Interim Financial Statements as at 30 June 2020 and Interim management report of Vivoryon Therapeutics AG (HGB)

Vivoryon Therapeutics AG, Halle (Saale)

Balance sheet as at June 30, 2020

Assets

	Jun 30, 2020		Dec 31, 2019	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
Rights, licences and software acquired for a consideration		563,791.31		15,798.99
II. Property, plant and equipment				
1. Buildings on third-party land	79.97		162.74	
2. Other equipment, operating and office equipment	65,824.94	65,904.91	61,332.74	61,495.48
III. Financial assets				
Investments		3,450.00		3,450.00
		633,146.22		**80,744.47**
B. Current assets				
I. Receivables and other assets				
1. Receivables from affiliated companies	104,685.00		104,470.58	
2. Other assets	135,410.19		623,045.15	
3. Advance payments	309,338.20	549,433.39	233,280.42	960,796.15
II. Securities		19,918,918.08		0.00
III. Cash and cash equivalents		14,447,441.76		41,419,504.08
		34,915,793.23		**42,380,300.23**
C. Prepaid expenses		**1,994,427.86**		**2,996,200.92**
		37,543,367.31		**45,457,245.62**

Equity and liabilities

	Jun 30, 2020	Dec 31, 2019
	EUR	EUR
A. Equity		
I. Share capital	19,975,482.00	19,975,482.00
– Contingent capital EUR 3,808,975.00 (PY: EUR 3,808,975.00) –		
II. Capital reserve	88,589,734.21	88,589,734.21
III. Revenue reserves		
Statutory reserve	227,625.00	227,625.00
IV. Accumulated deficit	-73,351,878.84	-65,757,218.10
	35,440,962.37	**43,035,623.11**
B. Provisions		
1. Provisions for pensions	1,577,532.26	1,582,929.16
2. Other provisions	202,389.00	312,929.76
	1,779,921.26	**1,895,858.92**
C. Liabilities		
1. Trade payables	271,949.86	387,741.42
2. Other liabilities	50,533.82	138,022.17
– thereof for taxes EUR 48,006.79 (PY: EUR126,422.98) –		
	322,483.68	**525,763.59**
	37,543,367.31	**45,457,245.62**

Vivoryon Therapeutics AG, Halle (Saale)

Income statement for the period from January 1 to June 30, 2020

	Jan 1 – Jun 30, 2020		Jan 1 – Jun 30, 2019	
	EUR	EUR	EUR	EUR
1. Other operating income		48,748.82		22,008.17
2. Cost of materials				
a) Cost of supplies and purchased goods	-882.05		-3,443.81	
b) Cost of purchased services	-5,106,211.86	-5,107,093.91	-960,510.72	-963,954.53
3. Personnel expenses				
a) Wages and salaries	-910,488.61		-821,835.42	
b) Social security, pensions	-128,895.31	-1,039,383.92	-107,421.39	-929,256.81
– thereof for pensions: EUR 22,452.04 (PY: EUR 33,755.40) –				
4. Amortization of intangible assets and depreciation of property, plant and equipment		-20,476.68		-10,243.27
5. Other operating expenses		-1,378,652.89		-1,738,019.93
6. Depreciation on current securities		-80,418.16		0.00
7. Interest and similar expenses		-17,384.00		-19,548.00
8. Earnings after taxes		**-7,594,660.74**		**-3,639,014.37**
9. Net loss for the year		**-7,594,660.74**		**-3,639,014.37**
10. Accumulated deficit brought forward		-65,757,218.10		-48,308,275.37
11. Accumulated deficit		**-73,351,878.84**		**-51,947,289.74**

Vivoryon Therapeutics AG, Halle (Saale)

Statement of cash flows for the period from January 1 to June 30, 2020

	Jan 1 –Jun 30, 2020	Jan 1 –Jun 30, 2019
	EUR	EUR
Loss for the period	-7,594,660.74	-3,639,014.37
Transaction costs	0.00	523,174.96
Amortization, depreciation and write-downs of fixed assets	20,476.68	10,243.27
Depreciation on current securities	80,418.16	0.00
Interest expense	17,384.00	19,548.00
Other non-cash income	80,986.50	0.00
Decrease of pension provisions	-22,780.90	-11,138.28
Decrease in other provisions	-110,540.76	-13,210.09
Decrease (PY: increase) of receivables and other assets	411,362.76	-441,738.02
Decrease (PY: increase) of prepaid expenses	1,001,773.06	-396,127.15
Decrease (PY: increase) of trade payables	-115,791.56	500,263.99
Decrease (PY: increase) of other liabilities	-87,488.35	4,628.54
Cash flows from operating activities	**-6,318,861.15**	**-3,443,369.15**
Acquisition of property, plant and equipment	-15,671.61	-4,757.92
Acquisition of intangible assets	-557,206.82	0.00
Purchase of current asset securities	-19,999,336.24	0.00
Cash flows from investing activities	**-20,572,214.67**	**-4,757.92**
Proceeds from share issuance	0.00	8,186,734.00
Disbursements for transaction costs	0.00	-523,174.96
Cash flows from financing activities	**0,00**	**7,663,559.04**
Cash effective changes of cash and cash equivalents	**-26,891,075.82**	**4,215,431.97**
Effect of changes in exchange rates on cash and cash equivalents	**-80,986.50**	**0.00**
Cash and cash equivalents at the beginning of the financial year	**41,419,504.08**	**3,680,017.08**
Cash and cash equivalents at the end of the period	**14,447,441.76**	**7,895,449.05**

	Jun 30, 2020	Jun 30, 2019
	EUR	EUR
Composition of cash and cash equivalents		
Cash on hand	578.81	359.25
Cash at bank	14,446,862.95	7,895,089.80
	14,447,441.76	**7,895,449.05**

Vivoryon Therapeutics AG, Halle (Saale)

Statement of changes in equity as of June 30, 2020

	Subscribed capital Common shares	Capital reserve	Statutory reserve	Accumulated deficit	Equity
	EUR	EUR	EUR	EUR	EUR
as at January 1, 2019	**8.208.009,00**	**49.118.738,55**	**227.625,00**	**-56.011.748,65**	**1.542.623,90**
Capital increase via cash contribution	4.093.367,00	4.093.367,00			8.186.734,00
Loss for the period				-3.639.014,37	-3.639.014,37
as at June 30, 2019	**12.301.376,00**	**53.212.105,55**	**227.625,00**	**-59.650.763,02**	**6.090.343,53**
as at January 1, 2020	**19.975.482,00**	**88.589.734,21**	**227.625,00**	**-65.757.218,10**	**43.035.623,11**
Loss for the period				-7.594.660,74	-7.594.660,74
as at June 30, 2020	**19.975.482,00**	**88.589.734,21**	**227.625,00**	**-73.351.878,84**	**35.440.962,37**

Vivoryon Therapeutics AG, Halle (Saale)

Condensed notes on the interim financial statements for the period from January 1 to June 30, 2020 (HGB)

I. General disclosures

The interim financial statements of Vivoryon Therapeutics AG (Vivoryon) for the period from January 1 to June 30, 2020, were prepared on the basis of the accounting and valuation regulations of the German Commercial Code (Handelsgesetzbuch [HGB]) and the supplementary provisions of the German Stock Corporation Act (Aktiengesetz [AktG]).

Vivoryon Therapeutics AG, has its headquarters in Halle (Saale) and is entered in the commercial register of Stendal Local Court (HRB 213719). The Company's shares have been listed on Euronext, Amsterdam, since October 2014. It is therefore a publicly traded company within the meaning of Section 264d HGB and is considered a large corporation as defined by Section 267(3) sentence 2 HGB.

The form of presentation remains the same as the previous year.

II. Accounting and valuation principles

The accounting and valuation principles applied in these interim financial statements correspond to those previously applied by Vivoryon in its 2019 annual financial statements.

In the Management Board's opinion, these interim financial statements reflect all transactions required to present the net assets, financial position and results of operations for the periods ended June 30, 2020 and 2019.

These interim financial statements do not include all information and disclosures required for the preparation of annual financial statements. The interim financial statements should therefore be read in conjunction with the 2019 annual financial statements.

These interim financial statements were prepared on a going concern basis. Please refer to the remarks under point 3 of the interim management report.

III. Explanatory notes on the balance sheet

Fixed assets

As at June 30, 2020, the intangible assets amounted to EUR 564k (December 31, 2019: EUR 16k). In the reporting period, patents were acquired at a cost of EUR 550k; these will be amortized over a period of 18 years on a straight-line basis.

Current assets

As at June 30, 2020, marketable securities amounted to EUR 19,919k and are valued at fair value. The acquisition costs in the amount of EUR 19,999k were amortized by EUR 80k as at June 30, 2020.

The cash and cash equivalents includes short-term time deposits of EUR 7,000k and USD 4,400k (EUR 3,929k). They have a remaining term of less than 3 months.

Accounts denominated in a foreign currency were converted at the average spot exchange rate on June 30, 2020.

Share capital

As at June 30, 2020, the share capital amounted to EUR 19,975,482.00 (December 31, 2019: EUR 19,975,482.00) and is divided into 19,975,482 (December 31, 2019: 19,975,482) no-par-value registered ordinary shares (no-par-value shares).

Contingent capital

As at June 30, 2020, the contingent capital totaled EUR 3,808,975.00 (December 31, 2019: EUR 3,808,975.00). Of this amount, EUR 408,975.00 (December 31, 2019: EUR 408,975.00) is reserved for the issuance of options.

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

Dr. Konrad Glund, Halle, up to 104,834 ordinary shares

Dr. Hendrik Liebers, Leipzig, up to 104,833 ordinary shares

Dr. Inge Lues, Seeheim-Jugenheim, up to 104,834 ordinary shares

Authorized capital

As at June 30, 2020, the authorized capital amounted to EUR 6,150,688.00 (December 31, 2019: EUR 6,150,688.00)

Subject to the approval of the Supervisory Board, the Management Board is authorized to increase the Company's share capital on one or more occasions until May 28, 2024, in exchange for cash contributions or contributions in kind of up to EUR 6,150,688.00 by issuing a total of 6,150,688 new no-par-value registered ordinary shares (authorized capital in 2019). Subscription rights are excluded. Moreover, subject to the approval of the Supervisory Board, the Management Board is authorized to define the further details of the capital increase, its implementation and the terms and conditions for the issuance of the shares from the authorized capital in 2019.

Pension provisions

The pension obligations were carried forward based on the actuarial report as of June 30, 2020.

Between January 1, and June 30, 2020, pension payments totaling EUR 38k (previous year: EUR 38k) were made.

As at June 30, 2020, the pension provision recorded amounted to EUR 1,578k (December 31, 2019: EUR 1,583k).

Other provisions

As at June 30, 2020, other provisions amounted to EUR 202k (December 31, 2019: EUR 313k) and primarily consist of outstanding invoices, bonuses for the Management Board and remuneration for the Supervisory Board.

IV. Other disclosures

Risks associated with the coronavirus pandemic

Despite the strict lockdown requirements imposed by the containment regulations, Vivoryon has managed to ensure that all its employees are able to continue working. Individual solutions such as enabling them to work from home and staggering office working hours were applied to this end. A video conferencing system was introduced to substitute for a large part of business travel, which typically serves to identify potential investors or cooperation partners. All Company employees are asked to continue adhering to the recommendations for preventing SARS-CoV-2 infections, i.e. by maintaining the required minimum distances and, where this is not possible, wearing a face mask. Business trips should be undertaken only where absolutely essential.

Vivoryon collaborates with contract research organizations (CRO) on a large number of development projects. The lockdown regulations in Europe, the US and India had a minor impact on the projects' timelines. At the start of the pandemic, Vivoryon conducted a risk analysis on its major projects, which led to a slight delay in patient enrollments in the VIVIAD study. Clinical studies on Alzheimer's patients are studies that are conducted on a population that is classed as high risk. Vivoryon therefore pressed ahead with its preparations for the launch of the VIVIAD study, but has made this subject to the rate of infections remaining under control over a specified period of time in the countries involved (Denmark, the Netherlands, Germany) and the implementation of suitable precautionary measures at the study sites. This analysis was submitted to all the national authorities upon the application for approval for the clinical trial. The situation will be reanalyzed at regular intervals and, if necessary, new measures will be adopted, including potentially halting the enrollment of study participants. This would result in the study being prolonged. A further risk arising from the pandemic situation is the increased vulnerability of the supply chain for clinical study material. In order to minimize this risk, the Company has organized a second source for the synthesis of the active pharmaceutical ingredient (API).

Events of particular significance after June 30, 2020

Enrollment of the first patient in VIVIAD, European Phase 2b Alzheimer's disease study with varoglutamstat (PQ912)

On July 15, 2020, Vivoryon Therapeutics announced the enrollment of the first patient in the VIVIAD study. The VIVIAD study is a randomized, multi-center Phase 2b clinical study conducted in Europe. It will evaluate the safety and efficacy of Vivoryon's lead candidate, varoglutamstat (PQ912), in patients with Alzheimer's disease (AD).

IND Approval for Varoglutamstat's (PQ912) Phase 2 Study in Alzheimer's Disease received

On August 04, 2020 Vivoryon announced that the U.S. Food and Drug Administration (FDA) has cleared the Company's Investigational New Drug (IND) application for varoglutamstat (PQ912). FDA clearance of the IND will enable Vivoryon to initiate its U.S. Phase 2 clinical trial program for varoglutamstat (PQ912) in Alzheimer's disease as planned.

Disclosures with respect to executive bodies

Management Board

In the first six months of the fiscal year, the Company's business was managed by the same members of the Management Board

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

as previously.

They hold sole power of representation for the Company and are exempt from the constraints of Section 181 of the German Civil Code (Bürgerliches Gesetzbuch [BGB]).

Supervisory Board

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

- Dr. Erich Platzer, doctor, Basel/Switzerland – Chairman
- Dr. Dinnies von der Osten, managing director, Berlin – Vice Chairman
- Dr. Jörg Neermann, investment manager, Munich
- Charlotte Lohmann, attorney, Munich
-

Halle (Saale), August 26, 2020

Dr. Ulrich Dauer Dr. Michael Schaeffer

Vivoryon Therapeutics AG, Halle (Saale)

Interim management report for the period from January 1 to June 30, 2020 (HGB)

1. General disclosures

Legal structure

Vivoryon Therapeutics AG, — hereinafter referred to as “Vivoryon AG”, “Vivoryon” or the “Company”— is a stock corporation under German law based in Halle (Saale). It has one subsidiary, Vivoryon Therapeutics Inc., USA. All operational activities and assets are consolidated within Vivoryon AG; Vivoryon Therapeutics Inc. does not currently conduct any operating activities or have any assets.

Business activities

Vivoryon Therapeutics AG is a biopharmaceutical company dedicated to researching and developing new therapeutic products for the treatment of Alzheimer’s disease (hereinafter also referred to as “Alzheimer’s” or “AD”). Vivoryon’s goal is to become a leading company in the development of Alzheimer’s therapies and thus to contribute toward improving the quality of life of patients suffering from this disease.

Vivoryon pursues a therapeutic approach that addresses disease initiation as well as progression. The accumulation of Abeta protein plaques in the brain is characteristic of Alzheimer’s disease. Vivoryon has been able to demonstrate that the activity of the enzyme glutaminyl cyclase (QC) causes a particularly toxic modified species of Abeta, pyroglutamate-Abeta (pGlu-Abeta), to form. Vivoryon is therefore seeking to prevent the formation of pGlu-Abeta by inhibiting the glutaminyl cyclase enzyme. The Company’s most advanced program in this area, the development candidate PQ912, successfully completed a Phase 2a clinical trial in 2017. Based on these findings, Vivoryon is currently initiating a Phase 2b study in Europe on the treatment of early-stage Alzheimer’s disease. A second Phase 2a/b study is planned in the US and will be supported by a substantial grant from the NIH.

The Company is also reviewing options for expanding its research into the field of immuno-oncology and for developing therapies that use the body’s own immune system to combat cancer. The glutaminyl-peptide cyclotransferase-like protein (QPCTL), a post-translationally modifying enzyme that is responsible for pyroglutamate formation on important signaling proteins in oncological immune

responses, has recently been identified as a potential therapeutic target. Among other things, it has been demonstrated that QPCTL inhibitors, such as PQ912 and other small-molecule compounds that are protected by Vivoryon patents, disable the CD47-SIRPα-axis checkpoint signal between cancer cells and innate immune system cells, and can thus provide a novel strategy for enhancing the effectiveness of various antibody therapies in cancer treatment. Based on the available Phase 1 clinical data, Vivoryon is currently selecting development partnerships to transfer PQ912 into a clinical Phase 1b combination study together with a therapeutic antibody against cancer.

Significant events in the reporting period

a) Update on the VIVIAD Phase 2b clinical study

The clinical study named VIVIAD, derived from "*advancing disease modifying treatment and non-invasive diagnostics of Alzheimer's disease*," has been designed to test the efficacy and safety of various doses of PQ912 administered to 250 early-stage Alzheimer's patients in a randomized, placebo-controlled study over the course of 48 to 96 weeks. Prof. Scheltens, VU Amsterdam, will act as coordinating investigator. VIVIAD intends to use a total of 10 high-recruiting sites in Denmark, Germany and the Netherlands. The study is scheduled to enroll its first patient in Q3 2020. The topline results are expected in 2023. The primary endpoints of the trial are to assess the safety and tolerability of PQ912 as well as the efficacy of the substance on working memory and attention. The secondary endpoints include the long-term safety and tolerability of PQ912 and its efficacy on brain activity, cognition and activities of daily living. Vivoryon has also added exploratory parameters selected with a view to advancing less invasive diagnostic technologies. These will include the Winterlight Labs speech assessment, the use of electroencephalography (EEG) to test neural network activity and connectivity, as well as a set of blood-based biomarkers analyzed by Nordic Bioscience. The inclusion of these parameters will further strengthen PQ912's data package and introduce more innovative and less demanding diagnostic tools for future patients.

b) Acquisition of patents and launch of a development program for meprin protease inhibitors with intended therapeutic use in fibrosis, cancer and Alzheimer's disease

On April 7, 2020, Vivoryon acquired patents for the further development of meprin protease inhibitors from the Fraunhofer Institute for Cell Therapy and Immunology (IZI) at a cost of EUR 550k. Vivoryon and the Fraunhofer Institute entered into a research collaboration agreement on May 1, 2020. Under the guidance of PD Dr. Stephan Schilling, the Fraunhofer Institute's Department of Drug Design and Target Validation will work together with Vivoryon to develop novel small-molecule meprin inhibitors. This collaboration will combine Vivoryon's expertise in translating basic research into marketable

small-molecule therapeutics with the department's focus on the discovery and development of new therapeutics that target pathologic post-translational modifications. The metal-dependent proteases meprin alpha and meprin beta are emerging therapeutic targets in kidney protection and in the treatment of fibrotic diseases, cancer and Alzheimer's disease.

c) MorphoSys AG will not to exercise the exclusive option to license Vivoryon's small-molecule QPCTL inhibitors for immuno-oncology

On April 29, 2020, MorphoSys AG announced that it would not exercise the exclusive option to license Vivoryon's small-molecule QPCTL inhibitors in the field of immuno-oncology.

During the option period, MorphoSys conducted preclinical studies to assess the potential of small-molecule QPCTL inhibitors in oncology as well as the possible benefits of combining these inhibitors with MorphoSys' proprietary program tafasitamab (MOR 208, CD19 antibody), a compound in late-stage development for the treatment of relapsed/refractory diffuse large B-cell lymphoma (r/r DLBCL).

In parallel, a similar series of preclinical studies were conducted in collaboration with Kiel University. To this end, Vivoryon entered into a research collaboration with the University Medical Center Schleswig-Holstein, Kiel Campus, as early as June 2019.

Data from both studies documented a significant additive effect when QPCTL inhibitors are combined with a CD20 antibody or other antibodies, indicating that Vivoryon's lead drug candidate, PQ912, could represent a novel approach to cancer treatment.

Vivoryon remains optimistic about future collaborations with other leading oncology companies as a means to further leverage the strength and versatility of its small-molecule therapeutics in oncology.

d) Postponement of the 2020 Annual General Meeting

On May 12, 2020, the Company announced the postponement of the Annual General Meeting, which was previously scheduled for June 24, 2020, in Halle (Saale). The decision was made due to the ongoing SARS-CoV-2 global pandemic. In accordance with the Fifth Ordinance on Measures to Contain the Spread of the Novel Coronavirus SARS-CoV-2, announced on May 2, 2020, by the state government of Saxony-Anhalt, all events and gatherings with more than five people are prohibited throughout the whole state until May 27, 2020. Although the Annual General Meeting was scheduled to take place after the planned expiration date of the aforementioned ordinance, invitations to the meeting would have had to be published before May 27, 2020. As it was unforeseeable whether the ordinance guidelines would be extended or amended, and in order to give the shareholders appropriate time to make plans and to ensure their safety, the Management Board decided to

postpone the Annual General Meeting. The Annual General Meeting is expected to take place on September 30, 2020. The Company will inform its shareholders of its future plans well in advance.

e) PQ912 receives the International Nonproprietary Name (INN) varoglutamstat

In a letter dated May 22, 2020, Vivoryon received the approval of an International Nonproprietary Name (INN) for PQ912 from the World Health Organization (WHO). The Company will refer to the compound's nonproprietary and generic name—varoglutamstat—in the future. The name remains subject to a four-month objection period (ending in September 2020), after which the INN will be published if no formal objections are raised.

2. Overview of business development

2.1. General conditions

The general environment with respect to Alzheimer's disease research and development was unchanged in the first six months of 2020.

While developments in Alzheimer's research remain volatile, global demand for new therapeutic treatments coupled with increasing aging populations continues to drive interest and hope for this challenging indication. The first six months of 2020 were again marked by mixed news from research and development of new therapeutic approaches for Alzheimer's disease, an indication for which only four products have been approved for treating the symptomatic effects of the disease since 1998 and for which medical need is steadily increasing due to an aging global population. In March 2019, the companies Biogen and Eisai discontinued two major Phase 3 studies with the active ingredient aducanumab because an independent interim assessment indicated that the studies were unlikely to meet their primary endpoint, namely to slow the progression of dementia. Aducanumab is an antibody that targets Abeta amyloid plaques, which are typical for Alzheimer's disease, in the patient's brain and is designed to dissolve them. However, a sub-group assessment later showed that the progression of dementia could be slowed in the highest dosage group in one of the two studies. On July 8, 2020, Biogen/Eisai reported that, in close cooperation with the US Food and Drug Administration (FDA), it had completed the submission of a Biologics License Application (BLA) to the FDA for the approval of aducanumab, an investigational treatment for Alzheimer's disease. If the FDA accepts the application, it will also have to decide whether to grant the BLA Priority Review designation. This would mean that the FDA would have 6 months to decide whether to approve the application. A positive decision would be a clear signal in favor of therapeutic strategies targeting Abeta, similar to those pursued by Vivoryon with PQ912.

2.2. Company development

In the reporting period, Vivoryon focused on the following core areas:

- undertaking the final preparations for the VIVIAD Phase 2b study for PQ912 in Europe
- identifying new targets to expand the preclinical project pipeline
- preclinical testing of the efficacy of QPCTL inhibition in immuno-oncological models

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

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

Net assets

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

	Jun. 30, 2020	Dec. 31, 2019
	kEUR	kEUR
Assets		
Intangible assets	564	16
Property, plant and equipment	66	62
Financial assets	3	3
Fixed assets	**633**	**81**
Receivables and other assets	549	961
Securities	19,919	0
Cash at bank and in hand	14,448	41,419
Current assets	**34,916**	**42,380**
Prepaid expenses	1,994	2,996
Total assets	**37,543**	**45,457**
Equity and liabilities		
Equity	35,441	43,035
Provisions	1,780	1,896
Liabilities	322	526
Total equity and liabilities	**37,543**	**45,457**

As at June 30, 2020, Vivoryon's total assets on the balance sheet amounted to EUR 37,543k (December 31, 2019: EUR 45,457k).

The fixed assets increased significantly by EUR 552k to EUR 633k compared to December 31, 2019. The increase is primarily due to the acquisition of patents from the Fraunhofer Institute for Cell Therapy and Immunology (IZI) at a cost of EUR 550k. Scheduled amortization in the reporting period amounted to EUR 20k.

As at June 30, 2020, the current assets amounted to EUR 34,916k (December 31, 2019: EUR 42,380k). The EUR 7,464k decrease is attributed to operating activities in the reporting period.

As at June 30, 2020, Vivoryon's cash and cash equivalents totaled EUR 34,367k, with EUR 19,919k held in marketable securities which can be liquidated at any time and EUR 14,448k in cash at bank and in hand. The cash at bank and in hand includes short-term time deposits of EUR 7,000k and USD 4,400k (EUR 3,929k). They have a remaining term of less than 3 months.

As at June 30, 2020, Vivoryon's equity amounted to EUR 35,441k (December 31, 2019: EUR 43,035k). This corresponds to an equity ratio of 94.4% (December 31, 2019: 94.7%). The statement of changes in equity in the interim financial statements presents the development of equity.

As at June 30, 2020, provisions had fallen slightly compared to December 31, 2019, to EUR 1,780k (2019: EUR 1,896k). As at June 30, 2020, provisions included EUR 1,578k (2019: EUR 1,583k) for pension provisions and EUR 202k (2019: EUR 313k) for other provisions.

Liabilities decreased by EUR 205k to EUR 322k as at June 30, 2020. Of this amount, EUR 272k (2018: EUR 388k) was attributable to trade payables and EUR 50k (2018: EUR 138k) to other liabilities.

Financial position

The operating cash flow amounted to EUR -6,319k in the reporting period (reference period 2019: EUR -3,443k). The year-on-year change was largely due to increased expenditure in connection with the Phase 2b clinical study in Europe.

The cash flow from investing activities amounted to EUR -20,572k in the first six months of 2020 (reference period 2019: EUR -5k). The change compared to the previous financial year results mainly from the investment of liquid financial resources in the amount of EUR 19,999k in securities held as current assets and increased expenditure due to the acquisition of patents from the Fraunhofer Institute for Cell Therapy and Immunology (IZI) at a cost of EUR 550k.

Results of operations

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

	Jan. 01–Jun. 30, 2020	Jan. 01–Jun. 30, 2019
	kEUR	kEUR
Other operating income	49	22
Cost of materials	-5,107	-964
Personnel expenses	-1,039	-929
Amortization of intangible assets and depreciation of property, plant and equipment	-21	-10
Other operating expenses	-1,379	-1,738
Amortization of marketable securities	-80	0
Net financial income/expense	-17	-20
Taxes on income and earnings	0	0
Net loss for the year	**-7,595**	**-3,639**

In the first six months of 2020, the Company's net loss amounted to EUR 7,595k (reference period 2019: EUR 3,639k). The material changes compared to the previous year are primarily due to:

- the significant increase of EUR 4,143k in the cost of materials, which was due to additional expenditure for purchased services in connection with the launch of the Phase 2b clinical study (VIVIAD) in Europe
- a slight increase of EUR 110k in personnel expenses due to new hiring in the third and fourth quarters of 2019 and in the first quarter of 2020.
- a reduction of EUR 359k in other operating expenses, primarily due to the fact that no transaction costs were incurred for capital increases in the first six months of 2020 (reference period 2019: EUR 523k).

Overall assessment

At the time of preparing this management report, the Company's economic situation had not changed materially with regard to the explanations provided above and is in line with the Management Board's forecasts. The Management Board is generally satisfied with the development of business and considers this to be positive.

3. Opportunities and risk report

In the reporting period, there were no significant changes with respect to the opportunities and risk report presented in the management report for the 2019 annual financial statements.

Due to Vivoryon's extremely good liquidity, the interim financial statements as at June 30, 2020, were prepared on a going concern basis. This implies that, as part of the normal course of business, assets can be utilized and liabilities settled. The Company's equity as at June 30, 2020, amounted to EUR 35,441k (December 31, 2019: EUR 43,035k) and cash and cash equivalents, including marketable securities, amounted to EUR 34,366k (December 31, 2019: EUR 41,420k).

As at June 30, 2020, Vivoryon reported a net loss for the period of EUR 7,595k and a cumulative deficit of EUR 73,352k. The Company anticipates that operating losses will continue for the foreseeable future due to high expenditure in connection with conducting the Phase 2b clinical study and additional research financing.

Risks associated with the coronavirus pandemic

Despite the strict lockdown requirements imposed by the containment regulations, Vivoryon has managed to ensure that all its employees are able to continue working. Individual solutions such as enabling them to work from home and staggering office working hours were applied to this end. A video conferencing system was introduced to substitute for a large part of business travel, which typically serves to identify potential investors or cooperation partners. All Company employees are asked to continue adhering to the recommendations for preventing SARS-CoV-2 infections, i.e. by maintaining the required minimum distances and, where this is not possible, wearing a face mask. Business trips should be undertaken only where absolutely essential.

Vivoryon collaborates with contract research organizations (CRO) on a large number of development projects. The lockdown regulations in Europe, the US and India had a minor impact on the projects' timelines, which led to a slight delay in patient enrollments in the VIVIAD study. At the start of the pandemic, Vivoryon conducted a risk analysis on its major projects. Clinical studies on Alzheimer's patients are studies that are conducted on a population that is classed as high risk. Vivoryon therefore pressed ahead with its preparations for the launch of the VIVIAD study, but has made this subject to the rate of infections remaining under control over a specified period of time in the countries involved (Denmark, the Netherlands, Germany) and the implementation of suitable precautionary measures at the study sites. This analysis was submitted to all the national authorities upon the application for approval for the clinical trial. The situation will be reanalyzed at regular intervals and, if necessary, new measures will be adopted, including potentially halting the enrollment of study participants. This would

result in the study being prolonged. A further risk arising from the pandemic situation is the increased vulnerability of the supply chain for clinical study material. In order to minimize this risk, the Company has organized a second source for the synthesis of the active pharmaceutical ingredient (API).

Overall assessment of the risk situation

From today's perspective, taking into account all the aforementioned risks, few factors have been identified that could jeopardize the continued survival of the Company in the financial year 2020, despite the impact of the coronavirus pandemic. Overall, the Company is well positioned. Vivoryon is convinced that the opportunities for successfully continuing its activities significantly outweigh the identified risks. The cash and cash equivalents as at June 30, 2020, provide for the further financing of the Company beyond the next 2.5 years.

4. Outlook

The focus of Vivoryon's business activities has not changed over the mid-term in comparison to the outlook provided in the management report for the 2019 annual financial statements.

Vivoryon will remain focused on continuing its business operations in order to meet patients' needs. However, in view of the fluid nature of the current environment, future adverse effects on its activities, including the clinical studies, due to the ongoing COVID-19 pandemic cannot be excluded. Close monitoring of the situation will continue.

5. Events of particular significance after June 30, 2020

Please refer to the remarks in the explanations provided in the interim financial statements as at June 30, 2020, for events of particular significance after the reporting period.

Halle (Saale), August 26, 2020
Management Board of Vivoryon Therapeutics AG

Dr. Ulrich Dauer Dr. Michael Schaeffer