Annual financial statements as of December 31, 2019

AUDITOR'S REPORT

Vivoryon Therapeutics AG
Halle (Saale)

until June 11, 2019: Probiodrug AG, Halle (Saale)

in accordance with International Financial Reporting Standards as adopted by the European Union

KPMG AG Wirtschaftsprüfungsgesellschaft

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Statement of financial position as of December 31, 2019

ASSETS

	Notes	31/12/2019	31/12/2018
		kEUR	kEUR
A. Noncurrent assets			
I. Intangible assets	3.3/6.1	16	7
II. Property, plant and equipment	3.4/6.2	465	56
III. Financial assets	3.6	3	3
		484	**66**
B. Current assets			
I. Other current assets and prepayments	6.3	3.853	199
II. Cash and cash equivalents	3.7/6.4	41.524	3.783
		45.377	**3.982**
		45.861	**4.048**

EQUITY AND LIABILITIES

	Notes	31/12/2019		31/12/2018	
		kEUR	kEUR	kEUR	kEUR
A. Equity	3.8/6.5				
I. Share capital			19.975		8.208
II. Additional paid-in capital			86.388		48.740
III. Accumulated other comprehensive loss			-562		-405
IV. Accumulated deficit			-63.136		-55.313
			42.665		**1.230**
B. Liabilities					
I. Noncurrent liabilities					
1. Pension liabilities	3.9/6.6	1.951		1.854	
2. Lease liabilities	3.1/8.1	315	2.266	0	1.854
II. Current liabilities					
1. Provisions	3.10	12		12	
2. Trade payables	3.6	539		772	
3. Lease liabilities	3.1/8.1	91		0	
4. Other current liabilities	6.7	288	930	180	964
			3.196		**2.818**
			45.861		**4.048**

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Statement of profit and loss and other comprehensive income for the period from January 1 to December 31, 2019

	Notes	1/1 – 31/12/2019	1/1 – 31/12/2018
		kEUR	**kEUR**
Research and development expenses	3.11/5.1	-4.751	-4.836
General and administrative expenses	5.2	-3.023	-2.891
Other operating income		59	29
Operating loss		**-7.715**	**-7.698**
Finance income	3.12	0	2
Finance expenses	3.12	-108	-41
Finance income, net		**-108**	**-39**
Net loss for the period		**-7.823**	**-7.737**
Items not to be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit pension liability		-157	-18
Total other comprehensive income (loss)		**-157**	**-18**
Comprehensive loss		**-7.980**	**-7.755**
Loss per share in EUR (basic and diluted)	3.13/6.5.1	-0,62	-0,94

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Statement of cash flows

	Notes	1/1 – 31/12/2019	1/1 – 31/12/2018
		kEUR	**kEUR**
Net loss for the period		-7.823	-7.737
Net finance income/expense	5.4	108	39
Depreciation and amortisation		88	23
Share based payments		5	62
Unrealised foreign currency gain		-41	-26
Changes in working capital			
Changes in other assets	6.3	-3.653	203
Changes in pension liabilities		-162	156
Changes in provisions		-1	0
Changes in trade payables		-233	418
Changes in other liabilities		109	-132
Interest paid		-5	0
Cash flows used in operating activities		**-11.608**	**-6.994**
Purchase of plant and equipment		-47	-16
Proceeds from termination of pension liabilities insurance		0	476
Cash flows used in investing activities		**-47**	**460**
Proceeds from issuance of common shares	6.5	51.238	0
Transaction costs of equity transaction	6.5	-1.828	0
Payment of lease liabilities		-56	0
Cash flows provided by financing activities		**49.354**	**0**
Net increase/decrease in cash and cash equivalents		**37.699**	**-6.534**
Cash and cash equivalents at the beginning of period		**3.783**	**10.291**
Effect of exchange rate fluctuation on cash held		**41**	**26**
Cash and cash equivalents at the end of period		**41.524**	**3.783**

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG)

Statement of changes in equity

	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	-18	-7.737	-7.755
Share-based payments	0	62	0	0	62
	0	**62**	**-18**	**-7.737**	**-7.693**
December 31, 2018	**8.208**	**48.740**	**-405**	**-55.313**	**1.230**
January 1, 2019	**8.208**	**48.740**	**-405**	**-55.313**	**1.230**
Net loss for the period/ comprehensive loss			-157	-7.823	-7.980
Issuance of common shares	11.767	39.471			51.238
Transaction costs		-1.828			-1.828
Share-based payments		5			5
	11.767	**37.648**	**-157**	**-7.823**	**41.435**
December 31, 2019	**19.975**	**86.388**	**-562**	**-63.136**	**42.665**

Vivoryon Therapeutics AG, Halle (Saale)

(until June 11, 2019: Probiodrug AG, Halle (Saale))

Notes to the financial statements for the period from January 1 to December 31, 2019

1. Company information

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

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

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

2. Financial statements

2.1. Basis of preparation of the financial statements

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

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

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

The financial statements are prepared on the historical cost basis.

2.2. Foreign currency translation

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

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

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

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

3. Summary of significant accounting policies

3.1. Changes in accounting policies

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

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

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

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

IFRS 16 “Leases”

Nature of change and first time adoption

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

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

Significant accounting policies

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

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

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

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

Impact

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

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

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**
Rental buildings	189
Networking equipment	5
Total	**194**

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

	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**

3.2. Determination of fair values

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

3.3. Intangible assets

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

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

3.4. Property, plant and equipment

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

3.5. Impairment of noncurrent assets

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

An impairment expense is recognized when the carrying amount of an asset or a cash generating unit exceeds the recoverable value as of the reporting date. The Company determined that it has one cash generating unit. The recoverable value is the higher of the amount representing the fair value less costs of disposal and the value in use. The fair value reflects the estimate of the amount which an independent third party would pay as of the measurement date for the asset or cash generating unit. In contrast, the value in use is the (risk adjusted) present value of the future cash flows which can realistically be expected to be generated from the continued use of the cash generating unit.

3.6. Financial assets and liabilities

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

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

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

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

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

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

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

The financial liabilities of Vivoryon comprise trade payables.

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

3.7. Cash and cash equivalents

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

3.8. Stock options programs

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

3.9. Pensions

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

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

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

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

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

3.10. Provisions

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

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

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

3.11. Research and development expenses

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

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

3.12. Finance income and expenses

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

3.13. Loss per share

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

3.14. New standards and interpretations not yet adopted

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

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

4. Significant discretionary decisions, estimates and assumptions

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

Estimates and assumptions

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

Going concern

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

Estimating accruals for research and development expenses

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

Measurement of pension obligation

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

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

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

5.1. Research and development expenses

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

5.2. General and administrative expenses

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

5.3. Supplementary disclosures

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

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

5.4. Income taxes

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

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

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

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

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

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

6. Explanations on individual statement of financial position line items

6.1. Intangible assets

The intangible assets reconcile as follows:

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

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

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

6.2. Property, plant and equipment

Property, plant and equipment reconcile as follows:

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

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

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

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

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

6.3. Other current assets and prepayments

Other current assets are comprised of:

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

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

6.4. Cash and cash equivalents

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

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

6.5. Equity

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

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

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

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

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

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

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

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

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

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

Conditional Capital

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

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

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

Convertible Bonds

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

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

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

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

Authorized Capital

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

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

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

6.5.1. Loss per share

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

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

The loss per share was calculated as follows:

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

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

6.5.2. Share based payments

6.5.2.1. Stock option programs (equity settled)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

6.5.2.2. Phantom stock option programs

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

6.6. Noncurrent liabilities

6.6.1. Pension liabilities - direct pension commitments

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

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

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

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

	2019	**2018**
Discount rate	0,91%	1.60%

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

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

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

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

Reconciliation of defined benefit obligation and plan assets

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

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

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

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

6.6.2. Pension liabilities – pension commitment using the provident fund

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

These pension liability was calculated using a discount rate of 1.07% and amounts to EUR 201k as of December 31, 2019 (December 31, 2018: 1,76% and EUR 210k).

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6.7. Current liabilities

Other current liabilities

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

7. Disclosures with respect to financial instruments

7.1. General disclosures

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

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

7.2. Fair value measurement

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

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

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

7.3. Other disclosures in accordance with IFRS 7

Disclosures with respect to finance income and expense

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

Financial risks and risk management

7.3.1. Organization

Risk management system, objectives and methods

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

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

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

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

Management board:

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

Risk management:

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

Supervisory board:

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

7.3.2. Risk groups

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

7.3.2.1. Credit risks

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

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

Maximum risk of default

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

Carrying amount as an equivalent for the maximum risk of default **EUR k**	**December 31, 2019**	**December 31, 2018**
Noncurrent financial assets	3	3
Cash and cash equivalents	41,524	3,783
	41,527	**3,786**

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

7.3.2.2. Liquidity risk

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

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

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

Analysis of maturities

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

7.3.2.3. Market risks

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

Exchange rate risks

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

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

Risk of changes in interest rates

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

Price risks

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

Capital management

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

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

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

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

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

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

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

8. Others

8.1. Lease (IFRS 16)

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

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

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

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

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

8.2. Contingencies and other financial commitments

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

8.3. Related party relationships

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

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

<u>Transactions with key management personnel</u>

The remuneration of the management board comprised:

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

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

The remuneration of the supervisory board comprised of:

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

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

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

8.4. Subsequent events

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

Approval and release

On March 12, 2020, Vivoryon's management board approved these financial statements for release to the supervisory board.

Responsibility Statement

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

Halle (Saale), March 12, 2020

Management board of Vivoryon Therapeutics AG

Independent Auditor's Report

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

Opinion

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

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

Basis for the Opinion

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

Key Audit Matters

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

Other Information in the Annual Report

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

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

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

Responsibilities of Management and Those Charged with Governance for the Annual Financial Statements

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

In preparing the annual financial statements, management is responsible for assessing the Company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

Auditor’s Responsibilities for the Audit of the Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion on the annual financial statements.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual financial statements.

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

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

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

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

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

Leipzig, March 13, 2020

KPMG AG
Wirtschaftsprüfungsgesellschaft

Dr. Schneider	Sachs
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]