each after 1rst, second and third year)	8 years, not exercisable before lapse of 4 years
Granted to employees	—	141,450	Graded vesting over 3-year period (33,3 % each after first, second and third year)	8 years, not exercisable before lapse of 4 years
Plan 2014				
Granted to employees	—	92,874	All outstanding options are fully vested	8 years, all outstanding options are exercisable
Total	**695,000**	**2,012,874**		

* The vesting of the share option grants in 2022 deviate. One grant from April 25 for 100,000 share options vests over approximately two years until April 1, 2024, all other grants over a period of three years. Typically, one third of the options vest after the first year, the rest vests on a monthly basis over the remaining two years. There is one deviation from this for three grants made on June 22 for 90,000 share options each. These three have a vesting of 51,000 share options already in the first year, the rest then in equal monthly installments over the remaining two years.

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

	2022		2021	
	Number of options	WAEP* EUR	Number of options	WAEP* EUR
Outstanding on January 1	**805,925**	**11.46**	**880,925**	**11.79**
Exercised during the year	—	—	(75,000)	15.25
Expired during the year	(239,501)	18.90	—	—
Granted during the year	1,446,450	8.56	—	—
Outstanding on December 31	**2,012,874**	**8.49**	**805,925**	**11.46**
Exercisable on December 31	149,098	15.77	332,375	19.11

* Weighted average exercise price (WAEP)

In the year ended December 31, 2022, no shares were issued following the exercise of share options. In the year ended December 31, 2021 75,000 share options were issued upon the exercise of share options under the 2014 Plan, resulting in EUR 1,144 thousands proceeds to the Company.

The share options outstanding at December 31, 2022 had an exercise price in the range of EUR 6.10 to EUR 20.79 (December 31, 2021: EUR 6.10 to EUR 23.60) and a weighted-average contractual life of 8.0 years (December 31, 2021: 4.5 years). According to the terms and conditions of the share option programs, exercise is not possible during specified blackout periods and for share options under the Plan 2014 subject to a performance criterion concerning the average share price of Vivoryon shares during the twenty days before exercise.

In 2022 for option rights not yet vested the total expense recognized for the share option program 2014 amounted to nil (2021: nil), for the share option program 2020 to EUR 979 thousands (2021: EUR 1,763 thousands) and for the share option program 2021 to EUR 2,509 thousands (2021: nil). These amounts were credited to other capital reserves.

8.13 Pension liabilities

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

The amount of the defined benefit obligation (actuarial present value of the accrued pension entitlements) is determined based on actuarial methodologies which require the use of estimates. The calculation was based on the Heubeck 2018 G mortality tables. In 2022 and subsequent years, there will be no further contributions to the plan.

The measurement of the pension benefits is based on a discount rate of 3.91 % in the year ended December 31, 2022, respectively 1.03 % in the year ended December 31, 2021.

in kEUR	2022	2021
As of January, 1	**1,631**	**1,783**
Interest expense / (income)	16	9
Benefit payments	(78)	(78)
Actuarial (gains) / losses		
Change in financial assumptions	(419)	(98)
Experience adjustments	27	15
As of December 31,	**1,177**	**1,631**

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

- Interest rate (0.5) %: Increase of the DBO by EUR 59 thousands (December 31, 2021: EUR 102 thousands)
- Interest rate 0.5 %: Decrease of the DBO by EUR 55 thousands (December 31, 2021: EUR 93 thousands)

In the reporting period, interest expenses in the amount of EUR 16 thousands (2021: EUR 9 thousands) associated with defined benefit obligations were recognized in the statements of operations and comprehensive loss.

The weighted average duration of the pension commitments is 10.0 years (December 2021: 12.3 years).

8.14 Pension liabilities — pension commitment using the provident fund

Vivoryon has further obligations from a granted and vested pension commitment for a former board member in the context of a provident fund in the amount of EUR 14 thousands annually until 2035. This pension liability was calculated using a discount rate of 3.78 % and amounts to EUR 146 thousands as of December 31, 2022 (December 31, 2021: 0.65 % and EUR 192 thousands).

8.15 Other current liabilities

in kEUR	December 31, 2022	December 31, 2021
Provision for WHT	375	328
Liabilities from employee benefits	190	182
Social charges, wage tax	57	51
Other liabilities	6	3
Total	**628**	**564**

9 Other disclosures

9.1 Disclosures on financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

in kEUR	FVTPL	Financial assets at amortized cost	level 1	level 2	level 3
	carrying amount		fair value		
December 31, 2021					
Other non-current financial assets	—	3,473	—	—	—
Other current financial assets	—	3,074	—	—	—
Cash and cash equivalents	—	14,661	—	—	—
Other non-current financial liabilities	—	159	—	—	—
Trade payables	—	4,360	—	—	—
Other current financial liabilities	—	3	—	—	—
December 31, 2022					
Other non-current financial assets	—	14	—	—	—
Other current financial assets	—	3,716	—	—	—
Cash and cash equivalents	—	26,555	—	—	—
Trade payables	—	2,543	—	—	—
Other current financial liabilities	—	5	—	—	—

Financial assets mainly have decreased as one of the receivables from a licensing deal (8.8) has become due in 2022. As of December 31, the fair value of current and non-current financial assets is estimated with the carrying amount. The expected credit loss allowances (2022: EUR 42 thousands, 2021: EUR 96 thousands) were deducted from the licensing receivable (7.6).

Trade payables decreased to EUR 2,543 thousands as of December 31, 2022, from EUR 4,360 thousands as of December 31, 2021 as a higher volume of services had been paid as of the cut-off date.

9.2 Contingencies and other financial commitments

The Company enters contracts in the normal course of business with CROs and clinical sites for the conduct of clinical trials, professional consultants for expert advice and other vendors for clinical supply manufacturing or other services. Total contractual obligations as of December 31, 2022, were EUR 3.284 thousands and comprised

research and development services as well as of consulting services (2021: EUR 3.449 thousands). Out of these commitments, EUR 3.162 thousands are due within one year (2021: EUR 3.360 thousands).

Beginning of 2021 few shareholders of Vivoryon applied for court procedures verifying the adequacy of our indemnity offer and of the compensation offered to all shareholders who opposed in November 2020 to the change of legal form into a Dutch N.V. As of the reporting date the court did not decide on the acceptance of such a law mediation procedure.

9.3 Related party relationships

Related parties

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

- Executive members of the board of directors of the Company or a shareholder of the Company
- Non-executive members of the board of directors

Transactions with key management personnel

The total compensation granted to executive board members for the year is EUR 3,305 thousands (2021: EUR 2,615 thousands), and is specified below on an individual level. The amount of EUR 164 thousands for annual performance-based compensation wasn´t paid to Executive Board Members in 2022 but accrued (2021: EUR 159 thousands).

	Ulrich Dauer, PhD CEO		Michael Schaeffer, PhD, CBO		Florian Schmid, CFO, since Apr 1, 2021	
kEUR	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Fixed compensation	290	273	250	240	215	154
Health insurance contribution	5	5	5	5	5	4
Direct insurance	–	–	5	5	–	–
Total fixed compensation	**295**	**278**	**260**	**250**	**220**	**158**
Annual performance-based compensation	78	78	55	54	31	27
Total variable compensation	**78**	**78**	**55**	**54**	**31**	**27**
Share-based compensation	**910**	**885**	**745**	**885**	**711**	**–**
Total compensation	**1,283**	**1,241**	**1,060**	**1,189**	**962**	**185**

For the financial year 2022, the non-executive board members were entitled to the following fixed remuneration (base compensation and participation in committees).

in kEUR	**2022**	**2021**
Compensation		
Erich Platzer, MD, PhD	222	61
Dinnies von der Osten, PhD	199	45
Charlotte Lohmann	210	47
Jörg Neermann, PhD	210	47
Claudia Riedl, PhD	156	—
Samir Shah, MD	242	—
Total	**1,239**	**200**

The increase in compensation in 2022 results mainly from share-based payment expenses (2022: EUR 943 thousands, 2021: nil). The outstanding balances towards our non-executive board members amounted to EUR 16 thousands as of December 31, 2022, respectively EUR 200 thousands as of December 31, 2021. Since 2022 the compensation is paid quarterly at the end of a quarter. Until 2021 it was contractually agreed that the renumeration of non-executive board members had to be paid until January 31 of the following year.

9.4 Auditor´s fee

The following fees were charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Dutch Civil Code.

In kEUR	**KPMG Accountants N.V.**
2021	
Statutory audit of the financial statements	175
Audit of the financial statements according to the PCAOB auditing standards	1,211
- re-audit 2019/2020	*427*
- audit 2022	*364*
Other non-audit service	420
- interim review HY1 and Q3	*192*
- review form F-1	*228*
Total	**1,386**
2022	
Statutory audit of the financial statements	172
Other non-audit services	224
- interim review HY1	135
- review form F-1	27
- review EU recovery prospectus	62
Total	**396**

The fees mentioned in the table for the audit of the financial statements 2022 (2021) relate to the total fees for the audit of the financial statements 2022 (2021), irrespective of whether the activities have been performed during the financial year 2022 (2021). In 2022 and 2021 no services were performed by KPMG that related to tax and other non-audit services. KPMG Accountants N.V. was re-appointed as auditor for 2022 by resolution of the annual general meeting of Vivoryon Therapeutics N.V. on June 22, 2022.

9.5 Subsequent events

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

Signature page to the annual report of Vivoryon Therapeutics N.V. for the financial year ended December 31, 2022.

By signing this signature page, the annual report of Vivoryon Therapeutics N.V. for the financial year ended December 31, 2022, is approved.

_____	_____	_____
Ulrich Dauer, PhD	Florian Schmid	Michael Schaeffer, PhD
_____	_____	_____
Erich Platzer, MD, PhD	Dinnies von der Osten, PhD	Charlotte Lohmann
_____	_____	_____
Claudia Riedl, PhD	Jörg Neermann, PhD	Samir Shah, MD

4 Other Information

Provisions in the Articles of Association governing the profit appropriation
Under article 26 of the Company's Articles of Association, the Board shall determine the amount of the profits accrued in a financial year that shall be added to the reserves of the Company. The allocation of the remaining profits shall be determined by the General Meeting. The Board shall make a proposal for that purpose.

Independent auditor`s Report

The independent auditor's report is set forth on the following pages.

Independent auditor's report

To: the General Meeting of the Board of Directors of Vivoryon Therapeutics N.V.

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Vivoryon Therapeutics N.V. as at December 31, 2022 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2022 of Vivoryon Therapeutics N.V. (the 'Company') based in Amsterdam, The Netherlands.

The financial statements comprise:

1 the statement of financial position as at December 31, 2022;

2 the following statements for 2022: statement of operations and comprehensive loss, changes in shareholders' equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

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

We are independent of Vivoryon Therapeutics N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in respect of going concern, fraud and non-compliance with laws and regulations, climate and the key audit matters was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

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

Material uncertainty related to going concern

We draw attention to Note 3 Going concern in the notes of the annual financial statements, which indicates that the Company has suffered recurring losses from operations, a shortage of available cash, no readily available financing, growing accumulated deficit, and expectations to have significant operating losses for the foreseeable future.

The going concern of the Company is dependent on the ability to raise additional funds to finance its operations and success with the clinical trial results together with subsequent commercialization of the approved product candidates.

These conditions indicate the existence of a material uncertainty that may cast significant doubt on the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In order to determine that there is no situation of inevitable discontinuity and conclude on the adequacy of the going concern related disclosure, we have performed, inter alia, the following procedures:

— we compared the management board's considerations on going concern risks with our own views;

— we evaluated the plausibility of cash flow forecasts by way of testing earlier assumptions against historical realizations;

— we evaluated the plausibility of assumptions relating to the forecasted available future cash flows from operating, financing, divestment and investment activities;

— we compared the management board's analysis with our evaluation of any reasonably possible scenarios arising from the uncertainties related to the ability to attract additional funds and finance its operation such as

  a. raising capital in Europe through exercised options by the inventors that participated in the private placement during October 2022 or issuance of new shares up to 20% of the Company's share capital within 12 months;

  b. issuance of convertible notes with potential investors;

  c. consideration for potential licensing or partnerships of the Company's pipeline products;

— we inspected documents supporting that continuity is possible, such as contracts, waivers and underlying calculations and correspondence with finance providers and other relevant parties;

— we tested the disclosure in Note 3 Going concern of the financial statements against the findings of our procedures on the management board's going concern assessment and the reporting framework requirements;

We find that the management board's assumptions and the above mentioned disclosure are acceptable.

Information in support of our opinion

Summary

Materiality
• Materiality of EUR 600K • 2.12% of loss before tax from continuing operations

Fraud/Noclar, Going concern and Climate related risks
• Fraud & Non-compliance with laws and regulations (Noclar) related risks: presumed risk of management override of controls identified • Going concern related risks: material uncertainty • Climate related risks: We have considered the impact of climate-related risks on the financial statements and described our approach and observations in the section 'Audit response to climate-related risks'.

Key audit matters
• IAS32 accounting for costs of US listing

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 600K (2021: EUR 400K). The materiality is determined with reference to loss before tax from continuing operations (2.12%). We consider loss before tax from continuing operations as the most appropriate benchmark based on our analysis of the common information needs of users of the financial statements and stakeholders of the Company. On this basis, and given the stage of the Company's research and development projects, we believe that loss before tax from continuing operations is the most relevant metric to determine materiality. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board Directors that misstatements identified during our audit in excess of EUR 30K would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Audit response to the risk of fraud and non-compliance with laws and regulations

In chapter 1.6.1 Risks relating to the Company's business, industry and operations of the annual report, the management board describes its procedures in respect of the risk of fraud and non-compliance with laws and regulations.

As part of our audit, we have gained insights into the Company and its business environment, and assessed the design and implementation of the Company's risk management in relation to fraud and non-compliance. Our procedures included, among other things, assessing the Company's code of conduct, whistleblowing procedures, incidents register and its procedures to investigate indications of possible fraud and non-compliance. Furthermore, we performed relevant inquiries with management, those charged with governance and other relevant functions, such as Finance Department. As part of our audit procedures, we:

- assessed other positions held by management board members and/or other employees and paid special attention to procedures and governance/compliance in view of possible conflicts of interest;
- evaluated legal confirmation letters.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the Company and identified the following areas as those most likely to have a material effect on the financial statements:

- pharmaceutical and intellectual property laws and regulations (reflecting the Company's requirement to follow regulatory approval processes of the FDA, EMA and other Competent Authorities).

We evaluated the fraud and non-compliance risk factors to consider whether those factors indicate a risk of material misstatement in the financial statements.

Further, we assessed the presumed fraud risk on revenue recognition as irrelevant, since the Company's sole source of income is derived from one single long-term agreement that did not generate any revenue for the reporting period. As a consequence, we did not identify an incentive nor pressure for the management board members to achieve certain results or specific finance income targets and there appears to be a limited perceived opportunity to commit fraud in this area.

Based on the above and on the auditing standards, we identified the following relevant presumed fraud risk laid down in the auditing standards, and responded as follows:

- **Management override of controls (a presumed risk)**

Risk:

- Management is in a unique position to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.

Responses:

- We evaluated the design and the implementation of internal controls that mitigate fraud and non-compliance risks, such as processes related to journal entries.
- We performed a data analysis of high-risk journal entries related to revenue and all expense accounts and evaluated key estimates and judgments for bias by the Company's management. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk, including testing of transactions back to source information.
- We evaluated the business rationale for significant transactions that are outside the normal course of business for the entity, or that otherwise appear to be unusual.
- We performed inquiries of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments.
- We incorporated elements of unpredictability in our audit, including: 1) bifurcating the timing of the audit to interim and final stages; 2) modifying the timing and extent of audit procedures over the research and development expenses.

Our evaluation of procedures performed related to fraud did not result in a key audit matter.

We communicated our risk assessment, audit responses and results to management and the Audit Committee.

Our audit procedures did not reveal indications and/or reasonable suspicion of fraud and non-compliance that are considered material for our audit.

Audit response to climate-related risks

The Company has set out its commitment relating to climate change in chapter 1.6.1.6 of the annual report. The Company communicated its commitments to address the increasing relevance of climate-related risk by planning to develop and implement an Environmental, Health, and Safety Policy to minimize the Company's carbon footprint.

Management has initially assessed, at a high level how climate-related risks could have a significant impact on its business or could impose the need to adapt its strategy and operations.

Management has considered the impact of physical and transition risks on the financial statements in accordance with EU-IFRS and concluded that climate-related risks are not material to the Company's 2022 financial statements. Management's assessment is based on the recommendations of Taskforce on Climate-related Financial Disclosures.

Management prepared the financial statements, including considering whether the implications from climate-related risks and commitments have been appropriately accounted for and disclosed. We performed a risk assessment of the impact of climate-related risks and the Company's climate change-related commitments on the financial statements. We particularly considered the potential impact on the going concern assumption. In doing this we performed the following:

- Understanding management's processes: we made interim and year end enquiries with Management, we inspected management/t's disclosure on climate risks and commitments in the annual report, meeting minutes of the Director's Board and budget forecasts to understand management's assessment against the background of the Company's business and operations of the potential impact of climate-related risk and opportunities on the company's annual report and financial statements and the company's preparedness for this.
- We have evaluated the existence of climate related fraud risk factors and none have been identified to be assessed as an event or condition that would indicate a risk of material misstatement in the financial statements.

Based on the procedures performed above:

- We found climate related risks have no material impact on the current financial statements under the requirements of EU-IFRS and no material impact on our key audit matters.
- We considered climate-related risk in the going concern analysis of the Company. We identified a material uncertainty related to going concern described in our auditor's report's risk of going concern paragraph. However, the identified triggers are not arising from climate-related risks.

Furthermore, we have read the 'Other information' with respect to climate-related risks as included in the annual report and considered the material consistency with the financial statements, our knowledge obtained through the audit, in particular as described above and our knowledge obtained otherwise.

Our key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Board of Directors. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this key audit matter.

Compared to last year, the key audit matter with respect to the variable consideration is not included, no revenue was recognised in the current financial year and we did not identify facts and circumstances that would indicate revenue recognition is necessary for other development milestones of the license agreement made in the prior year.

IAS32 accounting for costs of US listing

Description

As of 2021 year end Vivoryon Therapeutics N.V. recognized costs as a prepayment that are directly attributable to obtaining a secondary listing on the Nasdaq Global Market, the United States of America, by issuing new shares to fund the US Phase 2b clinical trial ('US listing').

During the reporting period, all capitalized costs for legal and consulting services incurred in 2021 in connection with the preparation of a US listing were expensed as completion of listing procedures under acceptable terms was not expected anymore in the foreseeable future.

Therefore the previously recorded prepayments were expensed in the 2022 financial statements. Determining the portion of legal and consulting services that cannot be used in a future US listing and the probability of a future US listing involves a high level of subjectivity and judgment in applying IAS 32 "Financial Instruments: Presentation".

Given the magnitude of the impairment, complex judgments, and the high level of subjectivity involved, we considered this a key audit matter for our audit. Further reference is made to Note 7.4 General and administrative expenses in the financial statements.

Our response

Our audit procedures performed to address this key audit matter included:

- We obtained an understanding of Management's accounting policy approach and assessed the appropriateness of it in compliance with IAS 32 "Financial Instruments: Presentation";
- We evaluated whether there were indications of possible management bias by inspecting Management's IAS 32 memorandum and performing inquiry with Management;
- We vouched expenses to supporting documents to verify they are directly attributable to secondary listing costs and the expense is recorded accurately;
- We evaluated the reasonableness of management's key judgments and estimates made in applying IAS 32 "Financial Instruments: Presentation";
- We evaluated the adequacy of related disclosures including the accounts impacted by this transaction.

Our observation

The results of our procedures performed were satisfactory and we consider the disclosure to be adequate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

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

- is consistent with the financial statements and does not contain material misstatements; and
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and other information.

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

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

Management of the Vivoryon Therapeutics N.V. is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements and ESEF

Engagement

We were engaged by the resolution of the Board of Directors as auditor of Vivoryon Therapeutics N.V. on June 6, 2022, as of the audit for the year 2022 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

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

Services rendered

For the period to which our statutory audit relates, in addition to this audit, we have provided the following services to the Vivoryon Therapeutics N.V.:

- Review procedures of the quarterly financial statements;
- Review of F-1 form fillings with the U.S. Securities and Exchange Commission;
- Review of the EU Recovery Prospectus;

European Single Electronic Format (ESEF)

Vivoryon Therapeutics N.V. has prepared its annual report in ESEF. The requirements for this are set out in the Delegated Regulation (EU) 2019/815 with regard to regulatory technical standards on the specification of a single electronic reporting format (hereinafter: the RTS on ESEF).

In our opinion the annual report prepared in XHTML format, including the financial statements of Vivoryon Therapeutics N.V., has been prepared in all material respects in accordance with the RTS on ESEF.

Management of the Vivoryon Therapeutics N.V. is responsible for preparing the annual financial report, including the financial statements, in accordance with the RTS on ESEF.

Our responsibility is to obtain reasonable assurance for our opinion whether the annual financial report is in accordance with the RTS on ESEF. We performed our examination in accordance with Dutch law, including Dutch Standard 3950N 'Assurance-opdrachten inzake het voldoen aan de criteria voor het opstellen van een digitaal verantwoordingsdocument' (assurance engagements relating to compliance with criteria for digital reporting). Our examination included amongst others:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report in XHTML- format;
- Identifying and assessing the risks that the annual report does not comply in all material respects with the RTS on ESEF and designing and performing further assurance procedures responsive to those risks to provide a basis for our opinion, including examining whether the annual financial report in XHTML-format is in accordance with the RTS on ESEF.

Description of responsibilities regarding the financial statements

Responsibilities of Management of Vivoryon Therapeutics N.V. for the financial statements

Management of Vivoryon Therapeutics N.V. is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, Management of the Company is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error. In that respect Management of the Company, under supervision of the Board of Directors, is responsible for the prevention and detection of fraud and non-compliance with laws and regulations, including determining measures to resolve the consequences of it and to prevent recurrence.

As part of the preparation of the financial statements, Management of Vivoryon Therapeutics N.V. is responsible for assessing Vivoryon Therapeutics N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, Management of the Company should prepare the financial statements using the going concern basis of accounting unless

Management of the Company either intends to liquidate Vivoryon Therapeutics N.V. or to cease operations, or has no realistic alternative but to do so. Management of Vivoryon Therapeutics N.V. should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Non-Executive directors is responsible for overseeing Vivoryon Therapeutics N.V.'s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

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

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

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at eng_oob_01.pdf (nba.nl). This description forms part of our auditor's report.

Amstelveen, April 19, 2023

KPMG Accountants N.V.

H.A.P.M. van Meel RA

Appendix:
Description of our responsibilities for the audit of the financial statements

Appendix

Description of our responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management of the Company;
- concluding on the appropriateness of Management of the Company's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We are solely responsible for the opinion and therefore responsible to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the financial statements. In this respect we are also responsible for directing, supervising and performing the group audit.

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

regarding statutory audits of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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