Condensed interim financial information for the period ending June 30, 2019

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Condensed Statement of comprehensive loss for the period from January 1 to June 30, 2019

	Notes	Jan 1 – Jun 30, 2019	Jan. 1 – Jun 30, 2018
		kEUR	kEUR
Research and development expenses		-1.862	-2.572
General and administrative expenses	2.1	-1.223	-1.578
Other operating income	2.2	8	17
Operating loss		**-3.077**	**-4.133**
Finance income		0	24
Finance expense		-15	-11
Finance result		**-15**	**13**
Net loss for the period		**-3.091**	**-4.120**
Items not to be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit pension liability		-174	0
Total other comprehensive income (loss)		**-174**	**0**
Comprehensive loss		**-3.265**	**-4.120**
Loss per share in EUR (basic and diluted)	2.3	-0,31	-0,50

Appendix 1.1

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Condensed Statement of financial position as of June 30, 2019

A s s e t s

	Notes	Jun 30, 2019	Dec 31, 2018
		kEUR	kEUR
A. Noncurrent assets			
I. Intangible assets	3.1	6	7
II. Property, plant and equipment	3.1	227	56
III. Financial assets		3	3
		236	**66**
B. Current assets			
I. Other assets	3.2.1	1.034	199
II. Cash and cash equivalents	3.2.2	7.999	3.783
		9.033	**3.982**
		9.269	**4.048**

Appendix 1.2

Equity and liabilities

	Notes	Jun 30, 2019		Dec 31, 2018	
		kEUR	kEUR	kEUR	kEUR
A. Equity					
I. Share capital	3.3.1		12.301		8.208
II. Additional paid-in capital			52.318		48.740
III. Accumulated other comprehensive loss			-579		-405
IV. Accumulated deficit			-58.405		-55.313
			5.636		**1.230**
B. Liabilities					
I. Noncurrent liabilities					
Pension liability		2.002		1.854	
Lease liability		135	2.137	0	1.854
II. Current liabilities					
1. Provisions		12		12	
2. Trade payables		1.260		772	
3. Lease liability		39		0	
4. Other current liabilities	3.4	185	1.496	180	965
			3.633		**2.818**
			9.269		**4.048**

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Condensed Cash flow statement for the period from January 1 to June 30, 2019

	Jan 1 – Jun 30, 2019	Jan 1 – Jun 30, 2018
	kEUR	**kEUR**
Net loss for the period	-3.091	-4.120
Net finance expense/income	15	-13
Depreciation and amortisation	25	12
Share based payments	8	45
Unrealised foreign currency gain	-4	-16
Changes in working capital		
Changes in other assets	-835	-19
Changes in pension liabilities	-38	1
Changes in trade payables	488	111
Changes in other liabilities	5	-93
Interest paid	-2	0
Cash flows used in operating activities	**-3.428**	**-4.092**
Purchase of plant and equipment	-4	-4
Proceeds from termination of pension liabilities insurance	0	475
Cash flows used in/provided by investing activities	**-4**	**471**
Proceeds from issuance of common shares	8.187	0
Transaction costs of equity transaction	-523	0
Payment of lease liabilities	-19	0
Cash flows provided by financing activities	**7.644**	**0**
Net increase/decrease in cash and cash equivalents	**4.212**	**-3.621**
Cash and cash equivalents at the beginning of period	**3.783**	**10.291**
Effect of exchange rate fluctuation on cash held	**4**	**16**
Cash and cash equivalents at the end of period	**7.999**	**6.686**

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Condensed Statement of changes in equity for the period from January 1 to June 30, 2019

	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
	kEUR	kEUR	kEUR	kEUR	kEUR
January 1, 2018	**8.208**	**48.678**	**-387**	**-47.576**	**8.923**
Net loss for the period/ Comprehensive loss	0	0	0	-4.120	-4.120
Share-based payments	0	45	0	0	45
	0	**45**	**0**	**-4.120**	**-4.075**
June 30, 2018	**8.208**	**48.723**	**-387**	**-51.696**	**4.848**
January 1, 2019	**8.208**	**48.740**	**-405**	**-55.313**	**1.230**
Net loss for the period/ Comprehensive loss	0	0	-174	-3.091	-3.265
Issuance of common shares le	4.093	3.570	0	0	7.664
Share-based payments	0	8	0	0	8
	4.093	**3.578**	**-174**	**-3.091**	**4.407**
June 30, 2019	**12.301**	**52.318**	**-579**	**-58.405**	**5.636**

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Notes to the condensed interim financial information for the period from January 1 to June 30, 2019

1. General information

1.1 Basis for preparation of the condensed interim financial statements

The condensed interim financial statements of Vivoryon Therapeutics AG (“the Company” or “Vivoryon”) - until June 11, 2019 registered as Probiodrug AG - as of June 30, 2019 and for the six months then ended were prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). The rules contained in IAS 34 “Interim Financial Reporting” were applied accordingly.

The Company was renamed into Vivoryon Therapeutics AG effective June 11, 2019, when it was entered in the commercial register of Stendal. The name change had been resolved by the Company's Annual General Meeting held on May 29, 2019. The new name stands for the enhanced corporate strategy under the claim "Healthy Aging - Pioneering Innovation". “Vivoryon", composed of "Vivid Memory On" expresses our strong commitment to developing a transformative treatment option for patients with Alzheimer's disease (AD) against the background of a series of disappointments in late development stages within the industry.

These condensed interim financial statements shall be read in conjunction with the annual financial statements as of December 31, 2018.

The condensed interim financial statements are presented in Euro (EUR). To the extent not otherwise stated, all amounts are given in thousands of Euro (EUR k). Differences may occur in the presentation of the figures as a result of rounding.

The condensed interim financial statements have been prepared under the assumption of a going concern. We refer to section 1.3.

1.2 Foreign currency translation

The principles for foreign currency translation remain unchanged to those applied for the annual financial statements as of December 31, 2018.

1.3 Accounting policies

Given that the condensed interim financial statements are based on the annual financial statements as of December 31, 2018, reference is made to the detailed description of the accounting policies contained in the notes to the annual financial statements as of December 31, 2018. The accounting policies applied are essentially commensurate with those applied in the previous year.

The estimates and assumptions, unchanged from December 31, 2018, primarily relate to estimates and assumptions in connection with the management`s assessment of the entity´s ability to continue as a going concern and the determination of accruals for research and development services in progress.

As a clinical stage biopharmaceutical company, Vivoryon has incurred a net loss of EUR 3,091k for the six month ended June 30, 2019. As of June 30, 2019, the Company has generated an accumulated deficit of EUR 58,405k. 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 accompanying condensed interim 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 settlement of liabilities and commitments in the normal course of business.

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 (we refer to note 4.2). 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 it’s 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.

The following applies in addition to the accounting policies described in the notes to the annual financial statements as of December 31, 2018:

Effective January 1, 2019 the following new and/or revised standards and interpretations were applied:

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

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

1.4 IFRS 16 “Leases”

Nature of change and first time adoption

In January 2016, the IASB published the financial reporting standard IFRS 16 “Leases”. The standard replaces the existing requirements relating to leases, including IAS 17 “Leases”, IFRIC 4 “Determining Whether an Arrangement Contains a Lease”, SIC-15 “Operating leases - Incentives” and SIC-27 “Evaluating the Substance of Transactions involving the Legal Form of a Lease”. The Company recognizes a right-of-use asset and a lease liability at the 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.

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

Significant accounting policies

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

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

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

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

Impact

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

The change in accounting policy affected the following items in the balance sheet on January 1, 2019:

EURk	**As of January 1, 2019**
Right-of-use assets presented in property, plant and equipment	194
Lease liabilities	194

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

EURk	**As of January 1, 2019**	**As of June 30, 2019**
Rental buildings	189	171
Computer and networking equipment	5	3
Total	**194**	**174**

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

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

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

2. Notes to individual line items of the statement of comprehensive income

2.1 General and administrative expenses

General and administrative expenses of EUR 1,224k (6 M period 2018: EUR 1,578k) include the administrative expenses of Vivoryon. They relate mainly to management costs, consulting expenses and general administrative expenses.

2.2 Other operating income

Other operating income amounted to EUR 8k in the 6 M period 2019, following EUR 17k in the 6 M period 2018.

2.3 Loss per share

Loss per share was calculated in accordance with IAS 33. For the calculation per share the loss for the interim period was divided by the weighted average number of shares outstanding. There is no dilutive effect.

As of June 30, 2019, Vivoryon's share capital consisted of 12,301,375 common shares (June 30, 2018: 8,208,009). All common shares are registered no par value common shares. The calculated nominal amount per share is EUR 1.00.

The net loss attributable to Vivoryon's shareholders amounted to EUR 3,091k in the 6 M period 2019 (6 M period 2018: EUR 4,120k).

The loss per share was calculated as follows:

	01.01.-30.06.2019	**01.01.-30.06.2018**
Weighted average number of common shares outstanding	10,027,283	8,208,009
Loss for the period in EUR k	-3,091	-4,120
Loss per share in EUR (basic/diluted)	**-0.31**	**-0.50**

3. Notes to the individual line items in the balance sheet

3.1 Noncurrent assets

The carrying amount of noncurrent assets increased to EUR 236k (December 31, 2018: EUR 66k) taking into account depreciation (EUR 25k). There were investments in amount of EUR 4k in the first 6 M period of 2019.

3.2 Current assets

3.2.1 Other current assets

Other current assets comprise the following:

	Jun 30, 2019	Dec 31, 2018
	EUR k	EUR k
Deferred items	495	98
Receivables from value added taxes	108	86
Prepayments	423	0
Other	8	15
Total	**1,034**	**199**

As at June 30, 2019 the deferred items include a reservation fee in amount of EUR 373k for production of our compound, which is needed in the planned study. The prepayments in amount of EUR 423k are used for ordered materials.

3.2.2 Cash and cash equivalents

Cash and cash equivalents amount to EUR 7,999k at June 30, 2019 (December 31, 2018: EUR 3,783k). They are not restricted to use.

3.3 Equity

3.3.1 Share Capital

As at June 30, 2019, Vivoryon's share capital consisted of 12,301,375 common shares (December 31, 2018: 8,208,009). The calculated nominal amount per share is EUR 1.00.

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

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

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

3.1 million new shares were sold to a consortium of investors led by Mr Claus Christiansen, founder and chairman of the management 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.

Additionally, 993,367 new shares were sold to other investors as well as to members of the management board and supervisory board.

Out of a total of 4,093,367 new shares, 1,641,601 (20% of the share capital) were admitted to trading on Euronext Amsterdam under exemption from the prospectus obligation and were delivered to the investors. The remaining 2,451,766 non-admitted new shares will be delivered to the Investor

Consortium that has declared to accept also non-admitted new shares underlining its intended long-term engagement. On July 1, 2019, these shares were admitted to trading on Euronext on the basis of a prospectus.

The proceeds from the issuance of common shares amount to EUR 8,187k less transaction costs of EUR 523k.

3.3.2 Authorized Capital

On May 29, 2019, the Annual Shareholders' Meeting resolved to create the Authorized Capital 2019. Consequently, and as at June 30, 2019, the authorized capital 2019 amounted to EUR 6,151k (December 31, 2018: EUR 4,093k)

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

3.4 Current liabilities

Other current liabilities

Other current liabilities include liabilities from obligations to members of the management board in the amount of EUR 50k (December 31, 2018: EUR 83k), liabilities from obligations to members of the supervisory board in the amount of EUR 35k (December 31, 2018: EUR 0k), payroll and church taxes from obligations to employees in the amount of EUR 71k (December 31, 2018: EUR 50k) and others (EUR 29k).

3.5 Stock options

No new stock options were issued in the reporting period.

The expenses associated with the (previously issued) stock options allocated to the period from January 1 to June 30, 2019 amounted to EUR 8k and were credited to the additional paid-in capital.

3.6 Conditional Capital

As of June 30, 2019, the total conditional capital amounted to 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) are reserved as a result of the issuance of options.

4. Other disclosures

4.1 Contingencies and other financial commitments

The total of the other financial commitments as of June 30, 2019, were EUR 1,665k (December 31, 2018: EUR 269k) and consist of services by research and development service providers as well as of service, leasing and rental commitments. Of these commitments, EUR 848k are due in 2019.

4.2 Significant events subsequent to the end of the reporting period

On July 8, 2019, Vivoryon Therapeutics AG and MorphoSys AG announced that they have entered into an agreement under the terms of which MorphoSys AG 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 in oncology of Vivoryon's family of inhibitors of the glutaminyl-peptide cyclotransferase-like (QPCTL) protein, including its lead compound PQ912. In exchange, MorphoSys AG has committed to investing up to EUR 15 million in ordinary shares of the Company as a minority stake in Vivoryon Therapeutics as part of a capital raise planned for the fourth quarter of 2019.

4.3 Related party disclosures

For further information, reference is made to the explanations of related party disclosures in the notes to the annual financial statements as of December 31, 2018. Significant changes have not occurred.

4.4 Authorization and release

On August 28, 2019, Vivoryon Therapeutics AG's management board authorized these condensed interim financial statements for release.

Halle (Saale), August 28, 2019

Dr. Ulrich Dauer

Dr. Michael Schaeffer