

Interim Financial
Statements as of
June 30, 2019 and
Interim Management
Report (HGB) of
Vivoryon Therapeutics AG
(until June 11, 2019 Probiodrug AG)

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Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019 Probiodrug AG)

Balance sheet as at June 30, 2019

Assets

	June 30, 2019		Dec 31, 2018	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
Rights, licences and software acquired for a consideration		5,811.52		6,657.76
II. Property, plant and equipment				
1. Buildings on third-party land	449.85		980.82	
2. Other equipment, operating and office equipment	53,270.32		54,453.44	
3. Advance payments	0.00	53,720.17	2,925.02	58,359.28
III. Financial assets				
Investments		3,450.00		3,450.00
		62,981.69		68,467.04
B. Current assets				
I. Receivables and other assets				
1. Receivables from affiliated companies	103,436.08		103,125.12	
2. Other assets	539,253.41	642,689.49	97,826.35	200,951.47
II. Cash and cash equivalents		7,895,449.05		3,680,017.08
		8,538,138.54		3,880,968.55
C. Prepaid expenses		494,566.93		98,439.78
		9,095,687.16		4,047,875.37

Equity and liabilities

	June 30, 2019	Dec 31, 2018
	EUR	EUR
A. Equity		
I. Share capital	12,301,376.00	8,208,009.00
– Contingent capital EUR 4,002,527.00 (PY: EUR 4,002,527.00) –		
II. Capital reserve	53,212,105.55	49,118,738.55
III. Revenue reserves		
Statutory reserve	227,625.00	227,625.00
IV. Accumulated deficit	-59,650,763.02	-56,011,748.65
	6,090,343.53	1,542,623.90
B. Provisions		
1. Provisions for pensions	1,549,043.72	1,540,634.00
2. Other provisions	369,394.95	382,605.04
	1,918,438.67	1,923,239.04
C. Liabilities		
1. Trade payables	1,007,617.32	507,353.33
2. Other liabilities	79,287.64	74,659.10
– thereof for taxes EUR 70,669.25 (PY: EUR 43,544.92) –		
	1,086,904.96	582,012.43
	9,095,687.16	4,047,875.37

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019 Probiodrug AG)

Income statement for the period from January 1 to June 30, 2019

	Jan 1 – Jun 30, 2019		Jan. 1 – Jun 30, 2018	
	EUR	EUR	EUR	EUR
1. Other operating income		22,008.17		27,295.48
2. Cost of materials				
a) Cost of raw materials, supplies and purchased goods	-3,443.81		-13,062.79	
b) Cost of purchased services	-960,510.72	-963,954.53	-1,095,214.37	-1,108,277.16
3. Personnel expenses				
a) Wages and salaries	-821,835.42		-1,210,205.36	
b) Social security, pension	-107,421.39	-929,256.81	-95,229.66	-1,305,435.02
– thereof for pensions: EUR 33,755.40 (PY: EUR 29,458.74) –				
4. Amortisation of intangible assets and depreciation of property, plant and equipment		-10,243.27		-12,170.53
5. Other operating expenses		-1,738,019.93		-1,676,396.39
6. Other interest and similar income		0.00		23,914.66
7. Interest and similar expenses		-19,548.00		-21,465.74
8. Earnings after taxes		-3,639,014.37		-4,072,534.70
9. Net loss for the year		-3,639,014.37		-4,072,534.70
10. Accumulated deficit brought forward		-56,011,748.65		-48,308,275.37
11. Accumulated deficit		-59,650,763.02		-52,380,810.07

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019 Probiodrug AG)

Statement of cash flows for the period from January 1 to June 30, 2019

	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
	EUR	EUR
Loss for the period	-3,639,014	-4,072,535
Transaction costs of equity transaction	523,175	0
Amortisation, depreciation and write-downs of fixed assets	10,243	12,171
Interest income	0	-23,915
Interest expenses	0	21,466
Increase (PY: decrease) in pension provisions	8,410	-13,350
Decrease in other provisions	-13,210	-165,087
Increase in receivables and other assets	-441,738	-77,737
Increase (PY: Decrease) in prepaid expenses	-396,127	56,432
Increase in trade payables	500,264	139,728
Increase in other liabilities	4,629	44,671
Cash flows from operating activities	-3,443,370	-4,078,157
Acquisition of property, plant and equipment	-4,758	-4,229
Proceeds from reinsurance policies relating to the pension provisions	0.00	475,792
Cash flows from investing activities	-4,758	471,563
Proceeds from share issuance	8,186,734	0
Transaction costs of equity transaction	-523,175	0
Cash flows from financing activities	7,663,559	0
Net change in cash and cash equivalents	4,215,432	-3,606,594
Cash and cash equivalents at the beginning of the period	3,680,017	10,191,255
Cash and cash equivalents at the end of the period	7,895,449	6,584,660
	EUR	EUR
Composition of cash and cash equivalents		
Cash on hand	359	59
Cash at bank	7,895,090	6,584,601
	7,895,449	6,584,660

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019 Probiodrug AG)

Statement of changes in equity as at June 30, 2019

	Subscribed capital Ordinary shares	Capital reserve	Statutory reserve	Accumulated deficit	Equity
	EUR	EUR	EUR	EUR	EUR
Balance as at January 1, 2018	8,208,009	49,118,739	227,625	-48,308,275	9,246,097
Loss for the period				-4,072,535	-4,072,535
Balance as at June 30, 2018	8,208,009	49,118,739	227,625	-52,380,810	5,173,562
Balance as at January 1, 2019	8,208,009	49,118,739	227,625	-56,011,749	1,542,624
Issuance of common shares	4,093,367	4,093,367			8,186,734
Loss for the period				-3,639,014	-3,639,014
Balance as at June 30, 2019	12,301,376	53,212,106	227,625	-59,650,763	6,090,344

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019 Probiodrug AG)

Condensed NOTES to the interim financial statements for the period from January 1 to June 30, 2019 (HGB)

I. General information

The interim financial statements of Vivoryon Therapeutics AG (Vivoryon) were prepared using the accounting policies and measurement methods prescribed by the [German] Commercial Code [Handelsgesetzbuch (HGB)] as well as the supplementary regulations of the [German] Stock Corporation Act [Aktiengesetz (AktG)].

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

The company officially renamed to Vivoryon Therapeutics AG effective June 11, 2019, when it was entered in the commercial register Stendal. The name change had been resolved in the Company's Annual General Meeting of May 29, 2019. The new name stands for the enhanced corporate strategy under the claim "Healthy Aging - Pioneering Innovation".

There was no change in the form of presentation in comparison with the prior year.

II. Accounting policies and measurement methods

The accounting policies and measurement methods in these interim financial statements correspond with those already applied by Vivoryon in the 2018 annual financial statements.

In the Management Board's opinion, these interim financial statements reflect all transactions which are necessary to present the net assets, financial position and results of operations for the periods ended June 30, 2019 and 2018.

These interim financial statements do not include all information and disclosures required for the preparation of annual financial statements. As such, the interim financial statements should be read in conjunction with the 2018 annual financial statements.

These interim financial statements were prepared on the assumption that the entity will continue as a going concern. We refer to the explanations under number 3 in the interim management report.

III. Explanations on the balance sheet

Share capital

As at June 30, 2019, the share capital amounted to EUR 12,301,376.00 (December 31, 2018: EUR 8,208,009.00). It is divided into 12,301,376 (December 31, 2018: 8,208,009.00) registered ordinary shares with no par value (bearer shares).

On April 9, 2019, Vivoryon's management board – with the approval of the supervisory board – resolved to increase the share capital by EUR 4,093,367.00 to EUR 12,301,376.00. Upon full utilization of the authorized capital 2017, the Increase was made by the issuance of 4,093,367 new no par value ordinary bearer shares at an issue price to amount of EUR 1.00 per share.

The Company sold the New Shares to selected investors in a private placement at a purchase price of EUR 2.00 per New Share.

3.1 million New Shares were sold to a consortium of investors led by Mr Claus Christiansen founder and chairman of the board of Nordic Bioscience, Denmark ("Investor Consortium"). The Investor Consortium has a strategic interest in the Company and intends to support the Company's further development on a long-term basis. Additional 993,367 New Shares were sold to other investors as well as to members of the Executive Board and Supervisory Board.

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

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

Contingent capital

As at June 30, 2019, the contingent capital totaled EUR 4,002,527.00 (December 31, 2018: EUR 4,002,527.00). Of this amount, EUR 481,748.00 (December 31, 2018: EUR 481,748.00) is reserved for the issuance of options.

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

- Dr. Konrad Glund, Halle, up to 117,600 ordinary shares
- Dr. Hendrik Liebers, Leipzig, up to 117,599 ordinary shares
- Prof. Dr. Hans-Ulrich Demuth, Halle, up to 28,633 ordinary shares
- Dr. Inge Lues, Seeheim-Jugenheim, up to 104,834 ordinary shares

Authorized capital

As at June 30, 2019, the authorized capital amounts to EUR 6,150,688.00 (December 31, 2018: EUR 4,093,367.00).

The Management Board has the authorization to increase the Company's share capital subject to the consent of the Supervisory Board until May 28, 2024 in one or several steps for cash contributions or contributions in kind by up to EUR 6,150,688.00 by issuing a total of 6,150,688 new no par value bearer shares (authorized capital 2019). Subscription rights are excluded. Moreover, the Management Board has the authorization, subject to the consent of the Supervisory Board, to define the further details of the capital increase, its implementation and the terms and conditions for the issuance of the shares from the authorized capital 2019.

Provisions for pensions

The pension obligations were rolled forward based on an actuarial report as of June 30, 2019. In the period from January 1 to June 30, 2019, pension payments totalling EUR 38k (in the prior year EUR 18k) were made.

As at June 30, 2019 the pension provision recorded amounted to EUR 1,549k (December 31, 2018: EUR 1.541k).

Other provisions

As of June 30, 2019, the other provisions recorded amounted to EUR 370k (December 31, 2018: EUR 383k) and primarily consist of bonuses for the Management Board, remuneration for the Supervisory Board and outstanding invoices.

IV. Other disclosures

Events of particular significance subsequent to the balance sheet date (subsequent events report)

On July 8, 2019 Vivoryon Therapeutics AG and MorphoSys AG announced that they have entered into an agreement under the terms of which MorphoSys has obtained an exclusive option to license Vivoryon's small molecule QPCTL inhibitors in the field of oncology. The option covers worldwide development and commercialization for cancer of Vivoryon's family of inhibitors of the glutaminy-peptide cyclotransferase-like (QPCTL) protein, including its lead compound PQ912. In exchange, MorphoSys has committed to investing up to EUR 15 million in a minority stake in Vivoryon Therapeutics as part of a capital raise planned for the fourth quarter 2019.

Disclosures with respect to executive bodies

Management Board

In the first half year of 2019 the Company's business activities were directed by the members of the Management Board

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

They have the authority to represent the Company on their own and are exempt from the constraints of Section 181 of the (German) Civil Code [Bürgerlichen Gesetzbuch; BGB].

The following members of the Management Board purchased shares in Vivoryon in the context of the capital increase in April 2019:

- Dr. Ulrich Dauer – 25,000 shares on April 15, 2019

Supervisory Board

The following persons were appointed as members of the Supervisory Board during the reporting period:

- Dr. Erich Platzer – Chairperson
- Dr. Dinnies von der Osten – Vice Chairperson
- Charlotte Lohmann
- Dr. Jörg Neermann

The following members of the Supervisory Board purchased shares in Vivoryon in the context of the capital increase in April 2019:

- Dr. Erich Platzer for Platzer Invest AG, Basel – 51,000 shares on April 10, 2019

Halle (Saale), August 28, 2019

Dr. Ulrich Dauer

Dr. Michael Schaeffer

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019 Probiodrug AG)

Interim management report for the first half year of 2019 (HGB)

1. Company basics

Legal structure

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

Business activities

Vivoryon is a biopharmaceutical company, with a focus on research and development of new therapeutic products for the treatment of Alzheimer's Disease (hereinafter also „Alzheimer's“ or „AD“).

Headquartered in Halle (Saale), Germany, Vivoryon has successfully developed a novel therapeutic concept for the treatment of diabetes type 2 – the DP4 inhibitors or gliptins. Today, the Company's aim is to become a leading company in the development of Alzheimer's treatments and thereby to provide a better life for patients with this disease.

Vivoryon is pursuing a therapeutic approach which addresses disease initiation as well as progression. The development approaches are targeting pyroglutamate-Abeta (synonym: pGlu-Abeta, N3pG Abeta, N11pG Abeta) as one therapeutic strategy to fight AD. pGlu-Abeta was described as a particularly toxic and aggregation-prone form of Abeta, which is formed from the physiological Abeta by the activity of the enzyme Glutaminylcyclase (QC). The Company is pursuing two treatment mechanisms with respect hereto: on the one hand, Vivoryon is focusing on the prevention of the production of pGlu-Abeta by the inhibition of the enzyme Glutaminylcyclase („QC“). The Company's most advanced program in this area, the development candidate PQ912, successfully completed a clinical study in Phase 2a in 2017. Based on these findings, Vivoryon is currently initiating a Phase 2b study in Europe for the treatment of early-stage Alzheimer's disease. A second Phase 2b study is planned in the US and is supported by a substantial grant from the NIH.

The company is also exploring options to expand its research into immuno-oncology and to develop therapies which use the immune system to fight against cancer. Vivoryon's next platform project focuses on immune checkpoint inhibition and the Glutaminyl-peptide cyclotransferase-like protein (QPCTL) against cancer. QPCTL is a posttranslational modifying enzyme that is essential for the pyroglutamate formation on CD47, a crucial signaling protein in immune response to cancer. Inhibitors of QPCTL, like PQ912 and other small molecule compounds protected under Vivoryon's patents, have been shown to silence the checkpoint signal from the CD47/SIRPa axis, and thus are offering a novel strategy to augment the efficacy of anti-tumor antibody therapies.

Important events in the reporting period

a) Approval of funding for a clinical trial in the USA by the National Institute of Health (NIH)

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

b) Capital increase on the basis of cash deposit

Early April 2019, Vivoryon raised capital of EUR 8.2 million through a successful private placement of new shares. Upon full utilization of the authorized capital, the increase was made by the issuance of 4,093,367 new no par value ordinary bearer shares at an issue price to amount of EUR 1.00 per share. The Company sold the New Shares to selected investors in a private placement at a purchase price of EUR 2.00 per New Share.

3.1 million New Shares were sold to a consortium of investors led by Mr Claus Christiansen founder and chairman of the board of Nordic Bioscience, Denmark ("Investor Consortium"). The Investor Consortium has a strategic interest in the Company and intends to support the Company's further development on a long-term basis. Additional 993,367 New Shares were sold to other investors as well as to members of the Executive Board and Supervisory Board. Out of a total of 4,093,367 new shares, 1,641,601 (20% of the share capital) were admitted to trading on Euronext Amsterdam under exemption from the prospectus obligation and were delivered to the investors. The remaining 2,451,766 non-admitted New Shares will be delivered to the Investor Consortium that has declared to accept also non-admitted New Shares underlining its intended long-term engagement. On August 8, 2019, these shares were admitted to trading on Euronext on the basis of a prospectus.

The Company will use the proceeds from the Private Placement to prepare and partially complete the European Phase 2b clinical trial, which will evaluate the safety and efficacy of the optimal dose range of the major Vivoryon product PQ912 in Alzheimer's disease patients at an early stage.

c) 2019 Ordinary General Meeting of the Shareholders

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

- approval of the actions of the Management Board members and of the Supervisory Board members for the financial year 2018
- appointment of the auditor for the statutory financial statements for financial year 2019
- change the company name in "Vivoryon Therapeutics AG" and the corresponding amendment to the articles of association
- increase of the share capital on the basis of cash deposit
- creation of the authorized capital 2019 and the corresponding amendment to the articles of association

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

d) Change of the company name

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

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

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

2. Overview of business development

General conditions

The general environment with respect to Alzheimer's Disease research and development was unchanged in the first half year of 2019

While developments in Alzheimer's research remain volatile, global demand for new therapeutic treatments coupled with increasing aging populations continues to drive interest and hope for this challenging indication. The first half year of 2019 was marked again by mixed news from research and development of new therapeutic approaches against Alzheimer's disease, an indication in which since 1998 only four products have been approved to treat the symptomatic effects of the disease and the medical needs of one as the aging world population steadily increases

Company development

In the reporting period, the Company focused primarily on the following activities:

- further preparation of clinical study Phase 2b for PQ912,
- examination of options for research and development in the field of oncology

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

Net assets

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

	June 30, 2019	December 31, 2018
	EUR k	EUR k
Assets		
Intangible assets	6	7
Property, plant and equipment	54	58
Non-current financial assets	3	3
Fixed assets	63	68
Receivables and other assets	643	201
Cash and bank balances	7,895	3,680
Current assets	8,538	3,881
Prepaid expenses	495	99
Total assets	9,096	4,048
Equity and liabilities		
Equity	6,090	1,543
Provisions	1,919	1,923
Liabilities	1,087	582
Total equity and liabilities	9,096	4,048

As at June 30, 2019, Vivoryon's total assets amounted to EUR 9,096k (December 31, 2018: EUR 4,048k). The fixed assets decreased by EUR 5k as a result of additions in the amount of EUR 5k compared with scheduled depreciation of EUR 10k.

As at June 30, 2019, the current assets amounted to EUR 8,538k (December 31, 2018: EUR 3,881k). The increase is mainly due to the increase in cash and cash equivalents as part of the capital increase on the basis of cash deposit in April 2019. As of June 30, 2019, the cash and cash equivalents amounted to EUR 7,895k (December 31, 2018: EUR 3,680k).

As at June 30, 2019, Vivoryon's equity amounted to EUR 6,090k (December 31, 2018: EUR 1,543k). As at June 30, 2019 the equity ratio amounted to 67.0% (December 31, 2018: 38.1 %). The increase in equity was achieved by a capital increase in April 2019, at which Vivoryon received EUR 8,187k.

As at June 30, 2019, the provisions remained nearly constant compared to December 31, 2018. Of the provisions, EUR 1,549k (December 31, 2018: EUR 1,541k) relate to pension provisions and EUR 370k (December 31, 2018: EUR 382k) to other provisions.

In the first half year of 2019 the liabilities increased from EUR 582k to EUR 1.087k, is mainly due to the increased in the trade payables by EUR 500k. As at June 30, 2019 they amounted to EUR 1,007k (December 31, 2018: EUR 508k). The other liabilities increased slightly by EUR 5k to EUR 79k (December 31, 2018: EUR 74k).

Financial position

In the reporting period the operating cash flow amounted to EUR -3,443k (reference period 2018: EUR -4,078k) due primarily to the negative results in the period.

In the reporting period the cash flows from investing activities totaled EUR -5k (reference period 2018: EUR 472k) and a cash flows from financing activities amounted to EUR 7,664k (reference period 2018: EUR 0k).

Results of operations

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

	Jan 01 -Jun 30, 2019	Jan,01 - Jun 30, 2018
	EUR k	EUR k
Other operating income	22	27
Cost of materials	-964	-1,108
Personnel expenses	-929	-1,305
Amortization and depreciation of intangible assets and property, plant and equipment	-10	-12
Other operating expenses	-1,738	-1,676
Financing results	-20	-2
Taxes on income	0	0
Net loss	-3,639	-4,072

The Company's net loss in the reporting period in amount of EUR 3,639k decreased in comparison with the first half year 2018 (EUR 4,072k) by EUR 433k. There were the following significant changes in comparison to the reference period 2018:

- decrease in the cost of materials of EUR 144k, as a result of the substantially lower costs of purchased services
- decrease in personnel expenses of EUR 376k, in the first half year 2018 there were higher expenses in connection with the departure of two members of the Management Board.
- slightly increase in other operating expenses in the amount of EUR 62k,

Overall statement

The financial position of the Company improved considerably compared to the statements as at December 31, 2018 at the time of preparation of this management report due to the cash inflow of EUR 8.2 million as part of the capital increase in April 2019.

Overall, the Management Board is satisfied with the Company's development and considers this to be positive.

Appendix 1.6/5

3. Opportunities and risks report

There were no significant changes with respect to the opportunities and risks included in the management report of the 2018 financial statements.

The interim financial statements as of June 30, 2019 were prepared on the assumption of going concern. This implies that, as part of the normal course of business, assets can be utilized as planned and liabilities settled. The going concern assumption continues to depend on additional funds being raised to continue the research and development programs and fulfill all obligations. The company's equity amounted to EUR 6,090k as of June 30, 2019 (December 31, 2018: EUR 1,543k) and cash and cash equivalents to EUR 7,895k (December 31, 2018: EUR 3,680k).

As of June 30, 2019, Vivoryon reported a net loss of EUR 3,639k and a cumulative deficit of EUR 59,651k. The Company anticipates operating losses to continue for the foreseeable future due to, among other things, costs related to research funding, development of its product candidates and its preclinical programs and the development of its administrative organization.

The application for USD 15.0 million in funding submitted to the National Institute of Health (NIH) together with the Alzheimer's Disease Cooperative Study (ADCS) for the Phase 2b study of the PQ912 molecule inhibitor was approved in the US in March 2019. In April 2019, Vivoryon was able to raise capital of EUR 8.2 million through a successful private placement of new shares. Subsequently, and to enable the progression of the development of PQ912 into a European Phase 2b trial with a first patient enrolled in Q1 2020, the Company has updated its corporate and financial planning for 2019 and 2020. According to this updated plan, existing cash and cash equivalents are sufficient until mid of Q1 2020 to satisfy the Company's financial obligations. This planning requires a further cash inflow to allow the Company to satisfy its financial obligations until end of 2020. To this end, contract negotiations were held regarding licensing and cooperation agreements to raise additional funds, which resulted in an exclusive option agreement with MorphoSys AG).

Additional funding is required to continue the studies. Given these circumstances, an appropriate capital increase is being prepared for the fourth quarter of 2019 for funding the ongoing operating costs as well as the Company's own share of costs for the required studies in the European Union and the United States. For this capital increase, MorphoSys AG as part of the option agreement, will be obliged to invest up to EUR 15 million. Should such a capital increase not succeed in the necessary scope and on time, the Company's ability to continue as a going concern is at risk. In such case and to be able to fulfill its financial obligations until Q4 2020, the Company will have to adjust its budget by not contracting for clinical and preclinical studies which are not already committed at this point of time.

In summary, the Company will have to execute on its plan to strengthen its liquidity position as cash and cash equivalents, according to the budget, are sufficient until only mid of Q1 2020 to meet existing financial obligations. Accordingly, there is the need to ensure the Company's future funding through equity providers and/or financial intermediaries, or raise cash inflow through own business activities. These events and circumstances indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

4. Outlook

The focus of Vivoryon's business activities has not changed over the mid-term in comparison to the outlook included in the management report to the financial statements for 2018. Based on information currently available, the statements with respect to the expected net loss hold true without any changes.

Halle (Saale), August 28, 2019

Vivoryon Therapeutics AG's Management Board

Dr. Ulrich Dauer

Dr. Michael Schaeffer