VIVORYON THERAPEUTICS N.V.

INTERIM REPORT AS OF AND FOR THE THREE- AND NINE-MONTH PERIOD ENDED

SEPTEMBER 30, 2021

These condensed interim financial statements are interim financial statements for Vivoryon Therapeutics N.V.
The condensed financial statements are presented in Euro (€).
Vivoryon Therapeutics N.V. is a company limited by shares, incorporated and domiciled in Amsterdam, The Netherlands.
Its registered office and principal place of business is in Germany, Halle, Weinbergweg 22.

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THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2021 AND 2020

Unaudited Condensed Interim Financial Statements

Vivoryon Therapeutics N.V.
Condensed Statements of Operations and Comprehensive Income and Loss

(in k€, except for share data)	Note	For the three months ended September 30, 2021	2020	For the nine months ended September 30, 2021	2020
Revenue	6.	10,764	—	10,764	—
Cost of Sales	6.	(488)	—	(488)	—
Gross Profit		**10,276**	—	**10,276**	—
Research and development expenses		(4,128)	(3,653)	(13,584)	(10,032)
General and administrative expenses		(857)	(847)	(3,193)	(1,986)
Other operating income		—	—	6	—
Operating profit / (loss)		**5,292**	**(4,500)**	**(6,496)**	**(12,018)**
Finance income	7.	398	119	617	156
Finance expenses	7.	(199)	(251)	(301)	(344)
Finance result	7.	**199**	**(133)**	**316**	**(186)**
Result before income taxes		**5,491**	**(4,633)**	**(6,180)**	**(12,206)**
Income taxes	6.	(1,082)	—	(1,082)	—
Net profit / (loss) for the period		**4,410**	**(4,633)**	**(7,261)**	**(12,206)**
Items not to be reclassified subsequently to profit or loss					
Remeasurement of the net defined benefit pension liability	14.	89	—	89	(20)
Total other comprehensive profit / (loss)		**89**	**—**	**89**	**(20)**
Comprehensive profit / (loss)		**4,499**	**(4,633)**	**(7,172)**	**(12,224)**
Earnings/ (Loss) per share in € (basic and diluted)	16.	0.22/ 0.22	(0.23)	(0.36)	(0.61)

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Vivoryon Therapeutics N.V.
Condensed Statements of Financial Position

(in k€)	Note	September 30, 2021	December 31, 2020
ASSETS			
Non-current assets			
Intangible assets		544	565
Property, plant and equipment		74	80
Right-of-use assets	15.	241	310
Financial assets	8.	3,401	3
Total non-current assets		**4,260**	**958**
Current assets			
Other current assets and prepayments	10.	2,265	2,466
Financial assets	8.	3,000	21
Cash and cash equivalents	11.	19,861	26,306
Total current assets		**25,126**	**28,793**
TOTAL ASSETS		**29,386**	**29,751**
Equity			
Share capital	12.	20,020	19,975
Share premium		82,784	82,143
Other capital reserves		5,788	4,404
Accumulated other comprehensive loss		(566)	(655)
Accumulated deficit		(86,906)	(79,646)
Total equity		**21,120**	**26,221**
Non-current liabilities			
Pension liability	14.	1,835	1,981
Provisions long-term		12	—
Lease liabilities	15.	156	224
Total non-current liabilities		**2,003**	**2,205**
Current liabilities			
Provisions		35	47
Trade payables	8.	5,284	911
Lease liabilities	15.	92	90
Other liabilities		852	276
Total current liabilities		**6,263**	**1,325**
Total Liabilities		**8,266**	**3,530**
TOTAL EQUITY AND LIABILITIES		**29,386**	**29,751**

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Vivoryon Therapeutics N.V.
Statements of Changes in Shareholders' Equity for the nine months ended September 30, 2021 and 2020

(in k€)	Note	Share capital	Share premium	Other capital reserves	Accumulated other comprehensive loss	Accumulated deficit	Total equity
January 1, 2021		**19.975**	**82.143**	**4.404**	**(655)**	**(79.646)**	**26.221**
Net loss for the period		—	—	—	—	(7,261)	(7,261)
Remeasurement of the net defined benefit pension liability	14.	—	—	—	89	—	89
Comprehensive income / (loss)		**—**	**—**	**—**	**89**	**(7,261)**	**(7,172)**
Share-based payments	13.c	—	—	1,384	—	—	1,384
Proceeds from exercise of share options	13.b	45	641	—	—	—	686
September 30, 2021		**20,020**	**82,784**	**5,788**	**(566)**	**(86,906)**	**21,120**
January 1, 2020		**19,975**	**82,143**	**4,245**	**(562)**	**(63,136)**	**42,665**
Net loss for the period		—	—	—	—	(12,206)	(12,206)
Remeasurement of the net defined benefit pension liability	14.	—	—	—	(20)	—	(20)
Comprehensive loss		**—**	**—**	**—**	**(20)**	**(12,206)**	**(12,226)**
Share-based payments	13.c	—	—	4	—	—	4
September 30, 2020		**19,975**	**82,143**	**4,249**	**(582)**	**(75,342)**	**30,443**

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Vivoryon Therapeutics N.V.
Condensed Statements of Cash Flows

(in k€)	Note	For the nine months ended September 30, 2021	2020
Operating activities			
Net loss for the period		(7,261)	(12,206)
Adjustments for:			
Finance result	7.	(316)	188
Depreciation and amortization		125	106
Share based payments	13.c	1,384	4
Other non-cash adjustments		524	(69)
Changing in:			
Other current assets and prepayments	10.	201	772
Other financial assets	9.	(6,377)	307
Pension liabilities	14.	(146)	(32)
Provisions		—	(210)
Trade payables		4,372	386
Other liabilities		577	(8)
Interest received		19	27
Interest paid		(5)	(6)
Taxes paid		(433)	—
Cash flows used in operating activities		**(7,336)**	**(10,741)**
Investing activities			
Purchase of plant and equipment		(20)	(18)
Purchase of intangible assets		(8)	(557)
Cash flows used in investing activities		**(28)**	**(575)**
Financing activities			
Payment of lease liabilities		(67)	(68)
Proceeds from exercise of share options	13. b	686	—
Cash flows provided / (used in) by financing activities		**619**	**(68)**
Net decrease in cash and cash equivalents		**(6,745)**	**(11,384)**
Cash and cash equivalents at the beginning of period	11.	26,306	41,524
Effect of exchange rate fluctuation on cash held		300	(160)
Cash and cash equivalents at end of period	11.	**19,861**	**29,980**

The accompanying notes are an integral part of these unaudited condensed interim financial statements.

Vivoryon Therapeutics N.V.
Notes to the Unaudited Condensed Interim Financial Statements

1. Reporting entity

Vivoryon Therapeutics N.V. (or the 'Company'; until November 28, 2020 Vivoryon Therapeutics AG) is a Dutch public company with limited liability ('Naamloze Vennootschap') incorporated and domiciled in Amsterdam, the Netherlands. The Company is registered in the Commercial Register of The Netherlands Chamber of Commerce Business Register under CCI number 81075480. Its registered office and principal place of business is in Germany, Halle (Saale), Weinbergweg 22. Since October 27, 2014, Vivoryon listed common shares under the symbol 'VVY' (until June 11, 2019 'PBD') on the EURONEXT Amsterdam.

Based on the resolution of the Annual General Meeting of September 30, 2020, Vivoryon Therapeutics AG has moved its statutory seat from Halle (Saale), Germany to Amsterdam, Netherlands and has changed its legal form from the German stock corporation to the Dutch N.V. ('Naamloze Vennootschap').

Vivoryon Therapeutics N.V. (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 several research and development programs with a focus on the inhibition of the enzyme Glutaminyl Cyclase ('QC' or 'QPCT') and its iso-form iso-Glutaminyl Cyclase (iso-QC or QPCTL) for the treatment of Alzheimer's disease and other diseases. Vivoryon Therapeutics extended its portfolio in 2020 by acquiring patents for the further development of Meprin protease inhibitors which have a therapeutic potential for a range of indications including acute and chronic kidney disease and multiple organ fibrosis. The activities of the Company are carried out in Germany being the primary location for its development activities.

The condensed interim financial statements of Vivoryon have been prepared in accordance with International Financial Reporting Standards as adopted in the European Union (herein 'IFRS').

2. Basis of accounting

These condensed interim financial statements for the three and nine-month reporting periods ended September 30, 2020 and 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting*. These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements. Accordingly, this report is to be read in conjunction with the financial statements in our annual report for the year ended December 31, 2020.

The condensed interim financial statements were authorized for issue by the board of directors on November 15, 2021. The Board declares that, to the best of its knowledge, the condensed interim financial statements for the three and nine months ended September 30, 2021 provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company in accordance with IFRS , and the Report provides a true and fair view of the position of the Company as at September 30, 2021 and the development of the business during the three and nine months period ended September 30, 2021.

These condensed interim financial statements are presented in thousands of Euro (€), which is also the functional currency of Vivoryon Therapeutics N.V. All financial information presented in Euro has been rounded to the nearest thousand (abbreviation € thousand) or million (abbreviated € million).

The accounting policies adopted are consistent with those followed in the preparation of the Company's annual financial statements for the year ended December 31, 2020. After the Company received license income from a regional licensing partnership in the third quarter of 2021(we refer to note 6.), the Company recognizes revenue in profit or loss for the first time. Explanations on the new accounting policy on IFRS 15 'Revenues from Contracts with Customers' are provided below.

Vivoryon Therapeutics N.V. is a clinical-stage biotechnology company focused on developing innovative small molecule-based medicines. Out-licensing of our technology is part of our ordinary business activities, but revenues from such transactions are infrequently, i.e. not recurring.

Revenue from contracts with customers are recognized when:

- Revenue from the licensing of intellectual property for a certain period with a right to access such intellectual property as defined in IFRS 15 (‘right to access’ licenses), is recognized over time over the licensing period. Such contracts require, or the customer reasonably expects, that the Company will undertake activities that significantly affect the intellectual property to which the customer has rights. Furthermore, such rights granted by the Company directly would expose the customer to any positive or negative effects of the Company’s activities mentioned before. And lastly it is necessary that those activities do not result in the transfer of a good or a service to the customer as those activities occur. If these three conditions are collectively not met, revenue is recognized as explained in the next paragraph. The three conditions described above were not met for the revenues recognized in the third quarter of 2021, we refer to the explanatory notes under ‘5. Critical judgments and accounting estimates.’

- Revenue from the licensing of intellectual property for a certain period (‘right to use’ licenses), usually in the structure of an upfront fee and later milestone payments, is recognized at a point in time, when the right (or license) to use intellectual property and the intellectual property is conveyed. The transaction price for the licenses sold in the third quarter of 2021 comprises fixed (up-front payments) and variable elements (milestone payments and future royalties):

    - The transaction price includes all of an amount of up-front payments (‘fixed’ consideration) as they are highly probable and significant reversal in the amount of cumulative revenue recognized will not occur.

    - The transaction price also includes some or all of an amount of variable consideration to the extent described in the following steps. When a contract is signed and at each subsequent reporting date, the Company estimates the consideration for the contingent milestone payments. Given the range of possible outcomes for milestones and related payments and the uncertainty for each scenario, the Company applies the expected value estimation method. In a second step the Company estimates if it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur. The Company includes respective milestone payments in the total estimated transaction price when it is highly probable that the resulting revenue recognized would not have to be reversed in a future period.

    - An exception is applied for variable consideration elements in exchange for a license of intellectual property, like sales- or usage-based royalties. These revenues are recognized only when (or as) the later of the following events occurs, the performance obligation to which some or all of the sales-based or usage-based royalty has been allocated has been satisfied; and the subsequent sale or usage occurs.

- The revenues from other performance obligations (like supply of the Company`s compound or special know-how) under contracts with customers are recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services, usually on delivery of the goods.

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company satisfies a performance obligation by transferring control over goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional. Contract assets are subject to impairment assessment. A receivable represents the Company`s right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration or an amount of consideration is due from the customer (whichever is earlier). If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made, or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Company performs under the contract.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3. Going Concern

The Company has evaluated whether there are certain conditions and events, considered in the aggregate, that may cast significant doubt about the Company's ability to continue as a going concern.

As a clinical stage biopharmaceutical company, the Company has incurred operating losses since inception. For the nine months periods ended September 30, 2021, the Company incurred a net loss of € 7.3 million (including a loss from operations amounting to € 6.5 million, resulting in an operating cash outflow of € 7.3 million). As of September 30, 2021, the Company had generated an accumulated deficit of € 86.9 million and had an equity position amounting to € 21.1 million. The Company expects it will continue to generate significant operating losses for the foreseeable future due to, among other things, costs related to research funding, development of its product candidates and its preclinical programs, strategic alliances and its administrative organization. As of November 15, 2021, the issuance date of the Company's condensed interim financial statements for the three and nine months periods ended September 30, 2021, the Company expects on the basis of its most recent business plan that its existing cash and cash equivalents will be sufficient to fund its operating expenses and capital expenditure requirements through June 30, 2022, or alternatively, up to December 2022, if it decides not to trigger the API supply for study medication for purposes of the VIVA-MIND phase IIb part and to stop other research and development activities outside the initiated clinical trials. The future viability of the Company beyond that point is dependent on its ability to raise additional funds to finance its operations.

To date the Company principally financed its operations through equity raises and government grants and is now seeking to complete an initial public offering ("IPO") of its common shares on the NASDAQ Global Market. In the event the Company does not complete an IPO, the Company expects to be required to seek additional funding through private equity financings, government or private-party grants, debt financings or other capital sources or through collaborations with other companies or other strategic transactions, including partnering deals for one or more of its product candidates. The Company is currently exploring various financing alternatives to meet the Company's future cash requirements, including seeking additional investors, pursuing industrial partnerships, or obtaining further funding from existing investors through additional funding rounds. The Company may not be able to obtain financing on acceptable terms, or at all, and the Company may not be able to enter into collaborations or other arrangements. The terms of any financing may adversely affect the holdings or rights of the Company's shareholders.

If the Company is unable to raise capital on acceptable terms or at all, the Company would be forced to delay, limit, reduce or terminate its product development or future commercialization efforts of one or more of our product candidates, or may be forced to reduce or terminate its operations. Although management continues to pursue these plans, there is no assurance that the Company will be successful in obtaining sufficient funding on terms acceptable to the Company to fund continuing operations, if at all.

Management has considered the ability of the Company to continue as a going concern. Based on the Company's recurring losses from operations incurred since inception, expectation of continuing operating losses for the foreseeable future, and the need to raise additional capital to finance its future operations, as of November 15, 2021, the issuance date of the condensed interim financial statements for the three and nine months periods ended September 30, 2021, the Company has concluded that a material uncertainty exists that may cast significant doubt about its ability to continue as a going concern.

The accompanying condensed interim financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty. Accordingly, the accompanying condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

4. Change in accounting policy

The following standards issued will be adopted in a future period and the potential impact, if any, they will have on the Company's condensed interim financial statements is being assessed:

- IFRS 17 Insurance Contracts, including Amendments to IFRS 17
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; Annual Improvements 2018-2020
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates

5. Critical judgments and accounting estimates

The preparation of the condensed interim financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

In preparing these condensed interim financial statements, the critical judgments made by management in applying the Company's accounting policies were the same as those that applied to the financial statements as of and for the year ended December 31, 2020, except for the new accounting policy on revenue from contracts with customers, adopted in the third quarter of 2021 (see note 2). While recognizing revenue from contracts with customers critical judgments and accounting estimates may be required in the five-step approach of IFRS 15.

With respect to the revenue recognized in these condensed interim financial statements, management has made significant judgements and estimates in the following steps. Management has applied judgement in the assessment if the transferred licenses fulfilled the IFRS 15 criteria for 'right-to-use' vs. 'right-to-access' license. Due to the transfer of the rights including the entire know-how and the lack of further involvement in the subsequent regulatory approval steps of a drug in Greater China, management has recognized a 'right-to-use' license in the nine months ended on September 30, 2021.

In a further step of IFRS 15 management identified variable compensation with highly probably outcome where significant reversals will not occur, i.e. when contractual perquisites for milestones and related payments are unavoidable for the customer. Additionally, given the range of possible outcomes for milestones and related payments and the uncertainty for each scenario, management applied the expected value estimation method.

6. Contracts with customers

On June 29, 2021, the Company and Simcere Pharmaceutical Group Ltd (HKEX: 2096, 'Simcere') entered into a strategic regional licensing partnership to develop and commercialize medicines targeting the neurotoxic amyloid species N3pE (pGlu-Abeta) to treat Alzheimer's disease (AD) in Greater China. The agreement grants Simcere a regional license to develop and commercialize varoglutamstat (PQ912), Vivoryon's Phase 2b-stage N3pE amyloid-targeting oral small molecule glutaminyl cyclase (QPCT) inhibitor with disease-modifying potential for AD, as well as the Company's preclinical monoclonal N3pE-antibody PBD-C06 in the Greater China region.

The Company has identified the following performance obligations under the contract:

- The Company granted `right to use' licenses to Simcere to manufacture, sell and market the licensed products in Greater China for the treatment of Alzheimer, furthermore
- upon Simcere's request and payment, Vivoryon will manufacture and supply the compound to Simcere.

Under the terms of the agreement, the Company received upfront payments and will also be eligible for payments upon achievement of certain development and sales milestones, with all components amounting to a total of over USD 565 million. In addition, the Company might receive double-digit royalties on sales. In September

2021 the Company received first upfront payments from Simcere with € 4.0 million (USD 4.8 million, after deduction of 10 % Chinese withholding tax).

The 'fixed' considerations totaling € 7.4 million (USD 8.8 million) were recognized as revenue in the nine months period ended September 30, 2021. In addition, the Company realized variable compensation from the first development milestone in the amount of € 3.4 million in revenues. The Company recognized the first development milestone (€ 3.4 million) in revenue. The following reasons led to the management's expectation that this variable consideration amount is highly probable and that significant reversal in the amount of cumulative revenue are not expected to occur:

- On June 29, 2021, the Company and Simcere entered into a strategic regional licensing partnership to develop and commercialize medicines targeting the neurotoxic amyloid species N3pE (pGlu-Abeta) to treat Alzheimer's disease (AD) in Greater China. Given the great unmet medical need of safe and effective AD treatments in Greater China and the advanced development stage of varoglutamstat (PQ912) in Europe and the U.S., enabling initiation of clinical development in Greater China is considered to be the primary rationale underlying the agreement. The above-mentioned milestone payment of € 3.4 million is based on the initiation of the first human clinical trial of varoglutamstat in mainland China.
- Simcere is fully committed to achieving this milestone and has initiated clinical development planning currently focusing on preparations for IND (investigational new drug application) submission in China.
- Given Simcere's past history of successfully bringing in licensed compounds through clinical development to the market and based on clinical development of varoglutamstat for the treatment of Alzheimer's patients to date in Europe and the U.S., from IND approval through ongoing Phase 2 clinical development, management expects IND approval and subsequent initiation of the first human clinical trial of varoglutamstat in mainland China to be highly likely.
- Given the limited patent term and in light of potential competition from other pharmaceutical companies, management believes that our partner Simcere will do its utmost to start the trial as early as possible.
- Obtaining IND in China follows similar standards as compared to US IND or European CTA procedures. It has to be noted that varoglutamstat (PQ912) has already IND status in the US and CTA status in the EU with clinical trials in humans already completed which significantly limits risks of not obtaining IND in China.
- For Simcere the steps to be taken prior to achieving the first milestone, which will follow standard procedures of low complexity.

For the reasons listed, management considers the achievement of the above mentioned varoglutamstat development milestone to be highly probable and has therefore recognized the related variable consideration in revenue in the third quarter of 2021 with the amount of €3.4 million. So far Simcere has made its payments in a timely manner, the Company expects with a very high probability that the revenues for the first variable consideration (€ 3.4 million) will not be reversed in future. The transaction price will be re-assessed at each following reporting date.

Future revenues from this agreement cannot be realized in these condensed interim financial statements, as they are contingent upon the achievement of certain development and sales milestones and significant reversal of related revenues are possible.

The Company's revenue is derived solely from the regional licensing partnership for Greater China (Mainland China, Hong Kong, Macao and Taiwan):

(in € thousand)	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Revenue				
Recognized at a point in time	10,764	—	10,764	—
Recognized over time	—	—	—	—
Total Revenue from contracts with customers	**10,764**	**—**	**10,764**	**—**
Geographical information				
Greater China	10,764	—	**10,764**	—
Total Revenue from contracts with customers	**10,764**	**—**	**10,764**	**—**

The Company had engaged an intermediary to conclude the regional licensing partnership. The intermediary receives 5% commission on license and milestone payments after the Company has received such payments from the Licensee. This commission is included in cost of sales in the period when related revenues are recognized. In three and nine month period ended September 30, 2021 the Company recognized € 488 thousands (2020 nil).

The Chinese government claims 10% withholding tax on such license payments. The Company has therefore disclosed € 1,082 thousands as tax expense (thereof € 433 thousand are already paid as of September 30, 2021). The taxes can be offset against taxes on future profits. The Company did not recognize a deferred tax assets as the recognition criteria of IAS 12 are not met.

7. Net finance costs

The net financial result is comprised of the following items for the three and nine months ended September 30:

(in € thousand)	For the three months ended September 30, 2021	For the three months ended September 30, 2020	For the nine months ended September 30, 2021	For the nine months ended September 30, 2020
Finance income				
Foreign exchange income	380	43	597	81
Money market funds measured at FVTPL	—	48	—	48
Interest income	16	26	20	27
Total	**398**	**119**	**617**	**156**
Finance expenses				
Money market funds measured at FVTPL	(61)	—	(91)	(80)
Foreign exchange expense	(32)	(245)	(92)	(246)
Other	(104)	(8)	(118)	(18)
Total	**(199)**	**(251)**	**(301)**	**(344)**
Finance result	**199**	**(133)**	**316**	**(186)**

Foreign exchange income and expense is mainly derived from the translation of the U.S. Dollar cash held by Vivoryon Therapeutics N.V. (see note 11.).

Interest income results from the Company`s U.S. Dollar term deposits and distributions from our money market funds.

Other finance expenses for the three and nine months ended September 30, 2021 includes interest expense from pensions, leasing and an expense of € 97 thousands (nil in 2020) due to the expected credit loss allowance deducted from a current receivables (see note 9.). For the receivables from the license deal (see note 9., 6.) which have an

initial term between 8 and 11 months, the Company determines the exposure to credit default using customer specific default probabilities from Bloomberg databases.

8. Financial assets and financial liabilities

Set out below is an overview of financial assets and liabilities, other than cash and cash equivalents, held by the Company as of September 30, 2021 and December 31, 2020:

(in € thousand)	As of September 30, 2021	As of December 31, 2020
Financial assets at amortized cost		
Financial assets, non-current	3,401	3
Financial assets, current	3,000	21
Financial liabilities at amortized cost		
Trade payables, current	5,284	911
Other liabilities, current	2	21

Financial assets mainly have increased due to two receivables (€ 3,000 thousand current, € 3,401 thousand non-current) from licensing deal (we refer to note 9.).

Trade payables increased to € 5,284 thousand as of September 30, 2021, from € 911 thousand as of December 31, 2020 as a higher volume of services had not yet been paid as of the cut-off date.

As of September 30, the fair value of current and non-current financial assets is estimated with the carrying amount.

9. Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers as of September 30, 2021 and December 31, 2020:

(in € thousand)	As of September 30, 2021	As of December 31, 2020
Contract balances		
Receivables, which are included in 'Financial assets' (€ 3,023* thousand current, € 3,455* thousand non-current)	6,477	—
Contract assets, which are included in 'Financial assets, current'	—	—
Contract liabilities which are included in 'Other liabilities, current'	—	—

* before expected credit loss allowance

The contract assets are disclosed when the Company has rights to consideration for work completed but not billed at the reporting date. The contract assets are transferred to receivables when the rights become unconditional. In the nine months ending September 30, 2021, the Company recognized unavoidable license payments (€ 3.0 million), as the license and of know-how has been transferred and variable compensation for the first development milestone (€ 3.4 million) under receivables. The contract liabilities would primarily relate to performance obligations of the company not yet fulfilled.

The company did not disclose any amounts in contract liabilities at the beginning of the period that have been recognized as revenue subsequently.

The amount of revenue recognized in the three and nine months ended September 30, 2021 from performance obligations satisfied in this period is € 10,764 thousand (2020: nil).

10. Other non-financial assets

(in € thousand)	As of September 30, 2021	As of December 31, 2020
Current other assets		
Prepayments on clinical contracts	293	2,227
Prepaid expense	834	110
Current VAT tax asset	1,126	122
Other	12	7
Total	**2,265**	**2,466**

Prepayments on clinical contracts have decreased as of September 30, 2021 compared to December 31, 2020 due to advancing services.

Prepaid expenses mainly consists of prepaid insurance and maintenance expenses. Furthermore prepaid expenses as of September 30, 2021 include an amount of € 717 thousand for expenses that have has been capitalized as they relate to preparations for potential future issuance of new shares on NASDAQ.

Current VAT tax assets as of September 30, 2021 include regular tax reclaims from incoming invoices.

11. Cash and cash equivalents

(in € thousand)	As of September 30, 2021	As of December 31, 2020
Cash Equivalents		
Money market funds	11,843	16,966
Total	**11,843**	**16,966**
Cash at banks		
Cash held in U.S. Dollars	7,800	4,128
Cash held in Euro	218	5,212
Total	**8,018**	**9,340**
Total cash and cash equivalents	**19,861**	**26,306**

The banks and the issuer of the money-market funds (Commerzbank and Landesbank Baden Württemberg) are all investment graded (BBB or better; S&P). Observable quoted prices in active markets were used as fair value (level 1).

12. Equity

As of September 30, 2021, Vivoryon's issued capital comprised 20,020,482 common shares (as of December 31, 2020: 19,975,482). The nominal amount per share is € 1.00. Regarding the changes, we refer to note 13 (b).

13. Share based payments

(a) Equity settled share-based payment arrangements

The stock option program 2014 (the '2014 Plan') was resolved and amended by resolutions of the Annual Shareholders' Meetings on September 29, 2014, June 10, 2015 and May 19, 2016. The maximum number of common shares available for issuance under equity incentive awards granted pursuant to the 2014 Plan equals 509,650 common shares.

Number of share options	2021	2020
Outstanding as of January 1,	**407,375**	**408,975**
Granted during the nine months ended September 30	—	—
Exercised during the nine months ended September 30	(45,000)	—
Forfeited during the nine months ended September 30	—	—
Outstanding as of September 30,	**362,375**	**407,375**
thereof vested	*362,375*	*407,375*

On September 30, 2020, the Annual General Meeting of Vivoryon approved the Stock Option Program 2020 (the '2020 Plan'). The maximum number of common shares available for issuance under equity incentive awards granted pursuant to the 2020 Plan equals 615,000 common shares.

Number of share options	2021	2020
Outstanding as of January 1,	**473,550**	—
Granted during the nine months ended September 30	—	—
Exercised during the nine months ended September 30	—	—
Forfeited during the nine months ended September 30	—	—
Outstanding as of September 30,*	**473,550**	—
*thereof vested***	—	—

* The contractual life of the options is 8 years from the date of grant, not exercisable before lapse of 4 years.
** Vesting over 3-year period (33,3% each after first, second and third year).

(b) Share options exercised

In the three and nine months ended September 30, 2021 45,000 share options were issued upon the exercise of share options under the 2014 Plan, resulting in € 686 thousand proceeds to the Company. In the three and nine months ended September 30, 2020, no shares were issued upon the exercise of share options.

(c) Share-based payment expense recognized

For the three months ended September 30, 2021, the Company has recognized € 464 thousand, (2020: € — thousand) of share-based payment expense/(benefit) in the Statements of Operations and Comprehensive Income and Loss.

For the nine months ended September 30, 2021, the Company has recognized € 1,384 thousand, (2020: € 4 thousand) of share-based payment expense/(benefit) in the Statements of Operations and Comprehensive Income and Loss.

None of the share-based payments awards were dilutive in determining earnings per share due to the Company's loss position.

14. Pension liability

(in € thousand)	As of September 30, 2021	As of December 31, 2020
Pension liability		
Defined benefit obligation	1,642	1,783
Obligations for granted and vested pension commitment	193	198
Total pension liability	**1,835**	**1,981**

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 the individual. The amount of the defined benefit obligation (actuarial present value of the accrued pension entitlements) is determined based on actuarial methodologies which require the use of estimates.

- Mortality rates were calculated according to the current 2018 G mortality tables published by Heubeck.
- The measurement of the pension liability was calculated with a discount rate of 0.95% p.a. (December 31, 2020: 0,55% p.a.) derived from industrial bonds with an AA rating and a comparable term.
- In addition, an increase in the pension of 1.0% was assumed.

Defined benefit obligation	**As of September 30, 2021**	**As of December 31, 2020**
As of January 1,	**1,783**	**1,751**
Interest	7	16
Benefit payments	(58)	(77)
Actuarial gains (-)/ losses (+)		
- Changes in financial assumptions	(83)	79
- Experience adjustments	(7)	14
As of December 31 / September 30	**1,642**	**1,783**

In the reporting period, interest expenses in the amount of € 7 thousand (total year 2020: € 16 thousand) associated with defined benefit obligations were recognized in the statement of profit and loss.

The weighted average duration of the pension commitments was 12 years as of September 30, 2021, respectively 12.7 years as of December 31, 2020.

15. Leases

Lease contracts consist of non-cancellable lease agreements mainly relating to the Company`s leases of office space in Halle (Saale) and München (Germany) and IT assets. Set out below, are the carrying amounts of the Company`s right of use assets, lease liabilities and recognized interest expenses:

(in € thousand)	**For the nine months ended September 30, 2021**	**For the twelve months ended December 31, 2020**
Right of use assets		
Balance at January 1	310	403
Additions	—	—
Depreciation	(69)	(93)
Balance at September 30 / December 31	**241**	**310**
Lease Liabilities		
Balance at January 1	315	405
Repayments	(68)	(90)
Balance at September 30 / December 31	**247**	**315**
thereof non-current	156	225

(in € thousand)	**For the three months ended September 30,**		**For the nine months ended September 30,**	
	2021	**2020**	**2021**	**2020**
Interest expense recognized from leases	**1**	**2**	**4**	**6**

16. Earnings per share

For the three-month period ended September 30, 2021 the Company discloses an net gain for the first time, therefore the Company calculated earnings per share (EPS) on a diluted basis, also for the first time. The calculation is only applicable for periods with a net gain.

The calculation of diluted EPS has been based on the following gain for the three months period ended September 30, 2021 and weighted-average number of common shares outstanding after adjustment for the effects of all dilutive potential common shares from share options.

	For the three months ended September 30, 2020
Weighted average number of common shares outstanding during the reporting period	20,008,229
Net gain for the period, in € thousand	4,410
Basic earnings per share in €	**€ 0.22**
Weighted average number of common shares outstanding during the reporting period	20,008,229
Weighted average number of shares under option during reporting period	835,925
Weighted average number of shares that would have been issued at average market price	(539,320)
	20,304,835
Net gain for the period, in € thousand	4,410
Diluted earnings per share in €	**€ 0.22**

The average market value of the Company's shares for the purpose of calculating the dilutive effect of share options was based on quoted market prices during which the options were outstanding. For the three-month period ended September 30, 2021 the simple average used was € 20.

17. Contractual Obligations and Commitments

The Company enters contracts in the normal course of business with CROs and clinical sites for the conduct of clinical trials, professional consultants for expert advice and other vendors for clinical supply manufacturing or other services.

Total contractual obligations as of September 30, 2021 were € 2.466 thousand and comprised research and development service providers as well as of consulting services. Of these commitments, € 2.197 thousand are due in 2021.

There is currently a law mediation procedure going on. Shareholders of Vivoryon applied for court procedures for verification of the adequacy of our indemnity offer and of the compensation offered to those shareholders.

18. Related party relationships

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

- Executive members of the Board of Directors of the Company or a shareholder of the Company
- Non-executive members of the Board of Directors

19. COVID-19 Pandemic

Despite strict national lockdown 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 using video conference systems. 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 Phase 2b, randomized and multi-center clinical VIVIAD study in Europe ("VIVIAD"). Moreover, with the outbreak of the pandemic, Vivoryon carried out a respective risk analysis for its projects. Since Alzheimer's patients are mostly elderly individuals and thus are representing a particular risk group towards severe Covid-19 progressions, Vivoryon has made the initiation of its clinical study in relation to 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).

20. Significant events after the reporting date

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