

Condensed interim financial
information for the period
ending June 30, 2020

Vivoryon Therapeutics AG
Halle (Saale)

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Vivoryon Therapeutics AG, Halle (Saale)

Statement of comprehensive loss for the period from January 1, 2020 to June 30, 2020

	Notes	1/1- 06/30/2020 EUR k	1/1- 06/30/2019 EUR k
Research and development expenses	2.1	-6,380	-1,862
General and administrative expenses	2.2	-1,138	-1,223
Other operating income		38	8
Operating loss		-7,480	-3,077
Finance income		0	0
Finance expense		-92	-15
Finance result		-92	-15
Net loss for the period		-7,572	-3,091
Items not to be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit pension liability		-20	-174
Total other comprehensive loss		-20	-174
Comprehensive loss		-7,592	3,265
Loss per share in EUR (basic and diluted)	2.4	-0.38	-0.31

Vivoryon Therapeutics AG, Halle (Saale)

Statement of financial position as of June 30, 2020

ASSETS

	Notes	06/30/2020	12/31/2019
		EUR k	EUR k
A. Noncurrent assets	3.1		
I. Intangible assets		564	16
II. Property, plant and equipment		422	465
III. Financial assets		3	3
		989	484
B. Current assets			
I. Other current assets and prepayments	3.2.1	2,439	3,853
II. Other current financial assets	3.2.2/ 4.	30,848	0
III. Cash and cash equivalents	3.2.3	3,623	41,524
		36,910	45,377
		37,900	45,861

EQUITY AND LIABILITIES

		06/30/2020	12/31/2019
		EUR k	EUR k
A. Equity	3.3		
I. Share capital		19,975	19,975
II. Additional paid-in capital		86,390	86,388
III. Accumulated other comprehensive loss		-582	-562
IV. Accumulated deficit		-70,708	-63,136
		35,075	42,665
B. Liabilities			
I. Noncurrent liabilities			
1. Pension liability	3.5	1,939	1,951
2. Lease liability	5.	269	2,208
II. Current liabilities			
1. Provisions		12	12
2. Trade payables		346	539
3. Lease liability	5.	91	91
4. Other current liabilities	3.4	167	616
		2,825	3,196
		37,900	45,861

Vivoryon Therapeutics AG, Halle (Saale)

Cash flow statement as of June 30,2020

	1/1 – 06/30/2020	1/1 – 06/30/2019
	EUR k	EUR k
Net loss for the period	-7,572	-3,091
<i>Adjustments for:</i>		
Net finance expense	92	15
Depreciation and amortisation	64	25
Allowance for securities held as current assets	80	0
Share based payments	3	8
Unrealised foreign currency loss/gain	81	-4
<i>Changing in</i>		
Other current assets and prepayments	1,414	-835
Pension liabilities	-119	-38
Provisions	0	0
Trade payables	-193	488
Other liabilities	-121	5
Interest paid	-4	-2
Cash flows used in operating activities	-6,274	-3,428
Purchase of plant and equipment	-16	-4
Purchase of intangible assets 3.1	-557	0
Purchase of other current securities 3.2.2	-19,999	0
Purchase of short-term time deposits 3.2.2	-10,929	0
Cash flows used in investing activities	-31,501	-4
Proceeds from issuance of common shares	0	8,187
Transaction costs of equity transaction	0	-523
Payment of lease liabilities	-45	-19
Cash flows provided by financing activities	-45	7,644
Net decrease in cash and cash equivalents	-37,820	4,212
Cash and cash equivalents at the beginning of period	41,524	3,783
Effect of exchange rate fluctuation on cash held	-81	4
Cash and cash equivalents at the end of period	3,623	7,999

Vivoryon Therapeutics AG, Halle (Saale)

Condensed statement of changes in equity for the period from January 1 to June 30, 2020

	Share capital	Additional paid-in capital	Accumulated other comprehensive loss	Accumulated deficit	Total equity
	EUR k	EUR k	EUR k	EUR k	EUR k
January 1, 2019	8,208	48,740	-405	-55,313	1,230
Net loss for the period			-174	-3,091	-3,265
Issuance of common shares less transaction costs	4,093	3,570			7,664
Share-based payments		8			8
	4,093	3,578	-174	-3,091	4,407
June 30, 2019	12,301	52,318	-579	-58,405	5,636
January 1, 2020	19,975	86,388	-562	-63,136	-42,665
Net loss for the period/ Comprehensive loss			-20	-7,572	-7,592
Share-based payments		3			0
	0	3	-20	-7,572	7,589
June 30, 2020	19,975	86,390	-582	-70,708	-35,075

Vivoryon Therapeutics AG, Halle (Saale)

Notes to the financial statements for the period from January 1 to June 30, 2020

1. Company information

1.1 Basis for preparation of the condensed interim financial statements

The condensed interim financial statements of Vivoryon Therapeutics AG (“the Company” or “Vivoryon”) as of June 30, 2020 and for the six months then ended, were prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS) as published by the International Accounting Standards Board (IASB) and adopted by the European Union (EU). The rules contained in IAS 34 “Interim Financial Reporting” were applied accordingly.

These condensed interim financial statements shall be read in conjunction with the financial statements as of December 31, 2019.

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

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

1.2 Foreign currency translation

The principles for foreign currency translation remain unchanged to those applied to the annual financial statements as of December 31, 2019.

1.3 Accounting policies

Given that the condensed interim financial statements are based on the annual financial statements as of December 31, 2019, reference is made to the detailed description of the accounting policies contained in the notes to the annual financial statements as of December 31, 2019. The accounting policies applied are essentially commensurate with those applied in the previous year.

The estimates and assumptions, unchanged from December 31, 2019, primarily relate to estimates and assumptions in connection with the management’s assessment of the entity’s ability to continue

as a going concern and the determination of accruals for research and development services in progress.

As a clinical stage biopharmaceutical company, Vivoryon has incurred a net loss of EUR 7,572k for the six months ended June 30, 2020. As of June 30, 2020, the Company has generated an accumulated deficit of EUR 70,708k. The Company anticipates operating losses to continue for the foreseeable future due to, among other things, costs related to research-funding, development of its product candidates and its preclinical programs. The accompanying condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which considers the realization of assets and the settlement of liabilities and commitments in the normal course of business.

In accordance with the present liquidity projections, the Company is funded for the next 2.5 years.

The following applies in addition to the accounting policies described in the notes to the financial statements as of December 31, 2019:

Effective January 1, 2020 the following new and/or revised standards and interpretations were applied:

- 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)

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

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

2.1 Research and development expenses

The research and development expenses of EUR 6,380k (6 month period 2019: EUR 1,862k) comprise 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 research and development operations.

2.2 General and administrative expenses

General and administrative expenses of EUR 1,138k (6 month period 2019: EUR 1,223k) include the administrative expenses of Vivoryon. These expenses relate mainly to management costs, consulting expenses and general administrative expenditures.

2.3 Other operating Income

Other operating income amounted to EUR 38k in the 6 month period 2020, following EUR 8k in the 6 month period 2019.

2.4 Loss per share

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

As at June 30, 2020, Vivoryon's share capital consisted of 19,975,482 common shares (June 30, 2019: 12,301,375). 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 7,572k in the 6 month period 2020 (6 month period 2019: EUR 3,091k).

The loss per share was calculated as follows:

	Jan 1 - Jun 30, 2020	Jan 1 – Jun 30, 2019
	EUR k	EUR k
Weighted average number of common shares outstanding	19,975,482	10,027,283
Loss for the period in EUR k	-7,572	-3,091
Loss per share in EUR (basic/diluted)	-0.38	-0.31

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

3.1 Noncurrent assets

The carrying amount of noncurrent assets increased to EUR 989k (December 31, 2019: EUR 484k), taking into account depreciation (EUR 68k). There were investments in amount of EUR 573k in the first 6 month period of 2020. In the reporting period, patents were acquired at acquisition costs of EUR 550k, which are amortized over 18 years.

3.2 Current assets

3.2.1 Other current assets

Other current assets comprise the following:

	Jun 30, 2020	Dec 31, 2019
	EUR k	EUR k
Deferred items	1,994	2,996
Receivables from value-added taxes	114	290
Prepayments	309	233
Other	22	334
Total	2,439	3,853

As at June 30, 2020 the deferred items include payments upon signing the contract with the CRO for the running the Phase 2b clinical trial in amount of EUR 1,697k. The prepayments in an amount of EUR 309k will be utilized for clinical materials already ordered.

3.2.2 Other current financial assets

The other current financial assets include other current securities in the amount of EUR 19,919k at June 30, 2020 (December 31, 2019: EUR 0k), that are due at any time. Further, short-term time deposits of EUR 7,000k (December 31, 2019: EUR 0k) and USD 4,400k (EUR 3,929k, December 31, 2019: EUR 0k) with a term of 6 months are included. Both are measured at fair value through profit or loss (FVTPL).

3.2.3 Cash and cash equivalents

Cash and cash equivalents amount to EUR 3,623k at June 30, 2020 (December 31, 2019: EUR 41,524k).

3.3 Equity

3.3.1 Share capital

As at June 30, 2020, unchanged from December 31, 2019, Vivoryon's share capital comprised 19,975,482.00 registered no-par common shares. The nominal amount per share is EUR 1.00.

3.3.2 Conditional capital

As at June 30, 2020, the total conditional capital amounted to EUR 3,808,975.00 and is unchanged from December 31, 2019. Of this amount, EUR 408,975.00 (December 31, 2019: EUR 408,975.00) is reserved as a result of the issuance of options.

3.3.3 Authorized capital

The authorized capital amounted to EUR 6,150,688.00 (December 31, 2019: EUR 6,150,688.00k).

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

3.4 Current liabilities

Other current liabilities

Other current liabilities include liabilities from obligations to members of the management board in the amount of EUR 50k (December 31, 2019: EUR 92k), liabilities from obligations to members of the supervisory board in the amount of EUR 50k (December 31, 2019: EUR 40k), payroll and church taxes from obligations to employees in the amount of EUR 48k (December 31, 2019: EUR 126k) and others (EUR 19k).

3.5 Non-current liabilities

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 for these two individuals

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:

	Jun 30, 2020	Dec 31, 2019
Discount rate	0.75	0.91

In addition, an increase in the pension of 1.0% was assumed.

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:

	Jan 1 - Jun 30, 2020	Jan 1 – Jun 30, 2019
	EUR k	EUR k
Net interest expense (+) / income (-)	17	20
Personnel expenses	18	34
Total net pension expenses	35	54

Pension liabilities – pension commitment using the provident fund

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

This pension liability was calculated using a discount rate of 0,82 % and amounts to EUR 199k as of June 30, 2020 (December 31, 2019: 1,07% and EUR 201k).

4. Disclosures with respect to financial instruments

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 other securities of current assets, cash and cash equivalents. The non-derivative financial liabilities consist of trade payables.

The cash and cash equivalents and the trade payables are measured at amortized costs.

The other current financial assets measured at fair value through profit or loss (FVTPL).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy:

	Carrying amount		Fair value			Total
	FVTPL	Financial assets at amortised cost	Level 1	Level 2	Level 3	
June 30, 2020	EUR k	EUR k	EUR k	EUR k	EUR k	EUR k
Other current financial assets	30,848	0	30,848	0	0	30,848
Cash and cash equivalents	0	3,623				
Trade payables	0	346				
December 31, 2019						
Other securities of current assets	0	0				
Cash and cash equivalents	0	41,524				
Trade payables	0	539				

5. Leases (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 December 31, 2019	401	2	403
Additions to right-of-use assets	0	0	0
Depreciation for the year	-48	-1	-49
Balance at June 30, 2020	353	1	354

Lease Liabilities	Rental buildings	IT equipment	Total
	EUR k	EUR k	EUR k
Balance at June 30, 2020	359	1	360
Thereof			
Current	90	1	91
Non-current	269	0	269

6. Other disclosures

6.1 Contingencies and other financial commitments

The total of the other financial commitments as of June 30, 2020 was EUR 1,008k and comprised of research and development service providers as well as of service, leasing and rental commitments. Of these commitments, EUR 1,008k are due within one year.

6.2 Related party relationships

For further information, reference is made to the explanations of related party disclosures in the notes to the annual financial statements as of December 31, 2019. Significant changes have not occurred.

6.3 Risks associated with the Covid-19 pandemic

Despite the strict lockdown requirements through the containment regulations, Vivoryon has managed to maintain the work ability of all employees. For this purpose, individual solutions such as working from home and time-shifted working in the offices were used. Business travel typically used to identify potential investors or cooperation partners, was largely replaced by the establishment of a video conference system. All employees of the Company are still encouraged to act in accordance with the recommendations for protection against Sars-CoV2 infections, i.e. comply with the specified minimum distances and, where this is not possible, wear mouth and nose protection. Business trips should only be undertaken if absolutely necessary.

Vivoryon sources certain services from contract research organizations (CROs) in its development projects. The lockdown regulations in Europe, the United States and India have had a negative impact on the timelines of projects resulting in a slight delay of patient enrollment in the VIVIAD study. Moreover, with the outbreak of the pandemic, Vivoryon carried out a respective risk analysis for its projects. Since Alzheimer's patients, mostly elderly individuals, are representing a particular risk group towards severe Covid-19 progressions, Vivoryon has made the study initiation dependent on the community-spreading situations in participating countries (Denmark, the Netherlands, Germany). Additionally, appropriate precautionary measures have been established at all test centers. These analyses and measures were part of the applications to the respective competent national authorities for approval of the clinical trial.

This situation is being re-evaluated at regular intervals and, if necessary, appropriate measures will be implemented which may include the complete stop of the recruitment of study participants leading to a delay of the trial timelines and study results.

A further risk resulting from the pandemic, is the increased vulnerability of the supply chain for clinical study materials. To mitigate this risk, the Company has been establishing a second source for the synthesis of the active pharmaceutical ingredient (API).

6.4 Significant events subsequent to the end of the reporting period

Enrollment of First Patient in VIVIAD, European Phase 2b Alzheimer's Disease Study with Varoglutamstat (PQ912)

On July 15, 2020, Vivoryon announced that the first patient has been enrolled in VIVIAD, a Phase 2b, randomized and multi-center clinical study in Europe. The study will evaluate the safety and efficacy of Vivoryon's lead candidate, varoglutamstat (PQ912), in patients with early 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.

6.5 Approval and release

On August 26, 2020, Vivoryon Therapeutics AG's management board authorized these condensed interim financial statements for release.

Halle (Saale), August 26, 2020

Management board of Vivoryon Therapeutics AG