Vivoryon Therapeutics N.V.
Amsterdam, The Netherlands

Annual Report 2020

Precision Intervention Medicines – Pioneering Innovation

FORWARD-LOOKING STATEMENTS

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All statements other than statements of historical fact included in this Annual Report are or may be deemed to be forward-looking statements, including, without limitation, those regarding the business strategy, management plans and objectives for future operations of the Company, estimates and projections with respect to the market for the Company's products and forecasts and statements as to when the Company's products may be available. Words such as 'anticipate,' 'believe,' 'estimate,' 'expect,' 'forecast,' 'intend,' 'may,' 'plan,' 'project,' 'predict,' 'should' and 'will' and similar expressions as they relate to the Company are intended to identify such forward-looking statements. These forward-looking statements are not guarantees of future performance; rather they are based on the Management's current expectations and assumptions about future events and trends, the economy and other future conditions. The forward-looking statements involve a number of known and unknown risks and uncertainties. These risks and uncertainties and other factors could materially adversely affect the outcome and financial effects of the plans and events described herein. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements and from expectations. As a result, no undue reliance should be placed on such forward-looking statements. This Annual Report does not contain risk factors. Certain risk factors that may affect the Company's future financial results are discussed in the published financial statements of the Company.

This Annual Report, including any forward-looking statements, speaks only as of the date of this Annual Report. The Company does not assume any obligation to update any information or forward-looking statements contained herein, save for any information required to be disclosed by law.

No reliance may be placed for any purpose whatsoever on the information or opinions contained in this Annual Report or on its completeness, accuracy or fairness, and any reliance a recipient places on them will be at the recipient's sole risk. No representation or warranty, express or implied, is made or given by or on behalf of the Company or any of its respective directors, officers, employees, affiliates, agents or advisers as to the accuracy, completeness or fairness of the information or opinions contained in this Annual Report and no responsibility or liability is accepted by any of them for any such information or opinions. The information set out herein may be subject without notice to updating, revision, verification and amendment which may materially change such information.

This Annual Report does not constitute an offer to sell or a solicitation of an offer to buy any securities of the Company in any jurisdiction.

CEO INTERVIEW

Dr. Ulrich Dauer is CEO of Vivoryon Therapeutics since May 1, 2018. He has had a career spanning more than 20 years in the biopharmaceutical industry in both public and private companies.

1. Mr. Dauer, what were Vivoryon's greatest accomplishments and challenges looking back at 2020?

As for many other companies, the greatest challenge of the year was the COVID-19 pandemic. Despite the unprecedented nature of this threat to global health, we were able to continue our clinical trial program and development without any major delays. We treated the first patient in VIVIAD, our Phase 2b trial evaluating our lead candidate, Varoglutamstat, in Alzheimer's Disease (AD), which is an extremely important accomplishment for us. Alzheimer's Disease remains a critical, high-need indication and the necessity for innovative treatments has only been highlighted by the isolating environment that the coronavirus pandemic has caused.

I am extremely proud that we successfully converted Vivoryon Therapeutics AG into Vivoryon Therapeutics N.V. to increase our strategic flexibility with respect to capital market transactions, and to be in line with our peers in the global biotechnology industry. This conversion was, to our knowledge, unprecedented, but we managed to have a smooth transition, which we believe will benefit the company and shareholders long-term.

2. How has Vivoryon changed entering 2021?

With our transition to an N.V. company, we find ourselves capable of being far more flexible in our strategic decision making. We have a stronger, more pronounced position as an international company now, and with the treatment of the first patient in VIVIAD, we are advancing a clinical trial on an international scale at clinical sites throughout Europe. We are also planning to start the US trial for Varoglutamstat in AD which will further increase our international visibility and reach. Although the pandemic is still ongoing, we have developed strategies to move forward and are confident in our ability to progress our preclinical and clinical developments without any major delays.

3. Why was the decision made to transfer to an N.V. in the first place?

The management team and our supervisory board believe it is important to implement changes that will support our ability to access all strategic opportunities for the future. These opportunities could range from partnerships to additional kinds of transactions and bring us more in line with international corporate standards. The company structure of an N.V. is considerably closer to international standards and thus more attractive for most investors and shareholders, regardless of location. We want Vivoryon to be optimally set up for all shareholders and believe the N.V. enables this organizational goal to come to fruition.

4. How does this transition benefit current shareholders?

The legal form of an AG could be perceived as a competitive disadvantage due to its reduced flexibility, particularly when it comes to raising further capital via the capital markets. Many peers and competitors, including those listed on the German marketplace, are also incorporated in the legal form of an N.V. or transition from the German to the Dutch exchange and we believe this cross-border change of our

corporate structure was necessary to bridge the gap. This step benefits current shareholders in the long term as it helps us build an international presence in the marketplace.

COVID-19 Situation

5. In your opinion, how is the COVID-19 pandemic impacting Vivoryon?

I witnessed our employees coming together in the face of turbulent times presented by the pandemic. Despite the past year being marked by the strict lockdowns and other difficulties, we are proud to have kept our entire workforce employed during this crisis. In order to provide a safe working environment, we started providing flexible solutions to employees including working from home and in-office shifts. Business travel, which usually serves as an opportunity to network with potential investors and/or partners, was largely replaced by integrating a video conference system. With these workarounds, we were able to continue striving toward our shared goal of providing innovative solutions to AD patients. Although it has not been an easy year, I believe the pandemic has only highlighted the dedication of our company and our ability to react strategically to hardships. On that note, I would like to extend a big 'thank you' to the entire Vivoryon team for its dedication and hard work throughout the past year.

6. Did the pandemic affect Vivoryon's clinical trials?

With the pandemic threatening health on a global scale, we had to adapt our clinical trials in order to ensure the safety of the participants and staff in accordance with health guidelines and regulations surrounding SARS-CoV-2. Although our EU Phase 2b clinical trial, VIVIAD, was delayed through the second half of 2020, we still expect its completion in 2023.

Although we cannot predict how the pandemic will progress moving forward, we as a company are well-positioned to continue moving the Alzheimer's clinical trials forward while exploring the potential of our unique proprietary position in cancer and fibrosis and identifying additional opportunities within our small molecule therapeutics pipeline.

VIVIAD Trial

7. What are your hopes for the VIVIAD trial?

We initiated the VIVIAD trial in July 2020 by enrolling the first patient to evaluate safety and efficacy of our lead candidate, Varoglutamstat, in early-stage AD. Despite numerous clinical trials in AD, a lot of promising approaches have failed and there is still no success story. Our compound is, to our knowledge, the only therapeutic approach in clinical development that addresses all three of the most prominent pathological hallmarks of AD: amyloid-beta, tau, and neuroinflammation. Speaking for myself, and the entire Vivoryon team, our biggest hope is that we will finally be able to prevent and improve cognitive loss in Alzheimer's patients to significantly increase their quality of life.

8. Could you please provide us with the current status of the VIVIAD trial?

We are currently advancing VIVIAD as a Phase 2b trial with 10 clinical sites in Denmark, Germany and the Netherlands. We are actively evaluating the safety, tolerability and efficacy in 250 patients with early-stage Alzheimer's Disease. We are expecting the first results by the end of 2023.

9. Why are we now referring to PQ912 as Varoglutamstat and why is this important?

Our lead candidate PQ912 was granted the International Nonproprietary Name (INN) Varoglutamstat in June 2020 from the World Health Organization (WHO). The INN marked an important external recognition of our drug candidate from the WHO and highlights its potential as a novel drug in the AD space.

10. Could you please provide an update on the US trial with Varoglutamstat?

Absolutely, we were proud to announce that we received the Investigational New Drug (IND) approval for Varoglutamstat, by the FDA in August of 2020. The IND allows us to start the Phase 2 clinical trial in the US. We updated the US clinical trial protocol to better match that of the European Phase 2b VIVIAD trial. We expect to start the trial this year with the aim of having first results by the end of 2023.

11. What is your vision for Vivoryon moving forward into 2021?

My vision for this year is to raise our company profile on a global scale. The management team and I are looking forward to what 2021 will hold for Vivoryon as we continue moving our preclinical and clinical development programs forward into added value stages. We are excited to continue advancing our pipeline in the clinic and to track the progress of our ongoing clinical trials, including VIVIAD.

BOARD REPORT AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2020

This management report as referred to in Section 2:391 of the Dutch Civil Code (the 'Management Report') has been prepared in compliance with the requirement of Dutch law, including the Dutch corporate governance code (the 'Code').

The board of directors of Vivoryon Therapeutics N.V. (the 'Board') and its controlled subsidiary hereby present the Management Report for the financial year ended on December 31, 2020.

1 INTRODUCTION

1.1 General Information

Vivoryon Therapeutics N.V. is a Dutch public company with limited liability ('*Naamloze Vennootschap'*) that has its statutory seat in Amsterdam, the Netherlands and branch offices in Halle (Saale) and Munich, Germany. This report includes the statutory financial statements of Vivoryon Therapeutics N.V. for the year ended December 31, 2020. The Company's ordinary shares are listed under the ticker symbol 'VVY' with NL00150002Q7 on Euronext Amsterdam, the Netherlands. Vivoryon Therapeutics N.V. is a clinical stage biopharmaceutical company and develops first-in-class medicines that target post-translational modifying enzymes.

The Company is registered with the name Vivoryon Therapeutics N.V. in the Trade Register of the Netherlands Chamber of Commerce under number 81075480 (until November 28, 2020 as Vivoryon Therapeutics AG, with the commercial register of the local court (*Amtsgericht*) of Stendal under the registration number HRB 213719). Its commercial name is Vivoryon Therapeutics. The Company's registered office and business address is Weinbergweg 22, 06120 Halle (Saale), Germany. Currently Vivoryon Therapeutics Inc. in Chicago, Illinois, USA, has no operating activities. Considering the negligible significance of this subsidiary to the financial statements, in accordance with Section 407 under 1a, the Company applies the exemption pertaining to the consolidation scope and does not prepare consolidated financial statements.

1.2 General overview of the Company

Vivoryon Therapeutics is a clinical-stage biopharmaceutical company with focus on the research and development of new therapeutic products for the treatment of Alzheimer's disease (AD) and other diseases with high unmet medical need like Cancer and Fibrosis. The Company is developing a proprietary and directed pipeline of product candidates with the most advanced project being an innovative therapeutic approach for the treatment of AD. Its operations focus on the discovery and development of therapeutic programs, whereas operational research and development work is mainly outsourced to respective professional contract research organizations (CROs) or academic collaboration partners. Vivoryon strives to generate future revenues from licensing its product candidates to biopharmaceutical companies after high value-adding development steps have been achieved or by commercializing products upon regulatory market approval by the respective regulating governmental bodies (Competent Authorities).

Currently approved AD treatments treat symptoms of the disease only and neither slow down the progression nor provide sustainable improvement of the disease. The positive effects of these treatments on cognitive functions and activities of daily living are at best modest and transient and may include side effects.

Scientific insight into the disease pathology has identified a major hallmark of AD's biology, Abeta peptides. These peptides were identified as being the main constituent of senile plaques which were originally regarded as the toxic component that destroys brain cells, a process also referred to as neurodegeneration. Based on this discovery, therapeutic concepts were developed that aimed to modify the disease by halting or slowing the progression of neurodegeneration (disease modification). The first

generation of disease-modifying approaches focused on inhibiting the production of amyloid beta protein or of amyloid beta containing plaques in general failed to meet expectations.

The prevailing scientific view today is that not the plaques per se but certain soluble forms of Abeta aggregates, which are called 'Abeta oligomers,' cause the early pathological changes in AD. It has been shown that the formation of these toxic soluble Abeta oligomers is triggered by a specific form of Abeta, namely pyroglutamate-Abeta also called pGlu-Abeta or N3pG Abeta or pE3 Abeta. In 2004, Vivoryon's scientists discovered that the conversion of physiologic Abeta into pGlu- Abeta requires a specific enzyme, which is called Glutaminyl Cyclase (QC or QPCT). The discovery of this key enzymatic function is Vivoryon's foundation for the development of small molecule inhibitors as a specific pGlu-Abeta-targeting treatment approach.

Vivoryon Therapeutics is developing product candidates to specifically target toxic pGlu-Abeta via two modes of action: (i) inhibiting the production of pGlu-Abeta and (ii) clearing already existing pGlu-Abeta from the brain which, the Company believes, are complementary. Vivoryon's current development pipeline consists of the following product candidates:

- Varoglutamstat (PQ912) is the lead product candidate of the Company. The Company is currently conducting a European Phase 2b study in early-stage Alzheimer's disease patients. Varoglutamstat (PQ912) is a small molecule that was discovered and profiled by Vivoryon and was nominated by the Company for regulatory development in 2010. Varoglutamstat (PQ912) is a specific inhibitor of QC, which has shown therapeutic benefit in AD animal models.
- Varoglutamstat (PQ912) was shown to be safe and well tolerated and revealed a high level of QC inhibition in a Phase 1 study with 200 healthy young and elderly volunteers. In a first-in-patient Phase 2a study, which started in March 2015 and reported results in June 2017, Varoglutamstat (PQ912) showed clinically meaningful efficacy signals on biomarkers, EEG measurements and cognitive assessments.
- PBD-C06 is a monoclonal antibody, currently in a preclinical development stage. PBD-C06 targets pGlu-Abeta, aiming to selectively clear the brain from pGlu-Abeta while leaving non-toxic forms of Abeta untouched. The Company believes that, due to the high specificity of PBD-C06 for pGlu-Abeta, the amount of antibody levels reaching the brain will be sufficient to neutralize the toxic peptides. Management has made further development of PBD-C06 dependent of a partnership with a biopharmaceutical company, providing financial and developpment ressources in the field of therapeutic antibodies.
- Meprin proteases are involved in pathologic processes in diseases including fibrosis, AD and cancer. Currently in pre-clinical stage, Vivoryon focus is on the development of Meprin protease inhibitors to treat acute kidney injury (AKI) and fibrosis. While the company has a broad portfolio of small molecule compounds the current lead molecule achieved first in-vivo proof of principle in an AKI mouse model.
- As own and published research indicates, the QC and its isoform iso-QC (iso-Glutaminyl Cyclase or QPCTL) enzymes are in addition potential targets in indications like Cancer, Fibrosis and Inflammation. In order to exploit the full value of its QC and iso-QC inhibitor portfolio, Vivoryon is currently testing the application of these inhibitors in therapeutic areas as mentioned above. The company aims to nominate further candidates for clinical development in one or more of these therapeutic areas within the next two years.

Vivoryon has an extensive patent portfolio which it believes sufficiently protects its product candidates and the QC and iso-QC targets by composition of matter and medical use claims in AD, but also in inflammatory diseases and other indications, such as Down syndrome. The Company's continuously expanding patent portfolio currently consists of 40 patent families, which comprise approximately 637 national patent applications and issued patents worldwide.

In 2012, the Company commenced the expansion from a research company to a research and product development company, thereby focusing on its advanced product candidates using skillsets needed for

preclinical and clinical development and reducing internal resources for research. Most of the current research and development activities of the Company are being provided by third parties, such as scientific advisors or CROs, so that the Company focuses on overall management tasks with high levels of outsourcing resulting in flexibility and cost-efficiency. Vivoryon uses its expertise in building and managing networks of advisors and pharma experts on both the scientific and the clinical aspects of drug development. The Company believes that it has created and maintained strong credibility over the years with the scientific community, with clinicians, and with many pharmaceutical companies that pursue therapies for the central nervous system and degenerative diseases such as AD.

As of today, regarding its research and development activities in the field of AD, the Company has not entered into any partnering or licensing arrangements with respect to any of its product candidates and is currently mainly financed by equity and, to a lesser extent, by grants and subsidies.

1.3 History and Development of the Company

The history of Vivoryon Therapeutics can be best described in the following overlapping stages:

1997 — 2004	Research and development of DP4 inhibitors for the treatment of diabetes since the establishment of the Company until the sale of its diabetes program in 2004
1999 — 2006	Discovery of QC and research for evaluating its role in AD
2007 — 2011	Discovery and preclinical development of QC-Inhibitors and first financing rounds
2011 — 2019	Clinical Phase 1 and 2a studies of the Company´s QC-Inhibitor Varoglutamstat (PQ912) alongside with the preparation of preclinical development of the pGlu-Abeta antibody PBD-C06. Transformation of the Company from a research and discovery business towards a development business
2020 – today	Start of VIVIAD, the Phase 2b, randomized and multi-center clinical study in Europe. Preparation of U.S. Phase 2 clinical trial program for Varoglutamstat (PQ912) in Alzheimer's disease.

The Company was founded 1997 by Dr. Konrad Glund and Prof. Dr. Hans-Ulrich Demuth as ProBioTec GmbH, which in 2001 was changed into Probiodrug AG, in 2018 into Vivoryon Therapeutics AG and 2020 into Vivoryon Therapeutics N.V.

The foundation of the Company was based on research on the enzymology and physiology of the DPP4 enzyme and the discovery that its inhibition normalizes elevated blood glucose levels, which provided the basis for the development of a breakthrough generation of novel antidiabetics, the gliptins.

During its diabetes research, Vivoryon discovered that certain peptide hormones (e.g. glucagon) are modified at their N-terminus. The N-terminus refers to the start of a peptide or a protein by an amino acid with a free amine group (-NH2). These peptide hormones are modified to the respective pGlu-peptide, meaning that the terminal amino acid glutamine is cyclized to form the pGlu version of the peptide hormone. The modification changes the physicochemical and biological properties of the peptide hormone. Literature searches for other pGlu-modified peptides revealed that pGlu-Abeta is a constituent of Alzheimer's plaques. This was the beginning of Vivoryon's- AD research.

The Company´s research team identified QC as the enzyme catalyzing the modification of truncated Abeta into pGlu-Abeta and described its results in a landmark paper. The Company then focused on the concept of preventing the formation of pGlu-Abeta as a therapeutic strategy for the treatment of AD and the discovery and development of QC inhibitors. Followed by characterization of QC as a metalloenzyme (an enzyme that contains a metal ion involved in catalytic function), first inhibitors were identified and applied. Vivoryon continues its work on the identification and optimization of various chemical classes as a starting point for QC inhibitors and begins to build-up *in vitro* and *in vivo* test systems for measuring the inhibitors' efficacy.

1.4 Business Overview

The primary goal of Vivoryon´s financial management is to ensure the liquidity reserves required for advancing its assets into those clinical stages of development that are considered as attractive in-licensing opportunities by international biopharmaceutical companies. This approach requires significant financial resources, which Vivoryon aims to raise via capital increases and the utilization of other financial instruments, e.g. loans, convertibles etc.

1.4.1 Overall economic development and trends in the pharmaceutical and biotechnology industry

The healthcare sector is one of the most important economic divisions worldwide with a key growth factor lying in the increasing aging population, which brings with it an urgent need for medical treatment. In conjunction with this, the demand for innovative products and therapies for a wide range of diseases is also on the rise.

The pharmaceutical industry is a key component of the German healthcare system. According to 2020 pharma data from the Bundesverband der Pharmazeutischen Industrie (BPI), the pharma industry generated sales of over EUR 47.0 billion and employed more than 140,000 individuals. Germany is one of the leading locations for pharmaceutical research and development. Thirty-two member companies of the German Association of Research-Based Pharmaceutical Companies (Verband Forschender Arzneimittelhersteller, vfa) coordinate clinical trials from Germany. These companies spend more than EUR 7.3 billion per year on research and development in Germany alone. Currently, their focus is on the following areas in particular: cancer, inflammatory diseases, cardiovascular diseases, metabolic diseases, Alzheimer's disease and dosage forms and application aids for medications.

The need for developments in Alzheimer's disease research remains critical. Only four products have been approved to treat the symptomatic effects of this disease. Treatment is currently in a transition between conventional drugs that only affect symptoms and new pharmacological strategies aimed at slowing or even halting the underlying nerve cell death and disease progression. Global demand for new therapeutic treatments for this challenging indication remains high given the aging global population and rapidly growing number of people affected by the disease. The year 2020 was marked by mixed news from research and development of new therapeutic approaches in the Alzheimer's disease space.

In 2020, the global economy undoubtedly suffered greatly from the coronavirus pandemic. Despite an economic recovery beginning in the summer following initial lockdowns, the pandemic continues to impact most marketplaces. The International Monetary Fund (IMF) expects global Gross Domestic Product (GDP) to have declined by 4.4 % in 2020 as a whole, a significant drop compared to the previous year's 2.8 % increase. According to the IMF's estimates, the U.S. economy experienced a decline of 4.3 % (2019: +2.2 %), the eurozone economy is expected to decrease by 8.3 % (2019: +1.3 %), and the German economy has declined by 6.0 % (2019: +0.6 %).

1.4.2 2020 IN REVIEW – ALZHEIMER'S DRUG DEVELOPMENT

AD is estimated to affect over 50 million people worldwide and the number is anticipated to grow to over 150 million by 2050. The disease has a high and growing economic burden - with currently available symptomatic drugs having no impact on slowing, halting or reversing the advance of the disease. A confirmed disease-modifying drug (DMOD) has been elusive thus far and events in 2020 suggest that neither 2021 will be the year for a first approval. On the other hand, several promising DMOD programs will readout in the coming years, while breakthroughs in treating behavioral and psychological symptoms of Alzheimer could also be at hand.

In July 2020, Biogen and Eisai completed a Biologics License Application (BLA) submission for their anti-Aβ MAb aducanumab, pursuing the first approval of a potential disease-modifying drug for the treatment of AD. But in November 2020, an Advisory Committee panel delivered a strongly negative assessment of the data supporting the marketing application. Historically the Food and Drug Administration (FDA) has heeded the guidance of AdComs on drug approvals. So, the FDA might be on a track to reject Biogen/Eisai's BLA in 2021.

In September 2020, Roche and AC Immune announced the failure of the Phase II TAURIEL trial of their anti-tau MAb semorinemab in early AD. This was the first readout of a Phase II proof-of-concept study for an anti-tau MAb in AD. Its negative outcome puts other anti-tau Mab programs in question. As such the results from Phase II trials of the following anti-tau MAbs expected in 2021 will be eagerly anticipated: Biogen/Bristol-Myers Squibb's gosuranemab, AbbVie/C2N Diagnostics' tilavonemab and Eli Lilly's zagotenemab.

In 2020/2021, several other late-stage trial readouts are expected, including for: AB Science's masitinib in mild to moderate AD in Q4 2020; AZTherapies' ALZT-OP1 in mild cognitive impairment due to AD in Q1 2021; Biohaven's troriluzole in mild to moderate AD in Q1 2021; Otsuka/Avanir's AVP-786 in AD agitation/aggression in mid-2021; Otsuka/Lundbeck's Rexulti® in agitation/aggression related to AD in mid-2021; TauRx's LMTX® in mild to moderate AD in Q4 2021; and Cortexyme's atuzaginstat in mild to moderate AD in Q4 2021 (with interim results due in December 2020).

Looking at licensing deals: Biogen has succeeded in signing two major deals in the AD space lately: In December 2019, the company licensed Ionis Pharmaceuticals' anti-tau antisense therapy IONIS-MAPTRx, paying $45 million upfront. And in February 2020, the company announced a broad collaboration with Sangamo Therapeutics in neurodegenerative diseases including AD, which involved a $350 million upfront payment. Furthermore, there was another substantial deal in July 2020 between Roche and UCB for the latter's anti-tau MAb UCB0107, with UCB receiving a $120 million upfront payment.

1.4.3 2020 IN REVIEW – BUSINESS ACTIVITIES - RESEARCH AND DEVELOPMENT PROCESS

The primary focus in 2020 remained on the clinical trials and the development of Varoglutamstat (PQ912), an inhibitor of the enzyme QC for the treatment of Alzheimer's and other diseases. In July 2020 the first patient has been enrolled in VIVIAD, a Phase 2b, randomized and multi-center clinical study in Europe. The study evaluates the safety and efficacy of Vivoryon's lead candidate, Varoglutamstat (PQ912), in patients with AD. With the FDA clearance at hand, Vivoryon is enabled to initiate its U.S. Phase 2 clinical trial program, VIVA-MIND, for Varoglutamstat (PQ912) in AD as planned. Following Vivoryon´s business model the operational work was and is carried out by external service providers, contract research organizations, contract manufacturers, and other cooperation partners.

In 2020 Vivoryon has broadened its research and development pipeline. The Company has acquired composition of matter and assay patents on Meprin protease inhibitors from the Fraunhofer Institute for Cell Therapy and Immunology (IZI). The metal-dependent proteases, Meprin alpha and Meprin beta, are emerging targets in kidney protection, fibrotic diseases, cancer and Alzheimer's disease. Increased Meprin expression and their mislocalization has been associated with tissue damage and collagen deposition in fibrosis, which can result in the loss of organ function. Meprin-targeted protease inhibitors thus have the potential to not only target symptoms, but also treat a range of indications including acute and chronic kidney disease and multiple organ fibrosis.

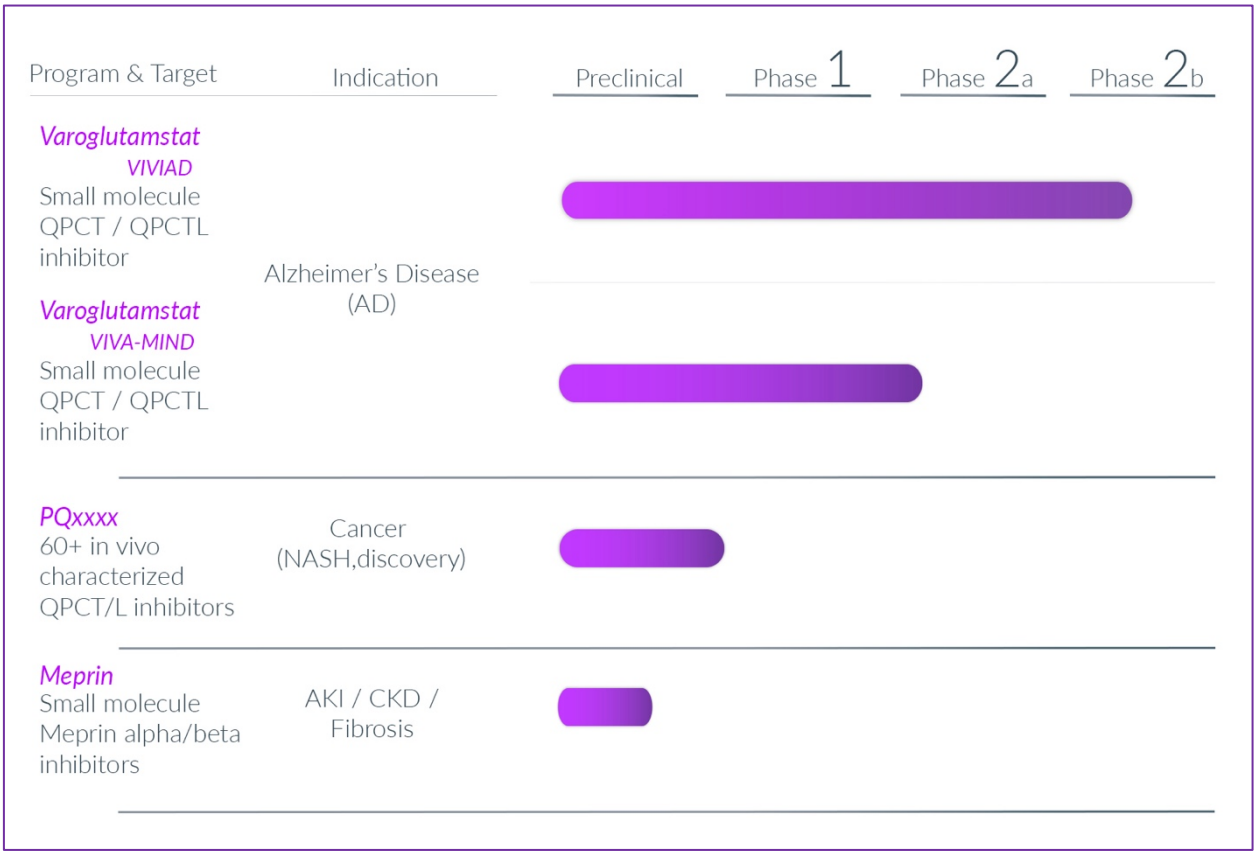
Moreover, Vivoryon continued to explore the use of QC and iso-QC inhibitors in further disease areas like Cancer, Fibrosis and Inflammation. This work is expected to deliver further clinical development candidates for diseases with unmet medical need in the upcoming years.

1.5 Pipeline

Vivoryon´s main value drivers are its proprietary drug candidates led by the first-in-class, highly specific and potent small molecule inhibitor of QC, Varoglutamstat (PQ912), which is being developed for the treatment of AD.

During clinical development, the Company determines whether and at which point it will pursue a partnership for later development and commercialization. The drug candidate can then be either completely out licensed or developed further in cooperation with a pharmaceutical or biotechnology company (co-development).

Key elements of Vivoryon´s strategy to achieve this goal are the following:



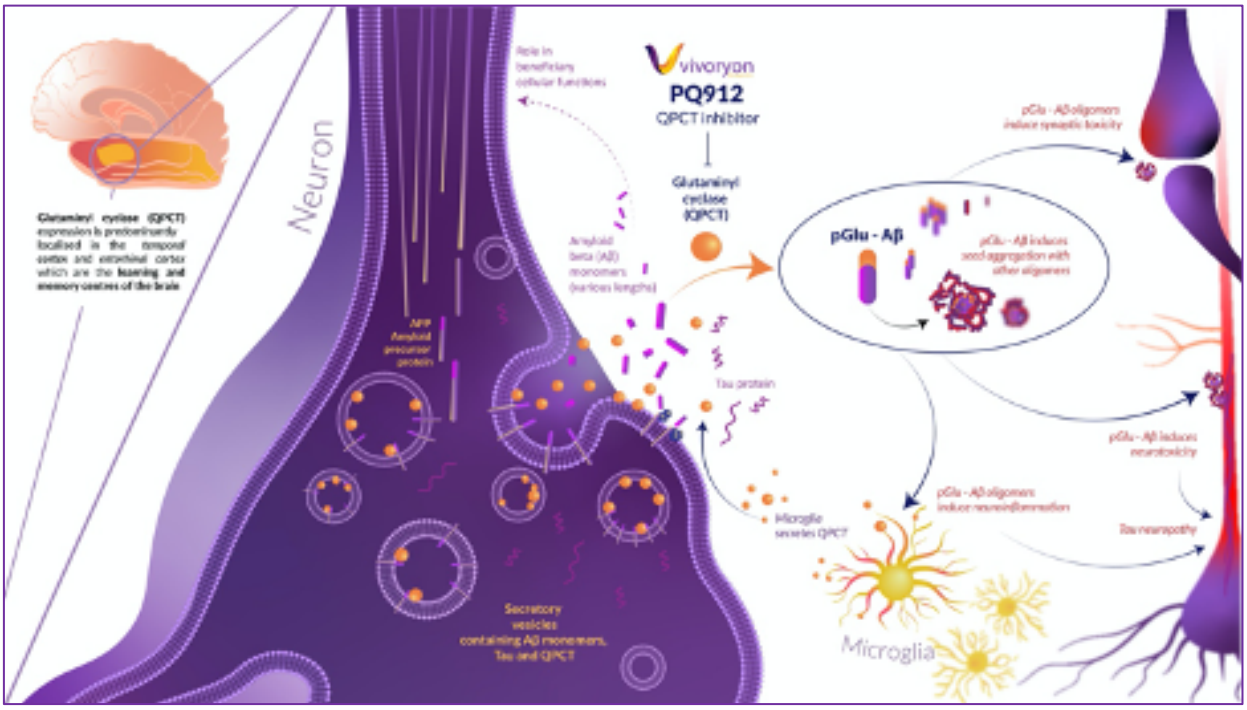
1.5.1 VAROGLUTAMSTAT (PQ912)

ALZHEIMER'S DISEASE

Varoglutamstat (PQ912) is a first-in-class, highly specific and potent small molecule inhibitor of QC. A Phase 2a study (SAPHIR) revealed significant improvements in a cognition parameter. In June 2020, Vivoryon initiated a Phase 2b trial, VIVIAD, in Europe in early-stage AD. A Phase 2a/b trial is planned in the US and is supported by a significant grant from the National Institutes of Health (NIH).

PGlu-Abeta was identified as a particularly neurotoxic form of Abeta, which is formed from a shortened version of physiological Abeta and by the activity of the QC enzyme. Vivoryon is focusing on the inhibition of the production of pGlu-Abeta by the inhibition of the QC enzyme. The Company's most advanced program in this area, the development candidate Varoglutamstat (PQ912), is being tested in an ongoing Phase 2b trial in Europe and in preparation for a Phase 2a/b trial in the US. The next development steps are being prepared and corresponding decisions will be made in conjunction with the analysis of the European VIVIAD study and the US VIVA-MIND study.

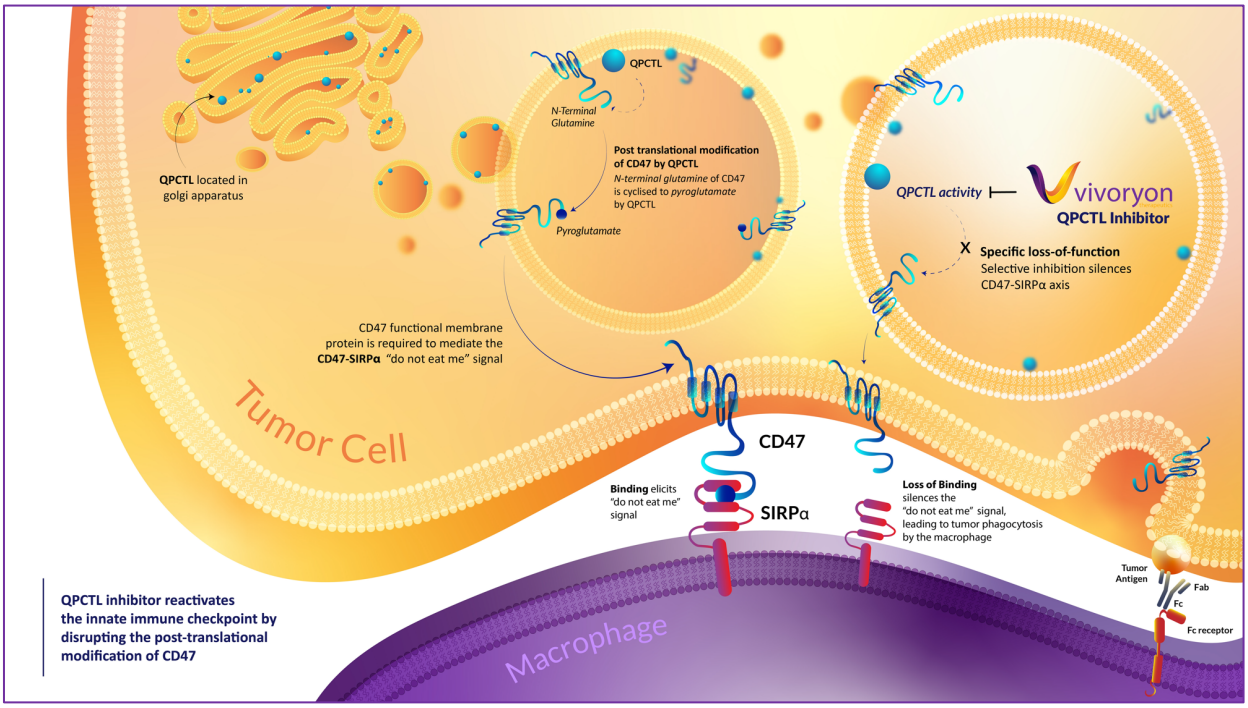
VIVIAD will aim to enroll approximately 250 patients with mild-cognitive impairment and early-stage Alzheimer's disease. The trial is led by internationally renowned experts at ten clinical sites in Denmark, Germany and the Netherlands. The primary endpoints of the trial include the assessment of safety, tolerability and efficacy of Varoglutamstat (PQ912) compared to placebo over 48 to 96 weeks of treatment. A composite Neuropsychological Test Battery (NTB) score will be administered throughout the study in order to assess cognitive efficacy. Additionally, a set of exploratory read-outs including cognitive tests, functional electroencephalogram (EEG), magnetic resonance imaging (MRI) assessments and the analysis of new molecular biomarkers in the cerebrospinal fluid (CSF) will be used to evaluate the compound's effect on disease pathology. Secondary endpoints include long-term safety and tolerability of Varoglutamstat (PQ912) and its efficacy on brain activity, cognition and activities of daily living. Exploratory and less invasive end points will validate innovative approaches like a speech assessment to analyze cognitive status and blood-based biomarkers which could support the design of future trials.



CANCER

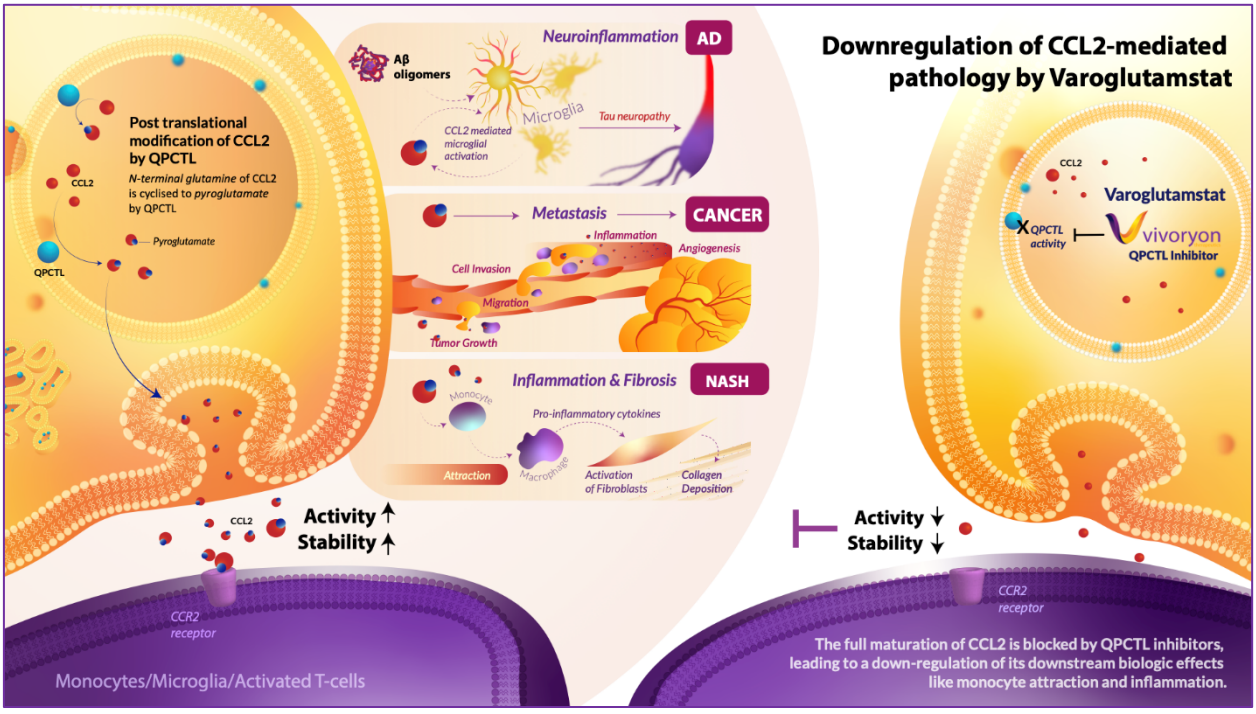
Scientific research has shown that small molecule iso-QC inhibitors could also represent an attractive approach for modulating a myeloid immune checkpoint. Consequently, Vivoryon's next platform project focuses on immune checkpoint inhibition and the Glutaminyl-peptide cyclotransferase-like protein (QPCTL or iso-QC). QPCTL is a posttranslational modifying enzyme that is essential for the pyroglutamate formation on CD47, a crucial signaling protein in the immune response to cancer. Inhibitors of QPCTL, like PQ912 and other small molecule compounds protected under Vivoryon's patents, have been shown to silence the checkpoint signal from the CD47/SIRPα axis, and are thus offering a novel strategy to augment the efficacy of anti-tumor antibody therapies. Based on Vivoryon's data, Varoglutamstat (PQ912) could readily be advanced into clinical Phase 1 studies in cancer. In addition, Vivoryon Therapeutics owns a broad set of highly promising QPCTL inhibiting compounds in advanced preclinical stages of development. The CD47/SIRPα alpha interaction is an important myeloid immune checkpoint whose clinical relevance has been shown by successful application of CD47 antibodies in cancer therapy. CD47 is expressed on cancer cells and SIRPα on myeloid cells like macrophages and NK cells. QPCTL is critical for the pyroglutamate formation on the N-terminus of CD47 shortly after biosynthesis which is an essential requirement for the binding of SIRPα. Thus, QPCTL is a novel and attractive target to silence the 'do not eat me'-signal provided by the CD47/SIRPα interaction.

As opposed to antibody approaches in clinical development, Vivoryon´s small molecule QPCTL inhibitors are a first-in-class and innovative therapeutic approach for boosting the efficiency of cancer.



With regard to applications of iso-QC inhibitors as cancer therapeutics a second mode of action of these compounds is of interest. The cyclization of the N-terminal Glutamine residue in CCL chemokine family members is catalyzed by iso-QC. This cyclization increases the stability and activity of these chemokines. Since CCL family chemokines have been implicated in cancer cell survival, migration and metastasis, a downregulation of their stability and activity by isoQC inhibitors could be used to attenuate their biological functions in cancer pathogenesis.

Vivoryon currently explores the suitability of iso QC inhibitors as cancer drugs in several cell based and animal models.

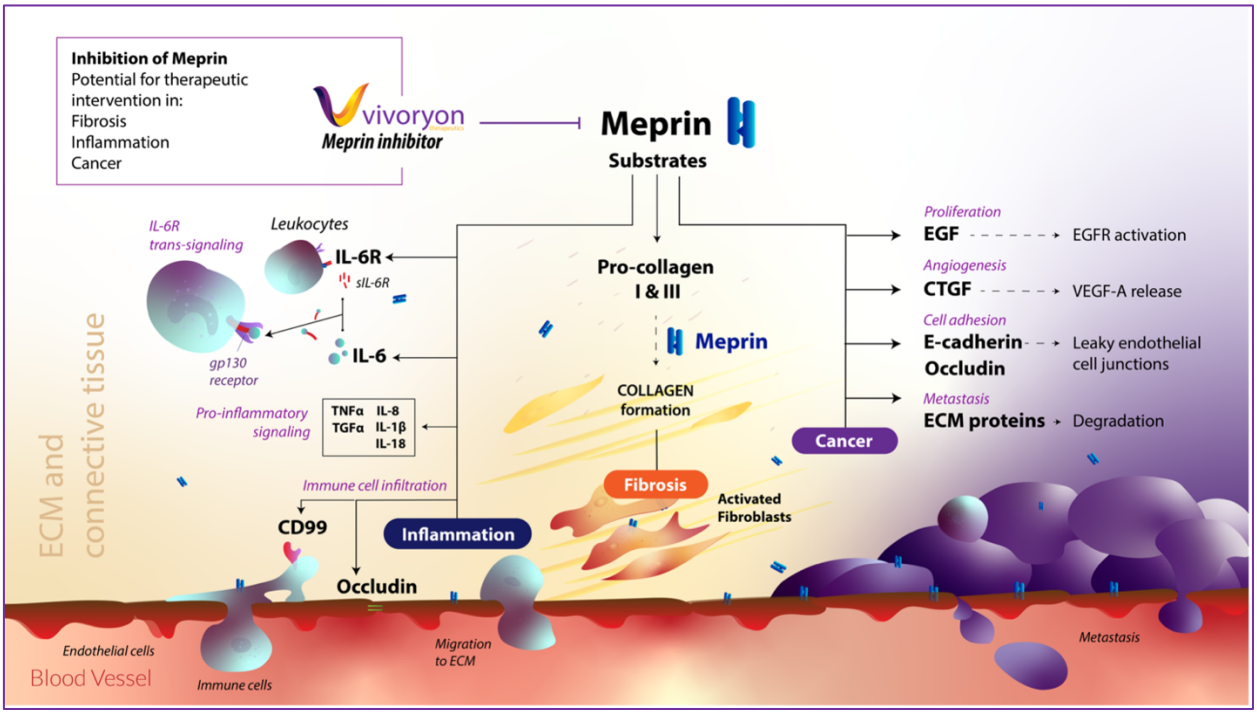


1.5.2 PQ1565

PQ1565 is a second-generation highly potent small molecule inhibitor of QC and isoQC. As a preclinical stage drug candidate, the molecule's drug-like properties are well-characterized. PQ1565 has shown a favorable in vivo toxicity profile in rodent and non-rodent animal models. It displays excellent bioavailability and shows a high systemic exposure. The small molecule inhibitor is also effective in cellular models for cancer and inflammatory models in vivo.

1.5.3 MERPRIN PROTEASES

The Company extended its portfolio in 2020 by acquiring patents from the Fraunhofer Institute for Cell Therapy and Immunology (IZI) for the further development of Meprin protease inhibitors which have the potential to not only target symptoms, but also treat a range of indications including acute and chronic kidney disease and multiple organ fibrosis. In collaboration with the IZI, Vivoryon will develop novel low-molecular weight Meprin inhibitors. Meprin subtypes alpha and beta differ in their substrates and cellular location. They are highly expressed in renal brush border membranes and upregulated or mislocated in various cancers or fibrotic diseases. Both enzymes are metalloproteinases and catalyze cleavage and thus activation or deactivation of their respective substrates. An important physiological function of Meprins is the regulation of the maturation of fibrillar procollagens, of the intestinal barrier and of immunological processes.



1.5.4 PQ-FAMILY

In over 15 years of research on QC and iso-QC we have discovered and patented a broad set of highly active small molecule QC and iso-QC inhibitors and moved them into various preclinical development stages. Currently we are exploring opportunities to progress these molecules as quickly and diligent as possible into pharmaceutical and clinical development.

1.5.5 Strengthening of vivoryon therapeutics' intellectual property position

Vivoryon has an extensive patent portfolio which it believes sufficiently protects its product candidates and the QPCT target by composition of matter and medical use claims in AD, cancer as well as in inflammatory diseases and other neurological indications. The continuously expanded patent portfolio currently consists of 40 patent families, which comprise of approximately 637 national patent applications and issued patents worldwide.

Vivoryon Therapeutics´ goal is to maximize the portfolio's value by investing in proprietary drug candidates while maintaining financial discipline and strict cost control to ensure increasing enterprise value.

1.6 Corporate Events

Despite the 2020 economy being marked by the SARS-CoV-2 pandemic, Vivoryon was well-positioned to continue moving its AD clinical trials forward while exploring the potential of its unique proprietary position in cancer and fibrosis as well as identifying additional opportunities within the small molecule therapeutics pipeline.

1.6.1 Research and Development Collaboration with Nordic Bioscience

Vivoryon Therapeutics and Nordic Bioscience entered into an agreement on January 14, 2020, to collaborate for the clinical development of Varoglutamstat (PQ912) for AD. In addition to taking on the role as CRO for Vivoryon Therapeutics' Phase 2b VIVIAD trial, Vivoryon will benefit from Nordic Bioscience's world leading expertise in the development of blood-based biomarkers for the identification of specific patients that may benefit most from treatment with Varoglutamstat (PQ912), the Company's Phase 2 clinical-stage candidate in AD.

1.6.2 Start of Development Program for Meprin Protease Inhibitors with Intended Therapeutic Use in Fibrosis, Cancer and Alzheimer's Disease

On April 16, 2020, Vivoryon Therapeutics has entered into a research collaboration with the IZI (Fraunhofer Institute for Celltherapie and Immunology, Leipzig) and acquired related patents from the Institute for a Meprin protease inhibitor and assay platform. This collaboration will combine Vivoryon's expertise in translating basic research into marketable small molecule therapeutics with the department's focus on discovery and development of new therapeutics that target putative pathologic post-translational modifications.

1.6.3 Exclusive Option Agreement with MorphoSys AG

In April 2020, the Company announced that MorphoSys has not exercised the exclusive option to license Vivoryon's small molecule QPCTL inhibitors in the immuno-oncology field. The Company will continue to evaluate QPCTL inhibitors in oncology based on preclinical studies conducted and will consider strategic development options based on the existing proof-of-concept data.

1.6.4 PQ912 receives International Nonproprietary Name (INN), Varoglutamstat

In June 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.

1.6.5 Enrollment of First Patient in VIVIAD

On July 15, 2020, Vivoryon Therapeutics 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 AD

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

In August 2020, the Company announced that the FDA cleared the Company's Investigational New Drug (IND) application for Varoglutamstat (PQ912). FDA clearance of the IND will enable Vivoryon to initiate its US Phase 2 clinical trial program for Varoglutamstat (PQ912) in AD as planned. All preparations at Vivoryon and its cooperation partner, the Alzheimer's Disease Corporate Study (ADCS) at the University of California, San Diego, are in line with the project plan which aims for a study start around mid-2021. The trial design will allow a seamless progression into Phase 2b.

1.6.7 Conversion into Naamloze Vennootschap under Dutch law

Effective as of November 28, 2020, the Company operated under the registered name Vivoryon Therapeutics N.V. and its statutory seat is in Amsterdam, the Netherlands, while the administrative headquarters and the business operations will remain in Germany with locations in Halle (Saale) and Munich. The change of the statutory seat to Amsterdam, the Netherlands is the result of a shareholder resolution passed at the Company's Annual General Meeting held on September 30, 2020.

1.6.8 New Home Member State

As consequence of the conversion into an N.V., a public company under the laws of the Netherlands, Vivoryon Therapeutics N.V. announced that the Netherlands is the home member state of Vivoryon Therapeutics N.V. for the purposes of the implementation of the amended EU Transparency Directive (Directive 2004/109/EC) under Dutch law.

1.7 Annual General Shareholder Meeting 2020

The Supervisory Board and the management of Vivoryon Therapeutics welcomed the shareholders to the Company's Annual General Meeting that took place on September 30, 2020, at the Company's headquarter in Halle (Saale). 47.57 % of the voting shares were represented at the AGM.

The shareholders approved all resolutions proposed by the Company's management and Supervisory Board with a large majority, including:

- The discharge of the members of the Management and Supervisory Boards with respect to the 2019 financial year,
- The appointment of KPMG Accountants NV. as auditor for the 2020 financial year,
- Adoption of a resolution on the creation of a Stock Option Program 2020, the creation of a Conditional Capital 2020/I as well as the corresponding amendments to the Articles of Association,
- Adoption of a resolution on the creation of a Conditional Capital 2020 cancelling the Conditional Capital 2019, as well as the corresponding amendment to the Articles of Association,
- Resolution of transfer of the Company's official seat to the Netherlands and conversion into and adoption of Articles of Association of a public company under the laws of the Netherlands.

The management board was given the authorization to convert the Company's official seat to the Netherlands and conversion into and adoption of Articles of Association of a public company under the laws of the Netherlands.

1.8 Post-Balance Sheet Date Events

In January 2021 Vivoryon Therapeutics announced, in connection with the conversion into an N.V., a public company under the laws of the Netherlands ('*Naamloze Vennootschap*') which took effect on November 28, 2020, that the shares are tradable under the new ISIN NL00150002Q7.

On January 29, 2021, the Board of Vivoryon Therapeutics N.V. invited all shareholders to a virtually held Extraordinary General Meeting of shareholders on Friday, March 12, 2021. The key agenda items for the EGM included the re-appointment of Dr. Ulrich Dauer as executive member of the Board with the title of Chief Executive Officer, the appointment of Mr. Florian Schmid as executive member of the Board with the title of Chief Financial Officer, and (confirmation of) the appointment of the external auditor for the financial year 2020. Some uncertainty had arisen whether the appointment - when Vivoryon Therapeutics still had the legal form of a German AG - of KPMG Accountants N.V. in the Netherlands to audit the annual accounts of Vivoryon as a Dutch N.V. for the financial year 2020 had been validly made. Therefore, the Board proposed to confirm the appointment of, and to the extent required to appoint, KPMG Accountants N.V. in Amstelveen to audit the annual accounts of Vivoryon for the financial year 2020. The shareholders approved all these resolutions proposed by the Board with a large majority.

1.9 Organizational Structure

The Company is registered with the name Vivoryon Therapeutics N.V. (until November 28, 2020 it was registered as Vivoryon Therapeutics AG) in the Trade Register of the Netherlands Chamber of Commerce under number 81075480. Its commercial name is Vivoryon Therapeutics and the administrative headquarters as well as the business operations remain in Halle (Saale) and Munich Germany. The Company's business address is Weinbergweg 22, 06120 Halle (Saale), Germany.

The Company has a subsidiary, Vivoryon Therapeutics Inc. in Chicago, IL, USA. All operating activities and assets are concentrated in Vivoryon Therapeutics N.V.; currently, Vivoryon Therapeutics Inc. has no operating activities.

As at December 31, 2020, including Executive Directors, Vivoryon Therapeutics had 18 (2019: 17) employees, of which 44 % were female.

1.10 Property, Plant and Equipment

Vivoryon occupies office and laboratory space in its office in Halle (Saale), Germany under an extendable lease. In addition, the Company holds also office space in Munich, Germany under an extendable lease.

1.11 Stakeholder Dialogue

At Vivoryon Therapeutics, a key principle of corporate communication is to inform institutional investors, private shareholders, financial analysts, employees and all other stakeholders simultaneously and fully of the Company's situation through regular, transparent and timely communication. Shareholders have immediate access to the information provided to financial analysts and similar recipients and can obtain this information in English. The Company is firmly committed to following a fair information policy.

1.12 Company Outlook

The mid-term focus of Vivoryon's business activities can be summarized as follows:

- Start Phase 2a/b clinical study program for Varoglutamstat (PQ912) in the USA,
- Continuing the development of QPCTL inhibitors in oncology,
- Conclusion of one or more industrial partnerships,
- Further scientific analysis of potential indications for the use of QC and iso-QC inhibitors,
- Further strengthening Vivoryon's financial resources.
- As a result of the continuing costs being incurred for development activities and the running Phase 2b-study in Europe and the start of the Phase 2a/b study in the USA, which are not yet off-set by any sales, the Company also projects a net loss for the financial year 2021 which, based on the current budget, is expected to be higher than that of 2020.
- Due to its business model, Vivoryon is dependent upon additional capital to implement its development strategy until such time at which an industrial partnership is concluded and potentially beyond that. This can be provided in the form of equity on the basis of a capital increase or via alternative financing forms such as loans, convertible bonds, option bonds, etc. All appropriate provisions (e.g., approving sufficient authorized and conditional capital, eliminating pre-emptive rights) have been approved at the annual shareholders' meeting so as to provide the Company with sufficient flexibility to react to potential options.

The Company is well-positioned in the development of new therapeutic concepts for the treatment of Alzheimer's Disease. Through the continued program development, Vivoryon will lay the groundwork for a mid-term option for a lucrative industrial partnership or an M&A transaction as well as the further generation of substantial company value.

2 Risk factors

2.1 Summary of key risk factors

Vivoryon Therapeutics has an active, systematic risk management on the basis of which risks are to be identified, monitored and, with appropriate measures, minimized. Vivoryon's current business risks are primarily in the research and development of novel active pharmaceutical ingredients, the protection of intellectual property, the cooperation with a network of service providers and partners as well as maintaining equity in the Company's mid-to long-term financing. These risks are continuously assessed with the goal to optimize the Company's opportunities/risks position.

The Board analyses in a continuous process the potential risks, evaluating impact and likelihood, and determining appropriate measures to mitigate and minimize these risks.

Vivoryon Therapeutics operates in an industry characterized by constant change and innovation. The challenges and opportunities in the healthcare sector are influenced by a wide variety of factors. Global demographic changes, medical advances and the desire to increase quality of life provide excellent growth opportunities for the pharmaceutical and biotechnology industries. However, companies must also grapple with growing regulatory requirements in the field of drug development as well as cost pressure on healthcare systems. The main opportunities for Vivoryon Therapeutics and its shareholders are based on an increasing demand of efficacious AD therapies, the generation of additional positive data from Vivoryon`s proprietary programs, licensing agreements on the basis of Vivoryon's comprehensive and well-positioned patent portfolio as well as takeovers and M&A opportunities with Vivoryon as a potential target.

On the other hand, Vivoryon Therapeutics is exposed to various individual risks, which are described in detail in chapters 2.2, 2.3 and 2.4 of this report. The occurrence of these risks can, individually or in the aggregate have a material adverse effect on the business activities, the achievement of significant Company goals and/or Vivoryon's ability to refinance. Moreover, the risks could have substantial negative implications on the Company's net assets, financial position and results of operations. In the worst case, this could force the Company to file for insolvency. Currently only a few factors have been identified which could, in the short-term, impair the development of Vivoryon. Overall, the Company is well-positioned. As per the Company's current planning, the cash and cash equivalents as of December 31, 2020 provide for the Company's financing beyond the upcoming eighteen months.

2.2 Risk relating to Vivoryon´s business

2.2.1 Development risks on products and technologies

Drug development is a highly speculative undertaking and involves a substantial degree of uncertainty. The Company is dependent on the development success of its main productcandidate Varoglutamstat (PQ912) and cannot be certain that Varoglutamstat (PQ912) will be sufficiently effective and thus can be licensed to a potential global biopharmaceutical company at commercial terms which allow further and sustainable growth of the Company. Failure to succeed in clinical development of Varuglutamstat (PQ912) would have a material adverse effect on Vivoryon's business

The Company is a biopharmaceutical company that focuses on the research and development and eventually revenue generating licensing agreements on the basis of new therapeutic products. The current drug development programs are focusing on novel and first-in-class therapeutics for the treatment of Alzheimer's diseases (AD), cancer and other indications. The future opportunities of the Company depend on the success of its research and development programs. As a product-orientated biotechnology company Vivoryon is subject to the risks generally inherent in the drug development business, i.e. whether the Company will eventually succeed in developing a product that can be successfully and profitably licensed out to a biopharmaceutical company and ultimately commercialized. Such risks are particularly pronounced in the biotechnology industry especially because of the long development time of the individual product candidates. Development of a drug may take 10 to 15 years

or even longer and so far, drug companies have failed to develop disease-modifying drugs for the treatment of AD, i.e. drugs that alter, stop or cure the development of the disease, instead of merely alleviating symptoms.

Prior to a potential licensing partnership, the Company's product candidates have to pass through preclinical development stages, followed by individual Phases of clinical studies in humans when the effectiveness of the drugs and their potential side effects are investigated. Only after it has been demonstrated with substantial evidence through well-controlled clinical studies that the product candidates are safe and effective for use, the Company will be positioned as an attractive licensing partner by global pharmaceutical companies.

So far, based on its study results, the Company believes that its clinical product candidate of Varoglutamstat (PQ912), the Company's only product candidate that has been tested on humans, is safe and will be well tolerated in humans. Success in early preclinical or clinical studies does however not mean that future larger clinical studies will be successful. Product candidates in later-stage clinical studies may fail to demonstrate sufficient safety and efficacy despite having shown promising results in and progressed through early clinical studies. Similarly, the outcome of preclinical testing and early clinical studies may not be predictive of the success of later clinical studies, and interim results of a clinical study do not necessarily predict final results. Progress in studies of one product candidate does not indicate that the Company will make similar progress in additional studies for that product candidate or in studies for other product candidates. A number of companies in the pharmaceutical industry, including those with greater resources and experience than the Company, have suffered significant setbacks in advanced clinical studies and have stopped their development programs, even after obtaining promising results in earlier clinical studies. Also, there can be significant variability in safety and /or efficacy results between different studies of the same product candidate due to numerous factors, including changes in study protocols, differences in size and type of the patient populations, adherence to the dosing regimen and other study protocols and the rate of dropout among clinical study participants. The Company therefore cannot predict whether any Phase 2, Phase 3 or other clinical studies conducted will demonstrate consistent or adequate efficacy and safety to obtain regulatory approval to market the Company's product candidates. The Company cannot guarantee that its product candidates show sufficient efficacy in patients in future studies or do not display harmful side effects or other relevant adverse events or that other findings do not exclude the further development of its respective product candidates. Any such findings may result in significant delay or even termination of the development of the relevant product candidate which could have a material adverse effect on the Company's business, prospects, liquidity position, financial condition and results of operations.

Competing product candidates could be approved on the market and may be more effective, tolerable or preferred by Competent Authorities over the products of the Company

The Company's competitors also develop new product candidates in the therapeutic areas targeted by Vivoryon. These competitive product candidates may have a better effectiveness, tolerability or side effect profile and might also be preferred by potential licensing partners As a result, Vivoryon's product candidates may not be considered attractive by global biopharmaceutical companies as licensing opportunities andmay not be established in the market. As a consequence, Vivoryon may not be able to receive revenues or potential milestone payments or licenses fees or revenue participation out of licensing agreements with pharmaceutical or biotechnical companies in the future which could have material adverse effects on Vivoryon's business, prospects, financial condition and results of operations.

2.2.2 Financial risks

Vivoryon produces operating losses, has an accumulated deficit and may never become profitable

The Company was founded in 1997 and has focused since 2004 on the identification, research and development of drug candidates. On the basis of these research and development activities, the Company has not yet generated any revenues. Vivoryon reported a net loss of EUR 16.5 million (2019: EUR 7.8 million); the accumulated deficit reported was EUR 79.6 million (2019: EUR 63.1 million).

Vivoryon will only become profitable if it succeeds to generate substantial revenues from the commercialization of its product candidates, such as advance payments, milestone payments, commissions or fees from licensing agreements or partnerships with pharmaceutical or biotechnology companies. For as long as the Company does not generate sufficient revenues that enable the Company to offset its costs and expenses, and possibly even then, the Company is dependent on additional financing.

The future profitability of the Company largely depends on the success of the preclinical and clinical studies, and the ability of the Company to find a suitable partner. It cannot be excluded that some or even all of the development programs of the Company in respect of its product candidates may need to be terminated in the research and development stage prior to out-licensing or thereafter, so that no revenues from such product candidates may be generated.

Because numerous factors influence the development of product candidates, it is uncertain whether the Company will ever achieve any substantial revenues. Likewise, the time when the Company may operate profitably, if ever, cannot be predicted. Therefore, because the Company will continue to incur expenses for research and development and general administration in the future, the Company expects that it will continue to report losses for the foreseeable future.

If the Company fails to generate sufficient revenues to cover its costs and expenses and /or to obtain sufficient funding to continue its business activities, the Company will be forced to file for insolvency or to go into liquidation. This could lead to the total loss of the capital invested by the shareholders.

The Company will likely need substantial additional funding in the future, which may not be available on commercially acceptable or sensible terms when needed or may not be available at all

The Company currently relies mainly on equity financing for the funding of its operations complemented by public grants or other financing instruments, e.g. loans and convertibles. The Company's future financing needs will depend on many factors, including the progress, costs and timing of its research and development activities and clinical studies, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of obtaining manufacturing of its product candidates, the costs and timing of establishing sales and marketing capabilities and the terms and timing of establishing collaborations, license agreements and other partnerships.

Vivoryon's ability to raise additional funds in the future will depend on financial, economic and market conditions and other factors over which it may have no or limited control, and Vivoryon cannot exclude that additional funds may not be available to it when necessary on commercially acceptable or sensible terms, if at all. In case the necessary funds are not available when needed, or not at commercially acceptable or sensible terms, Vivoryon may need to seek funds through collaborations and licensing arrangements earlier than planned or other alternatives, which may require the Company to reduce or relinquish significant rights to its research and development programs and product candidates, to grant licenses on its technologies to partners or third parties or to enter into cooperation agreements, the terms of which could be less favorable to Vivoryon than originally expected. In addition, the perception that the Company may not be able to continue as a going concern may cause others to choose not to deal with the Company due to concerns about its ability to meet its contractual obligations.

Vivoryon expects to finance its operations also in the foreseeable future primarily through equity related transactions. However, intended equity-related transactions such as the issue of new shares may not be successful, whether due to market conditions or otherwise.

Further, Vivoryon may be required to finance its cash needs with debt financing. Any debt financing could involve substantial restrictions on activities and creditors could seek assignments or pledges of some or all of the Company's assets including patents.

If adequate funds are not available on commercially acceptable or sensible terms when needed, Vivoryon may also be forced to delay, reduce or terminate the development or marketing of all or part of its products or product candidates and it may be unable to take advantage of future business opportunities

all of which could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.

Restrictions of the utilization of tax loss carry forwards may have an adverse effect on Vivoryon's financial condition and results of operations

The use of Vivoryon's existing tax loss carry forwards and ongoing losses for German corporate income and trade tax purposes may be forfeited or may have already been forfeited in case of a direct or indirect transfer of shares, including the issue of new shares from a capital increase, subject to certain limited exceptions. Such restriction applies to both corporate income tax and trade tax. If more than 50% of the share capital or voting rights are transferred within a five-year period to one acquirer or person(s) closely related to the acquirer or a group of acquirers with a common interest, the tax loss carry forwards and current losses will be totally forfeited.

In case the utilization of tax loss carry forwards is forfeited, they cannot be set off against future taxable profits which would result in increased tax burdens. This would negatively affect Vivoryon's financial condition and results of operations.

2.2.3 Risks relating to the regulatory environment

Nearly all aspects of Vivoryon's activities are subject to substantial regulation. No assurance can be given that any of Vivoryon's product candidates will fulfill regulatory requirements. Failure to comply with such regulatory requirements could result in delays, suspensions, refusals and withdrawals of approvals as well as fines and could make it impossible for the Company's lisensing parter to commercialize the products and/or product candidates

The international biopharmaceutical and medical technology industry is highly regulated by legislation and Competent Authorities that impose substantial requirements covering nearly all aspects of Vivoryon's activities, notably on research and development, manufacturing, preclinical tests, clinical studies, labeling, marketing, sales, storage, record keeping, promotion and pricing of its research and development programs, product candidates and future products. Such regulation is subject to regular review by the Competent Authorities which may result in changes in the applicable regulation. If Vivoryon does not comply with one or more of these factors in a timely manner, or at all, it could experience significant delays as a result of the European Medicines Agency (EMA) in the European Union, the FDA in the United States or another Competent Authority recommending non-approval or restrictions on approval for a product candidate, leading to an inability to successfully commercialize any of Vivoryon's products and/or product candidates, which could materially harm its business. Any failure of any of Vivoryon's product candidates in clinical studies or in receiving regulatory approval could have a material adverse effect on Vivoryon's business, results of operations, financial condition and prospects. If any of Vivoryon's product candidates fails to obtain approval on the basis of any applicable condensed regulatory approval process, this will prevent such product candidate from obtaining approval in a shortened time frame, or at all.

Compliance with the standards laid down by local Competent Authorities is required in each country where Vivoryon, or any of its partners or licensees, conducts its activities. The Competent Authorities include the EMA and the FDA. In order to market Vivoryon's future products in regions such as the European Economic Area, United States of America, Asia Pacific, and other jurisdictions, Vivoryon's licensing partner(s) must obtain separate regulatory approvals. The approval procedures vary among countries and can require additional clinical testing, and the time required to obtain approval may differ from that required to obtain for example an approval from the FDA or EMA. Moreover, clinical studies conducted in one country may not be accepted by regulatory authorities in other countries. Approval by the FDA or EMA does not ensure approval by Competent Authorities in other countries, and approval by one or more foreign regulatory authorities does not ensure approval by regulatory authorities in other countries or by the FDA or EMA.

There can be no assurance that Vivoryon's product candidates will fulfill the criteria required to obtain necessary regulatory clearance to access the market. Also, Vivoryon cannot predict the exact nature, precise timing and detailed costs and expenses in respect of the efforts that will be necessary to complete

its research and development programs and product candidates. Each Competent Authority may impose its own requirements, revoke an approval, refuse to grant approval, or require additional data before granting approval, notwithstanding that approval may have been granted by one or more other Competent Authorities. Competent Authorities may also approve a product candidate for fewer or more limited indications or patient sub-segments than requested or may grant approval subject to the performance of post-marketing studies. Approvals may be delayed, limited or denied for a number of reasons, many of which are beyond Vivoryon's control. Such reasons could include, among others, the production process or site not meeting the applicable requirements for the manufacturing of regulated products, or the product candidates not meeting applicable requirements for safety or efficacy during the clinical development stage or after marketing of the product candidates commences. No assurance can be given that clinical studies will be approved by Competent Authorities or that product candidates will be approved for marketing by Competent Authorities in any pre-determined indication or intended use. Competent Authorities may also disagree with Vivoryon's interpretation of data submitted for their review.

Vivoryon's product candidates may become subject to changes in the regulatory framework or market conditions. Regulatory guidelines may change during the course of drug development and review processes, which may render the chosen development strategy suboptimal. Market conditions may change resulting from the emergence of new competitors or new treatment guidelines or otherwise which may require alterations to the research and development strategy. Changes in the regulatory framework or the market conditions may result in significant delays, increased costs, and significant changes in the commercial assumptions and may prevent the product candidates of the Company from obtaining approval necessary for the marketing of its product candidates and thus may dramatically limit the Company's revenues from licensing partnerships, e.g. regulatory and commercial milestones as well as royalties .

Any of the above risks could have a material adverse effect on Vivoryon's liquidity position, business, prospects, financial condition and results of operations.

Vivoryon's research and development programs and product candidates must undergo rigorous preclinical tests and clinical studies, the start, timing of completion, number and results of which are uncertain and could substantially delay or prevent the product candidates from ever reaching the market

Preclinical tests and clinical studies are expensive and time-consuming, and their results are uncertain. Vivoryon, its collaborative partners or other third parties may not successfully complete the preclinical tests and clinical studies of the research and development programs as well as its product candidates, which could delay or prevent the commercialization of Vivoryon's product candidates. Vivoryon cannot guarantee that its research and development programs as well as its product candidates will demonstrate sufficient safety or efficacy or performance in its preclinical tests and clinical studies to obtain marketing approval in any given country or at all, and the results from earlier preclinical tests and clinical studies may not indicate the results of later-stage preclinical tests and clinical studies. At any stage of development, based on a review of available preclinical and clinical data, the estimated costs for the continued development of its product candidates, market assessments and other factors could change, and the development of any of Vivoryon's research and development programs and its product candidates may be suspended or discontinued.

Clinical studies can be delayed for a variety of reasons, including delays in obtaining regulatory approval to commence a study, in reaching agreement on acceptable terms with CROs, contract manufacturing organizations (CMOs) and clinical study sites, in obtaining ethics committee approval, in recruiting suitable patients to participate in a study, in having patients complete a study or return for follow-up, in adding new sites or in obtaining sufficient supplies of clinical study materials or clinical sites dropping out of a study and in the availability to Vivoryon of appropriate clinical study insurances. Furthermore, Vivoryon, its collaborative partners or regulators may require additional preclinical tests and clinical studies. Such delays or additional testing could result in increased costs and delay or jeopardize Vivoryon's

ability to obtain regulatory approval and thus the commencement of the marketing of its product candidates as expected.

Successful and timely completion of clinical studies will require the enrolment of a sufficient number of patient candidates. Studies may be subject to delays as a result of patient enrolment taking longer than anticipated or patient withdrawal. Many factors affect patient enrolment, including the size and nature of the patient population, the severity of the disease under investigation, the patient eligibility criteria for the study in question, the ability to monitor patients adequately during and after the treatment, Vivoryon's payments for conducting clinical studies, the proximity of patients to clinical sites, the design of the clinical study, clinicians' and patients' perceptions as to the potential advantages of the product candidates being studied in relation to other available therapies, including any new products that may be approved for the indications Vivoryon is developing and whether the clinical study design involves comparison to placebo or standard of care. In addition, some of Vivoryon's competitors have on-going clinical studies for product candidates that treat the same indications as Vivoryon's product candidates, and patients who would otherwise be eligible for Vivoryon's clinical studies may instead enroll in clinical studies of product candidates of Vivoryon's competitors. If Vivoryon experiences lower than expected enrolment in the studies, the studies may not be completed as envisaged or may become more expensive to complete.

The realization of any of the above risks may have a material adverse effect on Vivoryon's liquidity position, business, prospects, financial condition and results of operation.

If serious adverse side effects are identified for any of its product candidates, Vivoryon may need to abandon or limit its development of that product candidate, which may delay or prevent a licensing partnership.

Not all adverse effects of drugs can be predicted or anticipated. Serious unforeseen side effects from any of Vivoryon's product candidates could arise either during clinical development or, if approved by Competent Authorities, after the approved product has been marketed. All of Vivoryon's product candidates are still in clinical or preclinical development. Any of these events could prevent Vivoryon or any potential future commercializing partners from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses which could delay or prevent Vivoryon from generating significant revenue from the out-licensing of its products and therefore could have a material adverse effect on Vivoryon's liquidity position, business, prospects, financial condition and results of operations.

2.2.4 Risks related to the company's dependence on third parties and key personnel

The Company relies and will continue to rely on collaborative partners regarding its research and development programs and its product candidates

Vivoryon is, and expects to continue to be, dependent on collaborations with partners relating to the development and commercialization of its existing and future research and development programs and product candidates. Vivoryon currently has collaborative research relationships with various academic and research institutions worldwide for the development of its product candidates. Further, Vivoryon has and will continue to have discussions on potential partnering opportunities with various pharmaceutical companies. If Vivoryon fails to enter into or maintain collaborative agreements on reasonable terms or at all, Vivoryon's ability to develop its existing or future research and development programs and product candidates could be delayed, the commercial potential of its product candidates could change, and its costs of development and commercialization could increase. Vivoryon's dependence on collaborative partners is subject to a number of risks, including, but not limited to, the following:

- Vivoryon relies on information and data received from third parties regarding its research and development programs and product candidates and will not have control of the process conducted by the third party in gathering and composing such data and information. Vivoryon may not have formal or appropriate guarantees from its contract parties with respect to the quality and the completeness of such data;

- a collaborative partner may develop a competing product either by itself or in collaboration with others, including one or more of Vivoryon's competitors;
- Vivoryon's collaborative partners' willingness or ability to fulfill their obligations under Vivoryon's collaboration arrangements may be adversely affected by business combinations or significant changes in a collaborative partner's business strategy;
- Vivoryon may not be able to control the amount or timing of resources that collaborative partners devote to Vivoryon's research and development programs and product candidates;
- Vivoryon may be required to relinquish significant rights, including intellectual property, marketing and distribution rights;
- Vivoryon's anticipated payments under any collaboration agreement (e.g., royalty payments for licensed products) may not materialize;
- Vivoryon may experience delays in, or increases in the costs of, the development of Vivoryon's research and development programs and its product candidates due to the termination or expiration of collaborative research and development arrangements;
- Vivoryon may have disagreements with collaborative partners, including disagreements over proprietary rights, contract interpretation or the preferred course of development, which might cause delays or termination of the research, development or commercialization of product candidates, might lead to additional responsibilities for Vivoryon with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborative partners may not properly maintain or defend Vivoryon's intellectual property rights or may use proprietary information in such a way as to invite litigation that could jeopardize or invalidate Vivoryon's intellectual property or proprietary information or expose Vivoryon to potential litigation; and/or
- collaborative partners may infringe the intellectual property rights of third parties which may expose Vivoryon to litigation and potential liability.

Vivoryon faces significant competition in seeking appropriate collaborative partners. Vivoryon's ability to reach a definitive agreement for collaboration will depend upon, among other things, an assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. These factors may include the design or results of clinical studies, the likelihood of regulatory approval, the potential market for the relevant product candidate, the costs and complexities of manufacturing and delivering such product to patients, the potential of competing products, the existence of uncertainty with respect to Vivoryon's ownership of technology, which can exist if there is a challenge to such ownership regardless of the merits of the challenge, and industry and market conditions generally. The collaborating partner may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such collaboration could be more attractive than the one with Vivoryon. Any of the above factors could have a material adverse effect on Vivoryon's ability to enter into successful collaborative arrangements and, consequently, its business, prospects, financial condition and results of operations.

Vivoryon relies upon third-party contractors and service providers for the execution of most aspects of its development programs. Failure of these third parties to provide services of a suitable quality and within acceptable timeframes may cause the delay or failure of Vivoryon's development programs

Vivoryon outsources and expects to outsource the majority of functions, tests and services to CROs, medical institutions and other specialist providers in relation to, among others, assays, animal models, toxicology studies, and pharmacokinetic /pharmacodynamic studies. Vivoryon furthermore relies on these third parties for quality assurance, clinical monitoring, clinical data management and regulatory expertise. Vivoryon has engaged, and may in the future engage, CROs to run all aspects of a clinical study on its behalf, e.g. the Company entered into service agreements with Julius Clinical, Zeist, the Netherlands

and the VU Medical Center, Amsterdam, the Netherlands, regarding the planning and execution of the Phase 2a study of of Varoglutamstat. There is no assurance that such individuals or organizations will be able to provide the functions, tests or services as agreed upon or with the necessary quality which could result in significant delays in the development of its product candidates.

There is also no assurance that these third parties will not make errors in the design, management or retention of Vivoryon's data or data systems. The failure of such third parties could lead to loss of data, which in turn could lead to delays in commercialization. These third parties may not pass FDA, EMA or other regulatory audits, which could delay or prohibit regulatory approvals. In addition, the cost of such services could significantly increase over time. If these third parties do not successfully carry out their contractual duties or meet expected timelines, obtaining regulatory approval for manufacturing and commercialization of its product candidates may be delayed or prevented, which would have a material adverse effect on Vivoryon's business prospects, results of operations and/or financial condition.

Vivoryon relies on third parties to supply and manufacture its product candidates, and it expects to rely on third parties to manufacture its products, if approved. The development of such product candidates and the commercialization of any products, if approved, could be stopped or delayed if any such third party fails to manufacture or provide sufficient quantities of product candidates or products or fails to do so at acceptable quality levels or prices or fails to maintain or achieve satisfactory regulatory compliance

Vivoryon does not currently have, nor does it plan to acquire, the infrastructure or capability internally to manufacture its product candidates for use in the conduct of its clinical or preclinical studies or for commercial supply, once its product candidates are approved for marketing. Instead, Vivoryon relies on, and expects to continue to rely on, CMOs. Vivoryon currently relies mainly on Patheon (Thermo Fischer), Durham, NC for manufacturing of Varoglutamstat (PQ912) but is not exclusively committed to them. Vivoryon does not control the manufacturing processes of the CMOs and is dependent on those third parties for the production of its product candidates and future products in accordance with relevant regulations which includes, among other things, quality control, quality assurance and the maintenance of records and documentation.

If Vivoryon were to experience an unexpected loss of supply of, or if any supplier were unable to meet Vivoryon's demand for, any of its product candidates, it could experience delays in its research and development activities or planned clinical studies or commercialization of approved products. Vivoryon could be unable to find alternative suppliers of acceptable quality who can deliver appropriate volumes at acceptable cost. Moreover, Vivoryon's suppliers are often subject to strict manufacturing requirements and rigorous testing requirements, which could limit or delay the production. The long transition periods involved in the change of manufacturers and suppliers, if necessary, would significantly delay Vivoryon's clinical studies of its product candidates and the commercialization of its product candidates or products, if approved, which would materially adversely affect Vivoryon's business, prospects, financial condition and results of operation.

In complying with the manufacturing regulations of Competent Authorities, Vivoryon and its third-party suppliers must spend significant time, money and effort in the areas of design and development, testing, production, record-keeping and quality control to assure that the products meet applicable specifications and other regulatory requirements. The failure to comply with these requirements could result in an enforcement action against Vivoryon, including the seizure of products and shutting down of production. Any of these third-party suppliers and Vivoryon also may be subject to audits by the Competent Authorities. If any of Vivoryon's third-party suppliers fails to comply with applicable good manufacturing practices (GMP) or other applicable manufacturing regulations, Vivoryon's ability to develop and commercialize its products and/or product candidates could suffer significant interruptions. Vivoryon faces risks inherent in relying on a single CMO, as any disruption, such as a fire, natural hazards or vandalism at the CMO could significantly interrupt Vivoryon's manufacturing capability. Vivoryon currently does not have alternative production plans in place or disaster-recovery facilities available. In case of a disruption, Vivoryon will have to establish alternative manufacturing sources. Additionally, Vivoryon would likely experience months or years of manufacturing delays if it builds or locates

manufacturing facilities and seeks to obtain the necessary regulatory approvals. If this occurs, Vivoryon will be unable to satisfy manufacturing needs on a timely basis, if at all. Further, business interruption insurance may not adequately compensate Vivoryon for any losses that may occur and Vivoryon would have to bear the additional cost of any disruption. For these reasons, a significant disruptive event at the CMO could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.

Vivoryon depends on the ability to attract and retain key personnel and managers

Vivoryon has only a small number of management executives responsible for managing its core business. Vivoryon's success significantly depends on the performance of its management executives and highly qualified employees in key positions, in particular management board members and other management executives with substantial sector experience. The services of Vivoryon's management executives are essential for the success of Vivoryon's business, research, development and regulatory strategies. Management executives may terminate their contracts any time.

Additionally, it is important for Vivoryon's success to attract, retain and motivate highly qualified clinical and scientific personnel. Many of the other biotechnology and pharmaceutical companies and academic institutions that it competes against for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than Vivoryon. Therefore, Vivoryon might not be able to attract or retain such key persons on conditions that are economically acceptable or enforce non-competition undertakings, where necessary. In the event of a loss of certain clinical and scientific personnel or management executives, Vivoryon's research and development efforts may be materially adversely affected. Vivoryon's anticipated growth and expansion into areas and activities requiring additional expertise such as clinical studies, registration, manufacturing and marketing, are expected to place increased demands on Vivoryon's resources. These demands are expected to require the addition of new personnel or managers and/or the development of additional expertise by current executives.

The failure to attract the needed personnel, the loss of certain clinical and scientific personnel or management executives or the failure to develop or obtain the necessary expertise could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.

Vivoryon's success significantly depends on its cooperation with certain external key advisors

Certain management functions of Vivoryon are in the responsibility of external long-term advisors, who act as research and development advisers in the field of the preclinical and clinical development of QPCT, one of the core research activities of Vivoryon.

Other biotechnology and pharmaceutical companies and academic institutions that Vivoryon competes with for qualified personnel have greater financial and other resources, different risk profiles and a longer history in the industry than Vivoryon does and therefore may offer better conditions than those Vivoryon is able to offer. The advisory agreements may be terminated or may expire without Vivoryon having an adequate substitute advisor for the relevant field. Due to the specific and detailed knowledge and experience of these advisors with Vivoryon and its business and competitive environment, the loss of these advisors without having an adequate substitution in place, may have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.

Vivoryon's portfolio of patents, patent applications and other intellectual property related matters is managed by the law firm Maikowski & Ninnemann, Berlin and Leipzig, Germany ('Maikowski & Ninnemann'). It cannot be excluded that Maikowski & Ninnemann may terminate the mandate or cease advising Vivoryon in necessary patent activities for other reasons. Due to the specific and detailed knowledge and experience of Maikowski & Ninnemann regarding patent activities of Vivoryon, the loss of these advisors may have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.

Vivoryon depends on the recruitment of sufficient numbers of suitable volunteers and patients for clinical studies

A clinical study requires a sufficient number of suitable volunteers and patients who meet the specific requirements of such clinical study, e.g. in the case of the Phase 2b study of of Varoglutamstat (PQ912), early-stage AD patients. Due to the complex conditions of the environment of the study, e.g. attractiveness of study, design of study, competitive situation, patient population, locations etc., studies may be rather slow or delayed. In addition, the study center – for example, due to other ongoing clinical studies – may not be able to include a sufficient number of patients on time in the clinical study. This could jeopardize the timely planning and execution of the clinical study or cause delays. As a result, and to progress the study, Vivoryon may be forced to include additional study centers in the current study, which may substantially increase the costs and, therefore, could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.

2.2.5 Risks relating to vivoryon's intellectual property and know-how

Vivoryon may fail to protect its inventions and know-how not subject to intellectual property rights to a sufficient extent

Some technologies and processes of Vivoryon do not fulfill the requirements for patent or trademark protection or are not protected by patent or trademark rights for other reasons, e.g. secrecy. To protect these business secrets, know-how, technologies and processes, Vivoryon enters into non-disclosure, confidentiality and other contractual agreements with its employees, agents, advisors and cooperation partners. In accordance with these agreements, employees, agents, advisors and cooperation partners are required to transfer developments, discoveries and inventions to Vivoryon and support Vivoryon with regard to the intellectual property rights proceedings.

However, there is no guarantee that such agreements will not be breached, that they will provide sufficient protection for Vivoryon's business secrets and proprietary information or that adequate remedies will be available in the event of an unauthorized use or disclosure of such information. It cannot be excluded that Vivoryon does not have, or cannot enforce, legal remedies that are effective at economically acceptable costs. Further, the violation of a non-disclosure agreement might be difficult to prove because business secrets and know-how may be developed independently by, or became otherwise known to, third parties. In addition, it may be difficult to quantify the damages which have occurred and to obtain legal remediation, or to undo the damages caused, by legal remedies. The failure of Vivoryon to effectively protect its business secrets and know-how could have material adverse effects on Vivoryon's business, prospects, financial condition and results of operations.

Intellectual property rights of Vivoryon could be infringed by third parties

It cannot be excluded that Vivoryon's intellectual property rights are or will be infringed by third parties. In particular, competitors may develop their own products without consequences until and through clinical Phase 3 because of the so-called research exemption or safe harbor exemption, which provides for an exemption from patent infringement regarding research and tests carried out in order to obtain regulatory approval for human medicinal products. The extent of this exemption varies from country to country. In certain jurisdictions, Vivoryon may challenge these competitors based on its intellectual property rights only after market approval and market entry of the competitor drugs. The enforcement of the intellectual property rights of the Company against any infringer, before courts or otherwise, may divert the time and efforts of the management from Vivoryon's core business and cause additional costs and expenses.

Vivoryon has recently recognized a potential infringement of some of its granted patent rights for inhibitors of QPCT in the Netherlands and China.

In addition, the enforcement may be unsuccessful, e.g. if the judicial system is not regulated in a sufficient manner or the relevant jurisdictions do not recognize in a sufficient manner the enforcement of intellectual property rights. The failure of Vivoryon to enforce its intellectual property rights against the

infringement by third parties could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.

Intellectual property rights do not necessarily address all potential threats to Vivoryon's competitive advantage

The degree of future protection afforded by Vivoryon's intellectual property rights is uncertain because intellectual property rights have limitations and may not adequately protect Vivoryon's business or permit Vivoryon to maintain its competitive advantage. The following examples are illustrative:

- competitors may be able to develop products that are similar to Vivoryon's product candidates but are not covered by the claims of the patents that Vivoryon has, obtains and/or licenses;
- the patents of competitors may have an adverse effect on Vivoryon's business. For instance, if one of Vivoryon's product candidates would prove to be effective against a specific indication not covered by Vivoryon's patents or patent applications and/or Vivoryon not having priority in this indication, Vivoryon may be confronted with existing patents covering such indication;
- Vivoryon and /or Vivoryon's licensors or collaborators might not have been the first to make the inventions covered by an issued patent or pending patent application;
- Vivoryon and /or Vivoryon's licensors or collaborators might not have been the first to file patent applications covering an invention;
- others may independently develop similar or alternative technologies, design around the Company's patents or duplicate any of Vivoryon's technologies without infringing Vivoryon's intellectual property rights;
- pending patent applications may not lead to issued patents or not with the initially desired scope of protection;
- issued patents may not provide Vivoryon with competitive advantages, or may be held invalid or unenforceable, as a result of legal challenges by Vivoryon's competitors;
- Vivoryon's competitors might conduct research and development activities in countries where Vivoryon does not have patent rights and then use the information learned from such activities to develop competitive products for sale in these and other markets targeted by Vivoryon; and
- Vivoryon may not develop or in-license additional proprietary technologies that are patentable.

Any of these events could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operation.

Changes in either the patent laws or interpretation of the patent laws may diminish the value of Vivoryon's patents or narrow the scope of its patent protection

Changes in either the patent laws or interpretation of the patent laws may diminish the value of Vivoryon's patents or narrow the scope of its patent protection and could increase the uncertainties and costs surrounding the prosecution of the patent applications of Vivoryon and the enforcement or defense of its issued patents. For instance, on September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to United States patent law. The Leahy-Smith Act includes provisions that affect the way patent applications are prosecuted and affect patent litigation. The United States Patent and Trademark Office (PTO) recently developed new regulations and procedures to govern administration of the Leahy-Smith Act. However, many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective on March 16, 2013. Accordingly, it is not entirely clear what, if any, impact the Leahy-Smith Act will have on the operation of the business of Vivoryon. However, the Leahy-Smith Act and its implementation, as any other possible future changes in the patent laws or their interpretation, could increase the uncertainties and costs surrounding the prosecution of Vivoryon's

patent applications and the enforcement or defense of issued patents, all of which could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operation.

Vivoryon has and may become involved in legal proceedings in relation to intellectual property rights, which may result in costly litigation and could result in Vivoryon having to pay substantial damages or limit Vivoryon's ability to commercialize its products and/or product candidates

Vivoryon's commercial success depends upon its ability, and the ability of any third party with which it may partner, to develop, manufacture, market and sell its product candidates and /or products, if approved, and use its patent-protected technologies without infringing the patents of third parties. There is considerable patent litigation in the biotechnology and pharmaceutical industries. As the biopharmaceutical industry expands and more patents are issued, Vivoryon faces increased risks that there may be patents issued to third parties that relate to its product candidates and technology of which Vivoryon is not aware or that it must challenge to continue its operations as currently contemplated.

In this context, on July 24, 2018, the Dutch Cancer Institute and Academic Hospital Leiden filed the PCT patent application with international publication number WO 2019/022600 A1 claiming a certain pharmaceutical composition comprising an inhibitor of QPCT selected from a group consisting of, inter alia, the compound of Varoglutamstat (PQ912) (claim 8) and other inhibitors covered by other granted patents of Vivoryon for use in cancer treatment and some inflammatory diseases.

There are discussions ongoing with the involved parties in order to settle the dispute. There is a risk that the dispute cannot be settled and Vivoryon may not obtain freedom-to-operate under national patents that are derived from WO 2019/022600 A1 in the future. As a result, Vivoryon would be blocked to use of Varoglutamstat (PQ912) and the other QPCT inhibitors in countries where national patents derived from WO 2019/022600 A1 are granted or issued, in the treatment of cancer and some inflammatory diseases. Other uses of Varoglutamstat (PQ912) and the other QPCT inhibitors would not be influenced. The proprietors of the national patents derived from WO 2019/022600 A1, however, would also be blocked to use of Varoglutamstat (PQ912) and the other QPCT inhibitors, because they would require a license under Vivoryon's matter of composition patents covering of Varoglutamstat (PQ912) and the other QPCT inhibitors. This situation could be solved by concluding a cross licensing agreement the conclusion of which cannot be guaranteed. However, in order to execute the company's current development strategy for PQ912 in Alzheimer's disease and selected inhibitors of QPCT in oncology, the company believes to have freedom to operate without dependence on such cross-license agreements.

In the field of medicinal chemistry, a broad protection for products is typically sought by patenting so-called Markush-Groups. The same applies to medical use or medical treatment patents, regarding which also a broad protection is sought. Whether such broad medical use patents or currently developed product candidates collide with a patent involves complex legal and factual issues, and the determination thereof is often uncertain.

Vivoryon may become involved in proceedings, including oppositions, post grant reviews, interferences, derivation proceedings, inter parties reviews, patent nullification proceedings, or re-examinations challenging Vivoryon's patent rights or the patent rights of others, and the outcome of any such proceedings are uncertain. An adverse determination in any such proceeding could reduce the scope of, or invalidate, important patent rights, allow third parties to commercialize Vivoryon's technology, products and/or product candidates and compete directly with Vivoryon without being obligated to make any payments to Vivoryon, or result in Vivoryon's inability to manufacture or commercialize products and/or product candidates without infringing third-party patent rights. Litigation or other proceedings may fail and, even if successful, may result in substantial costs and distract Vivoryon's management and other employees.

Vivoryon's product candidates may infringe or may be alleged to infringe existing patents or patents that may be granted in the future. Because patent applications in Europe, the United States and many foreign jurisdictions are typically not published until 18 months after filing, and publications in the scientific literature often lag behind actual discoveries, Vivoryon cannot be certain that others have not filed patents that may cover its technologies, its product candidates or the use of its product candidates.

Additionally, pending patent applications which have been published can, subject to certain limitations, be later amended in a manner that could cover Vivoryon's technologies, its product candidates or the use of its product candidates. As a result, Vivoryon may become party to, or threatened with, future adversarial proceedings or litigation regarding patents with respect to its product candidates and technology.

The issuance of a patent is not conclusive as to its inventorship, scope, validity or enforceability, and Vivoryon's patents may be challenged in courts or patent offices. Such challenges may result in the loss of exclusivity or freedom to operate, or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit Vivoryon's ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of its technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might also expire before or shortly after such candidates are commercialized. As a result, Vivoryon's patent portfolio may not provide it with sufficient rights to exclude others from commercializing products similar or identical to those of Vivoryon or not for a time long enough to fully exploit the expected potential of its product candidates.

If Vivoryon is sued for patent infringement, Vivoryon would need to demonstrate that its product candidates or technology either do not infringe the patent claims of the relevant patent or that the patent claims are invalid, and Vivoryon may not be able to do this. If Vivoryon is found to infringe a third party's patent, Vivoryon could be required to obtain a license from such third party to continue developing and marketing its product candidates and technology or Vivoryon may elect to enter into such a license in order to settle litigation or in order to resolve disputes prior to litigation. However, Vivoryon may not be able to obtain any required license on commercially reasonable terms or at all. Even if Vivoryon is able to obtain a license, it could be non-exclusive, thereby giving its competitors access to the same technologies licensed to Vivoryon and could require Vivoryon to make substantial royalty payments. Vivoryon could also be forced, including by court order, to cease commercializing the infringing technology or product candidate. A finding of infringement could prevent Vivoryon from commercializing its product candidates or force Vivoryon to cease some of its business operations, which could materially harm its business. Claims that Vivoryon has misappropriated confidential information or trade secrets of third parties could have a similar negative impact on its business. Any such claims or infringement or misappropriation are likely to be expensive to defend, and some of its competitors may be able to sustain the costs of complex patent litigation more effectively than Vivoryon if they have substantially greater resources. Moreover, even if Vivoryon is successful in defending any infringement proceedings it may incur substantial costs and divert management's time and attention. In addition, if the breadth or strength of protection provided by the patents and patent applications of Vivoryon is threatened, it could dissuade companies from collaborating with it to license, develop or commercialize current or future product candidates. Even if Vivoryon's patent applications issue as patents, they may not issue in a form that will provide it with any meaningful protection, prevent competitors from competing with it, or otherwise provide it with any competitive advantage. Competitors of Vivoryon may be able to circumvent its patents by developing similar or alternative technologies or products in a non-infringing manner.

Any of the above events could materially adversely affect Vivoryon's business, prospects, financial condition and results of operation.

Vivoryon may not be able to prevent disclosure of its trade secrets, know-how or other proprietary information, and the value of its technology and product candidates could be significantly diminished

Vivoryon relies on trade secret protection to protect its interests in its trade secrets, know-how or other proprietary information and processes for which patents are difficult to obtain or enforce, all of which constitute confidential information. Vivoryon may not be able to protect its confidential information adequately. Vivoryon has a policy of requiring its consultants, contract personnel, advisers and third-party partners to enter into confidentiality agreements and its employees to enter into invention, non-disclosure and non-compete agreements. However, no assurance can be given that Vivoryon has entered

into appropriate agreements with all of its consultants, contract personnel, advisers, third-party partners or other parties that have had access to its confidential information. There is also no assurance that such agreements will provide for a meaningful protection of confidential information in the event of any unauthorized use or disclosure of information. Furthermore, Vivoryon cannot provide assurance that any of its employees, consultants, contract personnel or third-party partners, either accidentally or through willful or intentional misconduct, will not cause serious damage to its programs and/or its strategy, by, for example, disclosing confidential information to its competitors. It is also possible that confidential information could be obtained by third parties as a result of breaches of physical or electronic security systems of Vivoryon, its consultants, advisers, third-party partners or other parties that have had access to its confidential information. Any disclosure of confidential information into the public domain or to third parties could allow Vivoryon's competitors to learn such confidential information and use it in competition against Vivoryon. In addition, others may independently discover Vivoryon's confidential information. Any action to enforce Vivoryon's rights against any misappropriation or unauthorized access, use and/or disclosure of confidential information is likely to be time-consuming and expensive, and may ultimately be unsuccessful, or may result in a remedy that is not commercially valuable. Any of the above events could materially adversely affect Vivoryon's business, prospects, financial condition and results of operation.

Obtaining and maintaining patent protection depends on compliance with various procedures, document submissions, fee payments and other requirements imposed by governmental patent agencies, and Vivoryon's patent protection could be reduced or eliminated in case of non-compliance with these requirements

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid by Vivoryon and /or its licensors to the relevant patent agencies in several stages over the lifetime of the patents and /or applications. The relevant patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent application process. In many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which the failure to comply with the relevant requirements can result in the abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, Vivoryon's competitors might be able to use Vivoryon's technologies and know-how which could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operation.

If Vivoryon fails to comply with its obligations under the agreements pursuant to which it licenses intellectual property rights from third parties, or otherwise experiences disruptions to its business relationships with its licensors, Vivoryon could lose the rights to intellectual property that is important to its business

Vivoryon expects that it may need to enter into license agreements in the future under which it is granted rights to intellectual property that are important to its business. Vivoryon expects that future license agreements may impose on it various development obligations, payment of royalties and fees based on achieving certain milestones as well as other obligations. If Vivoryon fails to comply with its obligations under these agreements, the licensor may have the right to terminate the license. In addition, if the licensor fails to enforce its intellectual property, the licensed rights may not be adequately maintained. The termination of any license agreements or failure to adequately protect such license agreements could prevent Vivoryon from commercializing its product candidates or possible future products covered by the licensed intellectual property. Several of such future license agreements of Vivoryon may be sublicenses from third parties which are not the original licensor of the relevant intellectual property. Under these agreements, Vivoryon must rely on its licensor to comply with its obligations under the primary license agreements under which such third party obtained rights in the applicable intellectual property, where Vivoryon may have no relationship with the original licensor of such rights. If the licensors fail to comply with their obligations under these upstream license agreements, the original third-party licensor may have the right to terminate the original license, which may lead also to the termination of the sublicense.

In such a case, Vivoryon would no longer have rights to the relevant intellectual property and, in the case of a sublicense, if Vivoryon was not able to secure its own direct license with the owner of the relevant rights, which it may not be able to do at reasonable costs or on reasonable terms, it may adversely affect Vivoryon's ability to continue to develop and commercialize its product candidates or possible future products incorporating the relevant intellectual property. Any of these events could materially adversely affect Vivoryon's business, prospects, financial condition and results of operation.

Vivoryon may be subject to claims that its employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties

Vivoryon employs individuals who were previously employed at other biotechnology or pharmaceutical companies. Vivoryon may be subject to claims that it or its employees, consultants or independent contractors will inadvertently or otherwise use or disclose confidential information of its employees' former employers or other third parties. Litigation may be necessary to defend any such claims. There is no guarantee of success in defending any such claims, and if Vivoryon does not prevail, Vivoryon could be required to pay substantial damages and could lose rights to important intellectual property. Even if Vivoryon is successful, litigation could result in substantial costs and be a distraction to its management and other employees. Any of the above events could materially adversely affect Vivoryon's business, prospects, financial condition and results of operation.

2.2.6 Operational risks

Vivoryon may not be able to manage future additional operational challenges

As the pipeline of the Company's product candidates matures, Vivoryon will face new and additional challenges, such as increased administrative internal tasks which will place a significant strain on the Company's management and its operational and financial resources. To manage these challenges, the Company will have to augment its operational, financial and management systems and hire and train additional qualified personnel. The Company currently has a risk management system that, in the view of the management of the Company, is appropriate for the business the Company currently conducts. The Company continuously evaluates whether an improved risk management system may need to be implemented in the future in light of the additional future operational challenges. The Company's failure to manage the additional operational challenges effectively, or to fail to implement improved risk management systems, if needed, could have a material adverse effect on its business, financial condition and results of operations.

If any product liability lawsuits are successfully brought against Vivoryon or any of its partners, Vivoryon may incur substantial liabilities and may be required to limit the commercialization of its product candidates or possible future products

Vivoryon is exposed, and will be exposed in the future, to the risk of liability claims, especially drug or product liability, inherent in businesses relating to researching, developing, manufacturing, testing, marketing and selling of pharmaceutical products. Vivoryon could face the risk of substantial liability for damages if its product candidates were to cause adverse side effects in clinical studies or on the market. Vivoryon may not be able to accurately predict the possible side effects that may result from the use of its products and /or product candidates. Product liability claims may be brought against Vivoryon or its partners by participants enrolled in clinical studies, practitioners, researchers and other health/research professionals or others using, administering or selling any of Vivoryon's future approved products. If Vivoryon cannot successfully defend itself against any such claims, it may incur substantial liabilities. Regardless of their merit or eventual outcome, liability claims may result in:

- withdrawal of clinical study participants;
- termination of clinical study sites or entire study programs;
- increased regulatory scrutiny;
- decreased demand for Vivoryon's future products;

- damage to Vivoryon's reputation;
- significant litigation costs;
- substantial monetary awards to or costly settlement with patients or other claimants;
- product recalls or a change in indications for which they may be used;
- loss of revenue;
- diversion of management and scientific resources from Vivoryon's business operations; and
- the inability to commercialize products and /or product candidates.

To date, no such claims or legal actions have been filed against Vivoryon. However, it cannot be excluded that legal actions based on product liability may be initiated, in particular as Vivoryon's product candidates have not yet been approved for commercial sale. Any such future claims could have material adverse effects on Vivoryon's business, prospects, financial condition and results of operations.

Vivoryon may not have, or be able to obtain, adequate insurance cover, in particular in connection with drug or product liability risk

Vivoryon may not have, or be able to obtain, adequate insurance cover in particular in connection with potential drug or product liability risks. Vivoryon faces the risk of substantial liability for damages if its product candidates were to cause adverse side effects in clinical studies or on the market and Vivoryon cannot predict any possible side effects that may result from the use of its future products or the potential costs or damages for which it may become liable in relation to any side effects.

The Company maintains product liability insurance for its clinical studies. In the future, the Company intends to seek additional drug and product liability insurance, i.e. for commercially marketed products, when approved, if (i) it is required by law or (ii) it is economically feasible to do so, given the level of premiums and the risk and magnitude of potential liability. If drug and product liability insurance is necessary in respect of one or more of its product candidates or future products, Vivoryon may not be able to obtain full liability coverage as insurance coverage in the pharmaceutical and biotechnical industry is becoming increasingly expensive. Hence, Vivoryon may face liability for claims that may not be covered by its insurance or its liabilities could exceed the limits of its insurance coverage, which may have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations. Moreover, product or drug liability claims (particularly class actions) may require significant financial and managerial resources, may materially harm Vivoryon's reputation if the market perceives its product candidates to have unforeseen side effects or to be ineffective, and may limit or prevent the further development or marketing of Vivoryon's product candidates.

Vivoryon's employees, principal investigators, consultants and collaborative partners may engage in misconduct or other improper activities, including non-compliance with regulatory requirements

Vivoryon is exposed to the risk of employees, independent contractors, principal investigators, consultants, collaborative partners or vendors engaging in fraud or other misconduct. Such misconduct could, inter alia, include intentional failures to comply with regulations stipulated by the EMA, the FDA or other Competent Authorities, to provide accurate information to the FDA, EMA or other Competent Authorities or to comply with manufacturing standards Vivoryon has established.

Misconduct could also involve scientific data fraud or the improper use of information obtained in the course of clinical studies, which could result in regulatory sanctions and serious harm to Vivoryon's reputation. It is not always possible to identify and deter misconduct, and the precautions Vivoryon takes to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting Vivoryon from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against Vivoryon, and Vivoryon is not successful in defending itself or asserting its rights, such actions could have material adverse effects on its business, including the imposition of significant fines or other sanctions, and its reputation.

If any of the above risks realizes this could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.

Vivoryon's business may be adversely affected as a result of computer system failures

The operation of Vivoryon's business depends also on information technology systems. Any of the internal computer systems belonging to Vivoryon or its third-party service providers are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failure. The regulatory and legal environment of Vivoryon's industry requires maintaining records for long periods of time, sometimes forever. In most cases, those records are kept only in electronic form and without paper copies. Any system failure, accident or security breach that causes interruptions in its own or in third-party service provider operations could result in a material disruption of its product development programs. For example, the loss of clinical study data from completed or future clinical studies could result in delays in Vivoryon's or its partners' regulatory approval efforts and significantly increase the costs in order to recover or reproduce the lost data. To the extent that any disruption or security breach results in a loss or damage to its data or applications, or inappropriate disclosure of confidential or proprietary information, Vivoryon may incur liability, its product development programs and competitive position may be affected adversely and the further development of its product candidates may be delayed. Furthermore, Vivoryon may incur additional costs to remedy the damage caused by these disruptions or security breaches. If any of these risks are realized this could have a material adverse effect on Vivoryon's business, prospects, financial condition and results of operations.s

2.3 Risks related to the Shares

The market price and trading volume of the Company's Shares could fluctuate significantly resulting in substantial losses

Since the Company's initial public offering in October 2014, there have been significant fluctuations in the market price of the Company's Shares, which has considerably declined over the last years.

Such fluctuations may in particular be a result of fluctuations in the actual or projected results of operations, changes in projected earnings, a failure to meet the expectations of market participants, changes in earnings estimates by analysts, changes in the general conditions in the pharmaceutical industry and general economic, financial market and business conditions in the countries in which the Company operates or investors are located. Other factors which could cause the price of the Shares to fluctuate or could influence the reputation of the Company include, amongst other things:

- announcements of technological innovations or new commercial products or collaborations by the Company's competitors or the Company itself;
- developments concerning intellectual property rights, including patents in general;
- public information regarding actual or potential results relating to products and product candidates under development by the Company's competitors or the Company itself;
- regulatory and medicine pricing and reimbursement developments in Europe, the U.S. and other jurisdictions;
- any publicity derived from any business affairs, contingencies, litigation or other proceedings in relation to the Company's assets (including the imposition of any lien), its management, or its significant shareholders or collaborative partners; or
- changes in the tax regime relating to the Company's business or to its shareholders.

In addition, trends in research and product developments in the field of AD, such as failures or the premature termination of development programs of the Company's competitors, the willingness of investors to invest in companies active in the field of AD as well as general developments in the stock market and fluctuations therein could also influence the Company's Share price irrespective of factors directly connected with the Company's business.

In particular due to its business model, the Company may experience a significant fluctuation of liquidity and revenues that may have a material adverse effect on the Share price of the Company

The liquidity and cash position of the Company fluctuated significantly in the past and the Company expects significant fluctuations to continue for the foreseeable future. Currently, the Company has not entered into any licensing or partnering agreements and is not eligible to receive any milestone payments or royalties from any such agreements. In the future, the revenues of the Company are expected to primarily consist of advance payments, milestone payments and royalties from the licensing and /or partnering of product candidates and other proceeds from research collaborations. The timing and amount of any future payments will greatly depend on the timely and successful preclinical and clinical development of Vivoryon's product candidates, the conditions of future cooperation agreements, and possible changes of applicable accounting rules.

Income or cost fluctuation may result in the Company not complying with the expectations of analysts and investors and thus may have a material adverse effect on the Share price of the Company.

The Company does not expect to be able to make distributable profits that would allow the Company to pay any dividends in the foreseeable future

On the basis of the development activities in the field of AD, the Company has not yet generated any revenues over the three preceding years. Because of numerous factors of influence on the development of product candidates, the time when the Company may operate profitably cannot be predicted. Likewise, it is uncertain whether the Company will ever achieve any substantial revenues in the future.

The Company intends to retain all available funds and future earnings for use in the development and commercialization of its product candidates and technologies and the expansion of its business. In any event, the Company will not be able to pay dividends until such time as it has profits available for that purpose, as determined in accordance with the DCC and as shown in the Dutch GAAP financial statements of the Company. Payment of future dividends to shareholders will be subject to a decision of the annual shareholders' meeting of the Company and subject to legal restrictions as provided under applicable laws. Furthermore, financial restrictions and other limitations may be contained in future credit agreements that may impair the ability of the Company to distribute dividends.

Therefore, and under consideration of indispensable future research and development expenses, the Company expects that it will continue to report losses in the foreseeable future and it cannot predict if and when the Company will be able to pay dividends to its shareholders.

Accordingly, investors may have to sell their shares in order to generate cash flows from their investment and capital appreciation, if any, will be the sole source of gains from the investment. Investors may however never receive a gain on their investment when they sell shares and may lose the entire amount of their investment. Furthermore, investors seeking cash dividends should not invest in the Company's shares.

2.4 Risks Resulting from Infectious Disease Outbreaks

Vivoryon's business and financial condition may be adversely affected by infectious disease pandemics such as the recent SARS-CoV2 outbreak, particularly if located in regions in which Vivoryon conduct the research and development activities, or conduct the clinical trials, all of which may be subject to delays or compromise the quality of the work done. Several major pharmaceutical companies have had to suspend patient recruitment in major clinical trials as a result of the SARS-CoV2 outbreak. If the hospitals with which Vivoryon Therapeutics collaborates require this as well, then Vivoryon would have to implement such measures resulting in potentially significant delays in recruitment. If hospitals decide to stop treating already enrolled patients, then the study itself could be compromised since patients' treatment would not comply with the approved protocol.

Vivoryon's financial condition and financing opportunities could be adversely affected to the extent that SARS-CoV2 or any other epidemic or infectious disease outbreak harms the global economy or makes investors more reluctant to invest in stock market listed companies. At times of crisis, small-cap European

biotech companies such as Vivoryon may experience reduced liquidity in their shares and may also be subject to additional selling of their shares and accompanying price decreases as investors shift their holdings to cash or other less volatile investments. A trend of decreasing share price and volumes would reduce the attractiveness of Vivoryon's shares for multiple types of investors and could make it more difficult for the Group to obtain financing on acceptable conditions, if at all.

2.5 Risk Control Measures

Due to its size and history, the Company does not yet have a fully deployed and formalized risk detection, evaluation, and management system in place. The Company currently does not set, report and monitor risk appetite levels for the risk identified given the size of operations. Management monitors operational risks as they arise and evolve, assesses their development and implements necessary countermeasures in regular internal meetings.The risks are reported and discussed during regular quarterly board meetings.

2.5.1 Risks relating to Vivoryon's business

Risks related to the discovery, development and commercialization of our product candidates

We use highly experienced staff for our research and clinical studies, as well as very experienced consultants. The results of our studies are constantly, closely and systematically monitored. This enables us to react early to new findings in manufacturing process, as well as in the conduct of pre-clinical and clinical activities. The close monitoring of the costs associated with these activities through our regular internal forecasting process further allows us to recognize any deviations from our financial plans early on in the conduct of these activities and initiate appropriate countermeasures in time.

Risks related to our financial position and need for additional capital

The Company has a budget and forecast process that monitors, plans and approves costs for at least the next 24 months. This planning process is supplemented by cash planning. The results are discussed regularly in management and with the Board. This enables the Company to prepare capital measures at the right points in time and to adequately finance our future development activities.

Risks related to our dependence on third parties

Since we are highly dependent on third parties, we take special care in selecting our contractors. Before we select a contractor, the company convinces itself of the quality and experience in a detailed selection process, moreover, several service providers are considered. Major clinical trial and manufacturing service providers are selected through a stringent selection process including all management team members. The operational perfor-mance of third parties is subject to constant review and assessment by management.

Risks related to employee matters and managing growth

Our management pays very close attention to the fact that the respective department heads announce personnel requirements at an early stage and that adequate resources are available. Personnel planning is discussed by the management on a regulat basis. In addition, we take care to retain key employees in our company.

Risks related to our intellectual property

We use only highly specialized consultants and attorneys to secure and monitor our IP. In addition, Man-agement monitors ongoing patent protection and potential conflicts on a regular basis.

2.5.2 Risks related to COVID-19

The company has implemented a series of measures to protect employees and third-party service providers from the risks of infection while attending our premises for the performance of their duties. The measures are in line with the generally recommended measures of the governmental and regulatory authorities. Furthermore, we are closely monitoring the progress of our clinical activities and production of Varoglutamstat (PQ912) to anticipate any negative developments resulting from the pandemic. To

date, there have been delays in the conduct of our clinical trial. However, these delays have not had a significant impact on the study.Apart from the operational risks described above the Company believes no additional material risk will apply due to the pandemic situation.

3 Operating and financial review

3.1 Operating results

The following discussion is based on Vivoryon Therapeutics´ financial information prepared in accordance with IFRS as adopted by the EU. The following discussion includes forward-looking statements that involve risks, uncertainties and assumptions. The actual results may differ materially from those anticipated in these forward-looking statements as a result of many factors, including but not limited to, those described under 'Risk factors' and 'FORWARD-LOOKING STATEMENTS.'

The Board declares that, to the best of its knowledge, the annual financial statements for the year ended December 31, 2020 provide a true and fair view of the assets, liabilities, financial position and profit or loss of the Company in accordance with IFRS as adopted in the European Union, and the Report provides a true and fair view of the position of the Company as at December 31, 2020 and the development of the business during the financial year 2020, accompanied by a description of the principal risks the Company faces.

3.1.1 OVERVIEW

Vivoryon Therapeutics is a clinical-stage biopharmaceutical company with focus on the research, development of new therapeutic products for the treatment of AD and other diseases with high unmet medical need like Cancer and Fibrosis. The Company is developing a proprietary and directed pipeline of product candidates with the most advanced candidates are innovative therapeutic approaches for the treatment of AD. Its operations focus on the discovery and development of therapeutic programs, whereas operational research and development work is mainly outsourced to respective professional CROs or academic collaboration partners. Vivoryon strives to generate future revenues from licensing its product candidates to biopharmaceutical companies after high value-adding development steps have been achieved or by commercializing products upon regulatory market approval by the respective regulating governmental bodies (Competent Authorities).

Currently approved AD treatments treat symptoms of the disease only and neither halt the progression nor provide sustainable improvement of the disease. The positive effects of these treatments on cognitive functions and activities of daily living are at best modest and transient and may include side effects.

Scientific insight into the disease pathology has identified a major hallmark of AD's biology, Abeta peptides. These peptides were identified as being the main constituent of senile plaques which were originally regarded as the toxic component that destroys brain cells, a process also referred to as neurodegeneration. Based on this discovery, therapeutic concepts were developed that aimed to modify the disease by halting or slowing the progression of neurodegeneration (disease modification). The first generation of disease-modifying approaches focused on inhibiting the production of amyloid beta protein or of amyloid beta containing plaques in general failed to meet expectations.

The prevailing scientific view today is that not the plaques per se but certain soluble forms of Abeta aggregates, which are called 'Abeta oligomers,' cause the early pathological changes in AD. It has been shown that the formation of these toxic soluble Abeta oligomers is triggered by a specific form of Abeta, namely pyroglutamate-Abeta also called pGlu-Abeta or N3pG Abeta or pE3 Abeta. In 2004, Vivoryon's scientists discovered that the conversion of physiologic Abeta into pGlu- Abeta requires a specific enzyme, which is called Glutaminyl Cyclase (QC or QPCT). The discovery of this key enzymatic function is Vivoryon's foundation for the development of small molecule inhibitors as a specific pGlu-Abeta-targeting treatment approach.

Vivoryon Therapeutics is developing product candidates to specifically target toxic pGlu-Abeta via two modes of action: (i) inhibiting the production of pGlu-Abeta and (ii) clearing already existing pGlu-Abeta from the brain which, the Company believes, are complementary. Vivoryon's current development pipeline consists of the following product candidates:

- Varoglutamstat (PQ912) is the lead product candidate of the Company. The Company is currently conducting a European Phase 2b study in early-stage Alzheimer's disease patients. Varoglutamstat (PQ912) is a small molecule that was discovered and profiled by Vivoryon and was nominated by the Company for regulatory development in 2010. Varoglutamstat (PQ912) is a specific inhibitor of QC, which has shown therapeutic benefit in AD animal models.
- Varoglutamstat (PQ912) was shown to be safe and well tolerated and revealed a high level of QC inhibition in a Phase 1 study with 200 healthy young and elderly volunteers. In a first-in-patient Phase 2a study, which started in March 2015 and reported results in June 2017, Varoglutamstat (PQ912) showed clinically meaningful efficacy signals on biomarkers, EEG measurements and cognitive assessments.
- PBD-C06 is a monoclonal antibody, currently in a preclinical development stage. PBD-C06 targets pGlu-Abeta, aiming to selectively clear the brain from pGlu-Abeta while leaving non-toxic forms of Abeta untouched. The Company believes that, due to the high specificity of PBD-C06 for pGlu-Abeta, the amount of antibody levels reaching the brain will be sufficient to neutralize the toxic peptides. Management has made further development of PBD-C06 dependent of a partnership with a biopharmaceutical company, providing financial and developpment ressources in the field of therapeutic antibodies.
- Meprin proteases are involved in pathologic processes in diseases including fibrosis, AD and cancer. Currently in pre-clinical stage, Vivoryon focus is on the development of Meprin protease inhibitors to treat acute kidney injury (AKI) and fibrosis. While the company has a broad portfolio of small molecule compounds the current lead molecule achieved first in-vivo proof of principle in an AKI mouse model.
- As own and published research indicates, the QC and its isoform iso-QC (iso-Glutaminyl Cyclase or QPCTL) enzymes are also a potential target in indications like Cancer, Fibrosis and Inflammation. In order to exploit the full value of its QC and iso-QC inhibitor portfolio, Vivoryon is currently testing the application of these inhibitors in therapeutic areas as mentioned above. The company aims to nominate further candidates for clinical development in one or more of these therapeutic areas within the next two years.

Vivoryon has an extensive patent portfolio which it believes sufficiently protects its product candidates and the QC and iso-QC targets by composition of matter and medical use claims in AD, but also in inflammatory diseases and other indications, such as Down syndrome. The Company's continuously expanding patent portfolio currently consists of 40 patent families, which comprise approximately 637 national patent applications and issued patents worldwide.

In 2012, the Company commenced the expansion from a research company to a research and product development company, thereby focusing on its advanced product candidates using skillsets needed for preclinical and clinical development and reducing internal resources for research. Most of the current research and development activities of the Company are being provided by third parties, such as scientific advisors or CROs, so that the Company focuses on overall management tasks with high levels of outsourcing resulting in flexibility and cost-efficiency. Vivoryon uses its expertise in building and managing networks of advisors and pharma experts on both the scientific and the clinical aspects of drug development. The Company believes that it has created and maintained strong credibility over the years with the scientific community, with clinicians, and with many pharmaceutical companies that pursue therapies for the central nervous system and degenerative diseases such as AD.

As of today, regarding its research and development activities in the field of AD, the Company has not entered into any partnering or licensing arrangements in respect to any of its product candidates and is currently mainly financed by equity and, to a lesser extent, by grants and subsidies.

3.2 Financial operations overview

3.2.1 Revenue

Vivoryon does not expect to generate any revenues from any product candidates that it develops until the Company either signs a licensing agreement or obtains regulatory approval and commercializes its products or enters into collaborative agreements with third parties. The Company expects losses as they continue the development of, and seek regulatory approvals for, Varoglutamstat (PQ912) and other product candidates and, if approved, begin to commercialize any approved products.

The ability to generate revenue for each product candidate for which the company receives regulatory approval will depend on numerous factors, including level of competition, availability of reimbursement from payers, commercial manufacturing capability, market acceptance and approved use by regulators.

3.2.2 Research and development expenses

Research and development expenses consist of costs incurred that are directly attributable to the development of the company´s platform technology and product candidates. Those expenses include:

- salaries for research and development staff and related expenses, including management benefits and expenses for share-based compensation;
- costs for production of drug substances by contract manufacturers;
- service fees and other costs related to the performance of clinical trials and preclinical testing;
- costs of related facilities, materials and equipment;
- costs associated with obtaining and maintaining patents and other intellectual property;
- amortization and depreciation of intangible and tangible assets used to discover and develop the Company’s clinical compounds and pipeline candidates; and
- other expenses directly attributable to the development of the Company’s product candidates and preclinical pipeline;
- patent related, legal and consulting expenses.

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

The research and development expenses relate to the following key programs:

Varoglutamstat (PQ912): In 2020, VIVIAD, the Phase 2b, randomized and multi-center clinical study in Europe, has been enrolled the first patient. The Company anticipate that the research and development expenses will increase substantially in connection with the commencement of these and any additional clinical trials – like VIVA-MIND, the U.S. Phase 2a/b Core Program for Varoglutamstat (PQ912). In addition, Vivoryon is also incurring expenses related to the manufacturing of clinical trial material and investigating commercial scale production option.

Meprin: In 2020 Vivoryon started a new Development Program for Meprin Protease Inhibitors with intended Therapeutic use in Fibrosis, Cancer and Alzheimer's Disease. This drug development program with focus on small molecule inhibitors of Meprin proteases, which are primarily expressed in renal brush border membranes and upregulated or mislocated in various cancers or fibrotic diseases. The main physiological functions of Meprins are the maturation of fibrillar procollagens in the connective tissue, regulation of the intestinal barrier and immunological processes.

The successful development of the product candidates is uncertain. At this time, Vivoryon cannot reasonably estimate the nature, timing and estimated costs of the efforts that will be necessary to complete the development of, or the period, if any, in which material net cash inflows may commence from, any of Vivoryon´s product candidates. This is due to numerous risks and uncertainties associated with developing drugs, including the uncertainty of:

- clinical trials or the product candidates producing negative or inconclusive results, including failure to demonstrate statistical significance;
- the scope, rate of progress, results and cost of the clinical trials, nonclinical testing, and other related activities;
- delays in reaching, or failing to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites or prospective CROs, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- the cost of manufacturing clinical supplies and establishing commercial supplies of the product candidates and any products that we may develop;
- third-party contractors failing to comply with regulatory requirements or meet their contractual obligations to the in a timely manner, or at all;
- the number and characteristics of product candidates that we pursue;
- undesirable side effects or other unexpected characteristics, causing Vivoryon or the investigators, regulators or institutional review boards to suspend or terminate the trials;
- potential additional safety monitoring or other studies requested by regulatory agencies;
- the cost, timing, and outcomes of regulatory approvals;
- the number of trials required for approval;
- the duration of patient follow-up;
- the cost and timing of establishing sales, marketing, and distribution capabilities; and
- the terms and timing of any collaborative, licensing and other arrangements that we may establish, including any milestone and royalty payments thereunder.

A change in the outcome of any of these variables with respect to the development of VIVIAD and VIVA-MIND or any other product candidate that Vivoryon may develop could mean a significant change in the costs and timing associated with the development of such product candidate.

Research and development expenses

EUR 000	2020	2019	Change
Third-party research and development services	10,597	2,746	7,851
Personnel expenses	1,308	919*	389
Patent-, legal and consulting fees	845	769	76
Other expenses	460	355	105
Total	**13,210**	**4,789**	**8,421**

* Please refer to Note 7.3 regarding certain presentational reclassifications.

In 2020 Research and development expenses increased by EUR 8.4 million compared to the year ended December 31, 2019. This increase is primarily attributable to a EUR 7.8 million increase in CRO and CMO costs related to VIVIAD in connection with the clinical trial Phase 2b in patients with Alzheimer's Disease.

3.2.3 General and administrative expenses

EUR 000	2020	2019	Change
Personnel expenses	982	1,042*	(60)
Legal and consulting fees	1,101	1,491	(390)
Accounting, closing and audit costs	202	78	124
Compensation expense for non-executive board directors	195	105	90
Other expenses	327	346	(19)
Total	**2,807**	**3,062**	**(255)**

* Please refer to Note 7.3 regarding certain presentational reclassifications.

Legal and consulting fees decreased in 2020 compared to 2019, because of higher costs in connection with the capital increase in 2019.

3.2.4 Finance result

EUR 000	2020	2019	Change
Finance income	105	0	105
Finance expenses	(604)	(31)*	(573)
Finance result	**(499)**	**(31)**	**(468)**

* Please refer to Note 7.3 regarding certain presentational reclassifications.

Finance income in 2020 results from interest income from short term investments and FX-gains. Finance expense mainly includes FX-losses (2020: EUR 555 thousand, 2019: 0) and interest expenses from pension obligations (2020: EUR 16 thousand, 2019: EUR 26 thousand).

3.2.5 Critical judgement and accounting estimates

The preparation of the financial statements in conformity with EU-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 financial statements, the critical judgments made by the Board in applying the accounting policies involves the accounting estimates identified in note 5.4 'Use of judgements and estimates' to Vivoryon´s financial statements included elsewhere in this Annual Report.

3.2.6 New standards and interpretations not yet adopted

The standards, amendments to standards and interpretations that are effective for annual periods beginning after December 31, 2020 and have not been applied in preparing these consolidated financial statements are disclosed in note 6.17 'New standards and interpretations not yet adopted' to the financial statements included elsewhere in this Annual Report.

3.3 Liquidity and capital resources

3.3.1 Cash and cash equivalents

As at December 31, 2020, Vivoryon held cash and cash equivalents of EUR 26.3 million.

The cash and cash equivalents primarily consist of money-market funds and cash. The banks and the issuer of the money-market funds are all investment graded.

3.3.2 Cash flows

The table below summarizes the statement of cash flows for the years ended December 31, 2020 and 2019:

EUR 000	December 31, 2020	December 31, 2019
Cash Flow used in operating activities	(14,012)	(11,608)
Cash Flow used in investing activities	(640)	(47)
Cash flows used in / provided by financing activities	(90)	49,354
Cash and cash equivalents at the beginning of the period	41,524	3,783
Effect of exchange rate fluctuation on cash held	(476)	41
Cash and cash equivalents at the end of the period	26,306	41,524

Cash Flow used in operating activities

The use of cash in all periods resulted primarily from the net losses adjusted for non-cash charges and changes in components of working capital.

Cash Flow used in operating activities increased to EUR 14.0 million in the year ended December 31, 2020, from EUR 11.6 million in the year ended December 31, 2019, mainly due to the increase of research and development expenditures in connection with the VIVIAD study.

Cash Flow used in investing activities

Net cash used for investing activities increased to EUR 0.6 million in the year ended December 31, 2020 mainly due to investment in intangible assets.

Cash flows used in / provided by financing activities

Cash flows provided by financing activities mainly relates to repayments of leasing debt in 2020 and in 2019 primarily to the cash received from capital increases in April and October 2019.

3.3.3 Funding requirements

Vivoryon expects, that the operating expenses increase in 2021 as well as in subsequent years. With ongoing clinical trials, the operating costs are expected to increase accordingly. The Company aims to generate new sources of income besides the Alzheimer's Disease trials. Both, the Alzheimer's Disease trials and the new product pipeline will need substantial funding, hence Vivoryon aims to finance its cash needs through a combination of equity offerings, other financial instruments, e.g. loans, convertibles and licensing arrangements.

3.3.4 Allocation of profits

According to the Articles, the Board shall determine the amount of the profits accrued in a financial year that shall be added to the reserves of the Company. The allocation of the remaining profits shall be determined by the General Meeting. The Board shall make a proposal for that purpose. Distribution of profits shall be made after adoption of the annual accounts if permissible under the laws of the Netherlands given the contents of the annual accounts.

4 Legal proceedings

From time-to-time Vivoryon Therapeutics is involved in legal proceedings that arise in the ordinary course of business. The company believes that the outcome of these proceedings, if determined adversely, will not have a material adverse effect on the financial position. During the period covered by the audited and approved financial statements contained herein, Vivoryon has not been a party to or paid any damages in connection with litigation that has had a material adverse effect on our financial position. Any future litigation may result in substantial costs and be a distraction to management and the employees of Vivoryon. No assurance can be given that future litigation will not have a material adverse effect on the financial position. We also refer to '2.2 Risk relating to Vivoryon´s business.'

5 Disclosure controls and procedures

The Board of Vivoryon Therapeutics is responsible for reviewing the Company's risk management and control systems in relation to the financial reporting by the Company. The Board has charged its audit committee with the periodic oversight of these risk management and control systems, with reports being provided to the Board. The audit committee assists the Board, among other things, in reviewing and discussing with the Board and the independent auditor the audit plan as well as the annual audited financial statements and condensed interim financial statements prior to the filing of the respective annual and interim reports.

The success as the business depends on the ability to identify opportunities while assessing and maintaining an appropriate risk appetite. The risk management of Vivoryon Therapeutics considers a variety of risks, including those related to the industry and business, those related to the ongoing relationship with the shareholders of Vivoryon and those related to the intellectual property. The approach to risk management is designed to provide reasonable, but not absolute, assurance that the assets are safeguarded, the risks facing the business are being assessed and mitigated and all information that may be required to be disclosed is reported to the senior management including, where appropriate, to the Chief Executive Officer.

As of December 31, 2020, under the supervision and with the participation of the Board, the company performed an evaluation of the effectiveness of the design and operation of Vivoryon´s disclosure controls and procedures. There are inherent limitations to the effectiveness of any disclosure controls and procedures system, including the possibility of human error and circumventing or overriding them. Even if effective, disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based on such evaluation, the Board concluded that the disclosure controls and procedures are effective to provide reasonable assurance that the information the company is required to disclose in the reports Vivoryon file or submit recorded, processed, summarized and reported within the time periods specified under Pursuant to section 5:25d of the Dutch Financial Supervision Act (Wet op het financieel toezicht (Wft)), the members of the Managing Board state that to the best of their knowledge and communicated to the management of Vivoryon to allow timely decisions regarding required disclosures.

Any material failings in, material changes to, and/or material improvements of the Company's risk management and control systems which have been observed, made and/or planned, respectively, during the financial year to which this report relates, have been discussed with the audit committee and with the non-executive directors.

6 Corporate Governance

6.1 Introduction

This chapter summarizes certain information concerning the Board and the Company's corporate governance. It is based on the relevant provisions of Dutch law, including the Dutch Corporate Governance Code (the 'Code') the text of which can be accessed at www.mccg.nl, as in effect on the date of this Management Report, the Board Rules] and the Articles of Association. The Articles of Association in effect as of November 28, 2020 can be found on the Company's website www.vivoryon.com.

This chapter does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to the relevant provisions of Dutch law as in force on the date of this Management Report, the Articles of Association and the Board rules.

6.2 Board

6.2.1 Introduction

Following the conversion of the Company into a Dutch public company ('*Naamloze Vennootschap*'), the Company maintains a one-tier board (the Board). The Articles of Association provide that the Board shall consist of one or more Executive Directors and one or more Non-Executive Directors. The number of Non-Executive Directors must always exceed the number of Executive Directors. As of the date of this Management Report, the provisions in the DCC that are commonly referred to as the 'large company regime' (*structuurregime*) do not apply to the Company. On December 31, 2020, the Board consisted of two Executive Directors and four Non-Executive Directors.

Directors are appointed by the General Meeting as an Executive Director or a Non-Executive Director. The Board shall grant one of the Executive Directors the title of Chief Executive Officer (CEO) and may grant one of the Executive Directors (including the CEO who shall then have two titles) the title of Chief Financial Officer (CFO). The Board shall appoint one of the Non-Executive Directors as chairman of the Board. The composition of the Board shall be balanced considering the respective skills, experience and knowledge of each of the Directors.

If a Director is to be appointed, the Board shall make a binding nomination. The General Meeting may at all times set aside such binding nomination by a resolution adopted by a majority of at least two-thirds of the votes cast, such majority representing more than one-half of the issued capital of the Company. A second meeting as referred to in Section 2:120 (3) DCC cannot be convened. If the General Meeting sets aside the binding nomination, the Board shall make a new binding nomination. The nomination shall be included in the notice of the General Meeting at which the appointment shall be considered. The Executive Directors shall not take part in the discussions and decision-making by the Board in relation to nominations for the appointment of Directors. If no nomination has been made for the appointment of a Director, this shall be stated in the notice of the General Meeting at which the appointment shall be considered and the General Meeting shall then be free to appoint a Director at its discretion. A resolution to appoint a Director that was not nominated by the Board can only be adopted by a majority of at least two-thirds of the votes cast, such majority representing more than one-half of the issued capital of the Company. A second meeting as referred to in Section 2:120(3) DCC cannot be convened.

Executive Directors will be appointed for a maximum term of four years and can be reappointed for a maximum term of four years each time. Non-Executive Directors will be appointed for a term of four years and may be reappointed for one additional term of four years and subsequently for a term of two years, which term of two years may be extended by at most two years.

A Director may be suspended or removed by the General Meeting at any time. A resolution to suspend or remove a Director can only be adopted by a majority of at least two-thirds of the votes cast, such majority representing more than one-half of the issued capital of the Company, unless the proposal to suspend or remove the relevant Director was made by the Board, in which case the resolution can be adopted by a simple majority of the votes cast. A second meeting as referred to in Section 2:120(3) DCC cannot be

convened. An Executive Director may also be suspended by the Board. A suspension by the Board may at any time be discontinued by the General Meeting. Any suspension may be extended one or more times, but may not last longer than three months in the aggregate. If, at the end of that period, no decision has been taken on termination of the suspension or on removal, the suspension shall end.

6.2.2 Duties

The Directors are collectively responsible for the Company's management and the general affairs of the Company's business. In discharging its duties, the Board shall be guided by the interests of the Company and its business; it shall take into account the relevant interests of all those involved in the Company (including Shareholders). The Board is responsible for the continuity of the Company and must establish a position on the relevance of long-term value creation for the Company and its business and take into account the relevant stakeholder interests. The Board shall adopt values for the Company and the Company's business that contribute to a culture focused on long-term value creation. The Board is responsible for the incorporation and maintenance of these values within the Company and the Company's business. The Directors may divide their tasks by mutual consultation, provided that (i) the day-to-day management of the Company shall be entrusted to the Executive Directors and (ii) the task to supervise the performance by the Directors of their duties cannot be taken away from the Non-Executive Directors.

The responsibilities of the Board include:

- the achievement of the Company's operational and financial objectives;
- determining the strategy and policy designed to achieve the objectives;
- corporate social responsibility issues that are relevant to the Company's business;
- the general state of affairs in and the results of the Company;
- identifying and managing the risks connected to the business activities;
- ensuring that effective internal risk management and control systems are in place and reporting on this in the Management Report;
- maintaining and preparing the financial reporting process;
- compliance with legislation and regulations;
- compliance with and maintaining the corporate governance structure of the Company;
- publishing the corporate structure of the Company and any other information required under the Code, through the Company's website, publication in the Management Report and otherwise;
- preparing the Annual Accounts and drawing up the annual budget and important capital investments of the Company;
- facilitating the Audit Committee in relation to the selection process of the External Auditor and the nomination of the External Auditor for appointment by the General Meeting;
- ensuring that internal procedures are established and maintained which safeguard that all relevant information is known to the Board in a timely fashion;
- ensuring that the External Auditor receives all necessary information to perform his work in a timely fashion; and
- ensuring that the draft audit plan is discussed with the External Auditor before the External Auditor presents the plan to the Audit Committee.

Notwithstanding the responsibilities of the Board, the responsibilities of the Non-Executive Directors include:

- selecting and recommending the External Auditor for appointment by the General Meeting;

- selecting and recommending individuals for appointment by the General Meeting as Directors;
- proposing the Remuneration Policy for adoption by the General Meeting, establishing the remuneration (in accordance with the remuneration policy) and contractual terms and conditions of employment of the Executive Directors;
- proposing the remuneration of the Non-Executive Directors for adoption by the General Meeting;
- reviewing the performance of the Board and individual Directors and discussing the conclusions that must be drawn on the basis of this review at least on an annual basis; and
- preparing up the Company's diversity policy for the composition of the Board.

6.2.3 Composition

As at December 31, 2020, the Board was composed as follows:

Name	Gender	Age	Nationality	Position	Member Since	Participation rate	Term
Dr. Ulrich Dauer	Male	56	German	Executive director, CEO	2018	100 %	04/ 2021
Dr. Michael Schaeffer	Male	53	German	Executive director, CBO	2018	100 %	09/ 2021
Dr. Erich Platzer	Male	71	Swiss	Non-executive director, Chairman of the Board	2007	100 %	AGM 2022
Dr. Dinnies von der Osten	Male	60	German	Non-executive director, Chairman of the Audit Committee	2007	100 %	AGM 2022
Charlotte Lohman	Female	51	Swedish/ German	Non-executive director	2007	100 %	AGM 2022
Dr. Jörg Neermann	Male	54	German	Non-executive director	2011	100 %	AGM 2022

A Non-Executive Director shall not be considered independent from the Company if one of the criteria as included in best practice provision 2.1.8 of the Code apply to him, her, or his or her spouse, registered partner or other life companion, foster child or relative by blood or marriage up to the second degree. The Board shall function independently from any instructions by third parties outside the Company. The composition of the Board shall be such that the Non-Executive Directors are able to operate independently and critically vis-à-vis one another, the Executive Directors and any particular interests involved. In particular, the following criteria apply to the Non-Executive Directors:

- at most one Non-Executive Board Member is not independent pursuant to best practice provision 2.1.8 sections (i) to (v) inclusive of the Code;
- less than half of the total number of Non-Executive Board Members is not independent pursuant to best practice provision 2.1.8 of the Code; and
- for each shareholder or group of affiliated shareholders who directly or indirectly hold more than 10% of the shares in the Company, there is at most one Non-Executive Board Member who can be considered to be affiliated with or representing them as stipulated to in best practice provision 2.1.8 sections (vi) and (vii) of the Code.

All non-executive directors are independent within the meaning of the Code.

Dr. Ulrich Dauer

Dr. Ulrich Dauer joined Vivoryon as CEO on May 1, 2018. He has had a career spanning more than 20 years in the biopharmaceutical industry in both public and private companies. As one of the founders, Dr. Dauer previously worked for 14 years as CEO of 4SC AG, attracting multiple private and, upon the company's listing at the Prime Standard segment of Deutsche Börse in 2005, public investors. Under his leadership, 4SC closed multiple industry partnerships with international biopharmaceutical companies. In subsequent leadership positions in the biotech industry, he executed in 2014 the €130 M trade sale of Activaero and later took up CEO positions of two privately held biotech companies. Dr. Dauer holds a PhD in Chemistry from the Julius-Maximilians-University of Würzburg.

Dr. Michael Schaeffer

Dr. Michael Schaeffer has been Chief Business Officer at Vivoryon since October 1, 2018. Dr. Schaeffer brings more than 15 years of experience across pharma and biotech in strategic business development, scientific project and alliance management to Vivoryon. Dr. Schaeffer is a highly experienced serial entrepreneur and was prior to joining Vivoryon, – amongst others – Founder, CEO and Managing Director of the biotech companies, CRELUX GmbH and SiREEN AG. Following the acquisition of CRELUX by WuXiAppTec in 2016, Dr. Schaeffer was responsible for integrating CRELUX into the world-leading Shanghai based CRO with over 18,000 employees globally. Dr. Schaeffer received his PhD in Molecular Biology from the Ludwig-Maximilians-University in Munich, Germany and is an exceptionally skilled Operations- and Innovation Manager.

Dr. Erich Platzer

As a business angel, Dr. Erich Platzer provides advice to StartAngels and BioBAC, advising and investing in early-stage companies, in particular in biotech, medtech and high-tech businesses. In 2001, he co-founded HBM Partners AG, a venture capital company, from which he retired in 2015. He has been chairman or Board member of various publicly traded and privately held early-stage companies including Novuspharma, CTI, Micromet, Cylene, mtm laboratories and Nereus, as well as currently Aptose Biosciences, Credentis, Advanced Osteotomy Tools (AOT), Peripal and Léman Micro Devices (LMD). Since 2015, Dr. Platzer has also been a Supervisory Board member of the venture capital company MedTech Innovation Partners (MTIP). Until 1999, Dr. Platzer worked for close to ten years in various functions in product development and marketing at F. Hoffmann La Roche, Basel, most recently as Business Director Oncology, supervising the therapeutic area of oncology and was responsible for various strategic corporate partnerships. Dr. Platzer has worked as a physician and researcher for many years and was a member of the team that was the first to purify human natural G-CSF (from which Neupogen® was derived). Dr. Platzer graduated from the Medical School of the University of Erlangen, where he also received his MDPhD (Dr. med. habil.).

Dr. Dinnies Johannes von der Osten

Dr. Dinnies Johannes von der Osten is CEO/Partner at GoodVent Beteiligungsmanagement and CEO of Cedrus Private Equity. He has spent over 20 years in the venture and private capital sector in various positions. Between 1998 and 2007, he was sole Managing Director of IBG Beteiligungsgesellschaft Sachsen-Anhalt mbH; Managing Director of VWM Waste und Beteiligungsgesellschaft mbH (1994-1997) and BDO of TechnoCommerz GmbH, a Treuhandanstalt owned company (1993-1994). Dr. von der Osten holds a Ph.D. in Economics from the Freie Universität Berlin, a diploma in Economics from the Ludwig-Maximilians-University, Munich and a Bachelor of Business and Engineering from the TU Karlsruhe.

Charlotte Lohmann

Ms. Charlotte Lohmann has been Senior Vice President since January 2018 and General Counsel since 2012 at MorphoSys AG in Planegg. Prior to this, she spent eleven years at Wilex AG in Munich, her last position as Senior Vice President Legal Affairs & Human Resources. Prior to her position at Wilex, she practiced law at the law firm KPMG Treuhand & Goerdeler GmbH in Munich. She started her career in the tax and law department of the auditing company KPMG Deutsche Treuhand-Gesellschaft AG in the

Munich office. Ms. Lohmann received her degree in law from the Ludwig-Maximilians-University of Munich and is a licensed attorney.

Dr. Jörg Neermann

Dr. Jörg Neermann has been Partner at Life Sciences Partners (LSP) since 2007. He is responsible for sourcing, selecting and managing investments in privately held life science companies primarily in the German-speaking region, but also in other European regions. He currently also serves on the supervisory Boards of Immunic (Germany), Eyesense (Switzerland), Vicentra (Netherlands) and Ventaleon (Germany). Dr. Neermann began his venture capital career in 1996 at Atlas Venture. In 1998, he joined DVC Deutsche Venture Capital, a subsidiary of Deutsche Bank AG, where he became Managing Partner in 2002. Dr. Neermann studied Biotechnology at TU Braunschweig and at the M.I.T. (Cambridge, USA) and holds a Master's degree in Biotechnology. He received his Ph.D. in 1996 from TU Braunschweig.

6.2.4 Board meetings and Board resolutions

The meetings of the Board shall be presided over by its chairman or his deputy. The chairman of the meeting shall appoint a secretary for the meeting.

All resolutions of the Board shall be adopted by a simple majority of the votes cast. However, the Board may determine that certain resolutions of the Board require the consenting vote of a majority of the Non-Executive Directors. Such resolutions must be clearly specified and laid down in writing. In the Board, each Director may cast one vote. If there is a tie in voting, the proposal shall be deemed to have been rejected.

A Director shall not take part in the discussions and decision-making by the Board if he has a direct or indirect personal interest therein that conflicts with the interests of the Company or the business connected with it. The provision of the first full sentence shall not apply if as a result no resolution can be adopted.

6.3 Shareholders and the General Meeting

6.3.1 Introduction

The General Geeting should be able to exert such influence on the policies of the Board that it plays a fully-fledged role in the system of checks and balances in the Company. As good corporate governance practice, the Company promotes the fully-fledged participation of shareholders in the decision-making in the General Meeting.

6.3.2 Shares and shareholdings

The authorised capital (maatschappelijk kapitaal) of the Company is sixty million euro (EUR 60,000,000). The authorised capital of the Company is divided into sixty million (60,000,000) Shares, with a nominal value of one euro (EUR 1) each, numbered 1 through 60,000,000.

Shares may be issued pursuant to a resolution of the General Meeting or of the Board if and insofar as the Board has been designated for that purpose pursuant to a resolution of the General Meeting for a fixed period, not exceeding five years. On such designation the number of Shares which may be issued must be specified. The designation may be extended, each time for a period not exceeding five years. Unless the designation provides otherwise, it may not be withdrawn. A resolution of the General Meeting to issue Shares or to designate the Board as the competent body to issue Shares can only be adopted at a proposal by the Board. In addition, pursuant to article 39 of the Company's articles of association the Board has been designated as the body of the Company authorised to issue Shares and grant rights to subscribe for Shares (including but not limited to any options, warrants, or convertible loans or bonds entitling the holder thereof to subscribe for Shares) and (ii) to limit or exclude pre-emptive rights upon issuance of Shares, for a period of five years that will end on November 27, 2021, which designation applies to 100% of the Shares of the Company's authorised capital as this reads or will read from time to time.

Upon issuance of Shares, each Shareholder shall have a pre-emptive right in proportion to the aggregate nominal value of his Shares, subject to the provisions of articles 7.2 and 7.3 of the Articles of Association. Shareholders shall have a similar pre-emptive right if rights are granted to subscribe for Shares.

The Company's issued capital and voting rights are notified to the Dutch Authority for the Financial Markets (AFM) from time to time. This reporting can be found in the register issued capital on www.afm.nl. Shareholders owning 3% or more of the issued capital and/ or voting rights of a listed company must report this to the AFM as soon as the threshold is reached or exceeded. This reporting by shareholders can be found in the 'Register of substantial holdings and gross short positions' at www.afm.nl. Pursuant to the register kept by the AFM, through December 31, 2020, the below table specifies the persons having notified a substantial holding, i.e. a holding of 3% or more, in the share capital or voting rights of the Company (the relevant further notification thresholds being 5 %, 10 %, 15 %, 20 %, 25 %, 30 %, 40 %, 50 %, 60 %, 75 % and 95 %):

Shareholders	Capital	Voting rights	Date of notification (most recent notification only)
Den Danske Forskningsfond	8,13 %	1,000,000	April 16, 2019
T&W Holding A/S	8,13 %	1,000,000	April 18, 2019
C. Christiansen	8,13 %	1,000,000	April 15, 2019
Mackenzie Financial Corporation	5.17 %	1,032,184	February 19, 2020
Lupus alpha Holding GmbH	6.86 %	1,371,300	January 1, 2020
IBG Risikokapitalfonds I+II GmbH & Co. KG	4.47 %	893,269	October 25, 2019
LSP IV Management B.V.	3.19 %	636,289	October 25, 2019

6.3.3 Voting rights

In accordance with Dutch law and the Articles of Association, each Share confers the right to cast one vote at the General Meeting. Each holder of shares may cast as many votes as it holds shares. Shareholders may vote by proxy.

Shareholders, irrespective of whether or not they have voting rights, have meeting rights under Dutch law (including the right to attend and address the General Meeting, subject to the concept of a record date as described below).

Resolutions are passed by an absolute majority of the votes cast, unless Dutch law or the Articles of Association prescribe a larger majority. Under Dutch law, no votes may be cast at a General Meeting in respect of Shares which are held by the Company. In accordance with Dutch law, the Articles of Association do not provide quorum requirements generally applicable to General Meetings.

6.3.4 Annual General Meeting

An annual General Meeting must be held within six months from the end of the preceding financial year of the Company. The agenda for this annual General Meeting shall in any case contain the following business to be discussed:

- discussion of the management report;
- discussion and submission for advisory vote of the remuneration report as referred to in Section 2:135b DCC;
- discussion and adoption of the annual accounts;
- discussion of the reservation and dividend policy;
- allocation of profits; and
- release from liability of Directors.

6.3.5 Extraordinary General Meetings

Other General Meetings may be convened by the Board as often as the Board deems necessary. Shareholders and/or persons with Meeting Rights alone or jointly representing in the aggregate at least one-tenth of the Company's issued capital may request the Board in writing to convene a General Meeting, stating specifically the business to be discussed. If the Board has not given proper notice of a General Meeting within two weeks following receipt of such request such that the meeting can be held within eight weeks after receipt of the request, the applicants can at their request be authorized by the preliminary relief judge of the district court to convene a meeting.

A General Meeting must also be held within three months after the Board has decided that it is likely that the Company's equity has decreased to or below 50 % of its paid up and called up share capital.

Each General Meeting must be held in Amsterdam or Schiphol ('Haarlemmermeer').

For purposes of determining who have voting rights and/or meeting rights under Dutch law at a general meeting of shareholders, the Board may set a record date. The record date, if set, shall be the 28th day prior to that of the General Meeting. Those who have voting rights and/or meeting rights under Dutch law on the record date and are recorded as such in one or more registers designated by the Board shall be considered to have those rights at the general meeting of shareholders, irrespective of any changes in the composition of the shareholder base between the record date and the date of the meeting. The Articles of Association require shareholders and others with meeting rights under Dutch law to notify the Company of their identity and their intention to attend the general meeting of shareholders. This notice must be received by the Company ultimately on the date specified in the notice of the meeting.

6.3.6 Powers of the general meeting of shareholders

All powers that do not vest in the Board pursuant to applicable law, the Articles of Association or otherwise, vest in the General Meeting. The main powers of the General Meeting of shareholders include, subject in each case to the applicable provisions in the Articles of Association:

- the appointment, suspension and dismissal of the Directors;
- the approval of certain resolutions of the Board concerning a material change to the identity or the character of the Company or its business;
- the reduction of the Company's issued share capital through a decrease of the nominal value, or cancellation, of shares in its capital;
- the adoption of the Company's statutory annual accounts;
- the appointment of the Dutch independent auditor to examine the Company's statutory annual accounts;
- amendments to the Articles of Association;
- approving a merger or demerger by the Company, without prejudice to the authority of the Board to resolve on certain types of mergers and demergers if certain requirements are met; and
- the dissolution of the Company.

In addition, the general meeting of shareholders has the right, and the Board must provide, any information reasonably requested by the general meeting of shareholders, unless this would be contrary to an overriding interest of the Company.

6.4 Dutch Corporate Governance Code

The Company is incorporated under Dutch law and adheres to the Code. The Code contains best practice provisions that apply to the Company's corporate governance structure. Except as set out below, the Company complies with the principles and best practice provisions of the Code.

6.4.1 Principle 1.3 Internal audit function

The Company has not established an internal audit department. The Non-Executive Directors and the Audit Committee will remain involved in the execution of the internal audit function as stipulated in best practice provisions 1.3.1 to 1.3.5 The Board is of the opinion that adequate alternative measures have been taken in the form of the Company's risk management and control systems, as outlined elsewhere in this report, and that it is presently not necessary to establish an internal audit function.

6.4.2 Best practice provision 1.3.1 Appointment and dismissal

The Company has not established an internal audit department. We refer to our explanation under principle 1.3.

6.4.3 Best practice provision 1.3.2 Assessment of the internal audit function

The Company has not established an internal audit department. We refer to our explanation under principle 1.3.

6.4.4 Best practice provision 1.3.3 Internal audit plan

The Company has not established an internal audit department. We refer to our explanation under principle 1.3.

6.4.5 Best practice provision 1.3.4 Performance of work

The Company has not established an internal audit department. We refer to our explanation under principle 1.3.

6.4.6 Best practice provision 1.3.5 Reports of findings

The Company has not established an internal audit department. We refer to our explanation under principle 1.3.

6.4.7 Best practice provision 2.3.2 Establishment of committees

Since the Board consists of four Non-Executive Directors, and not more than four Non-Executive Directors, this best practice provision does not apply. The Board did, however, establish an Audit Committee, which prepares decision-making for the Board. The Board has decided not to set up a remuneration committee nor a selection and appointment committee since the Board as a whole, thus including the Non-Executive Directors, performs the duties of the committees concerned.

6.4.8 Best practice provision 2.3.4 Composition of the committees

Given the current composition of the Board, the independence of the directors and their qualifications (as well as the rules applicable to the Company with respect to the composition of the Board and its committees), the Board is chaired by Dr. Erich Platzer, whereas the Audit committee is chaired by Dr. Dinnes von der Osten. The Board regularly evaluates its composition and that of its committees.

6.4.9 Best practice provision 2.3.4 Chairman of the supervisory board

The Company complies with this best practice provision, with the exception that the responsibility to ensure that a vice-chairman is elected is not attributed to the Chairman. From a flexibility perspective, any Non-Executive Director (other than the Chairman) will carry out the duties of the Chairman on a case-by-case basis should the Chairman be absent or unable to chair.

6.4.10 Best practice provision 2.3.7 Vice chairman

Given the current organization of the Company, the Board has appointed Dr. Dinnies von der Osten as vice chairman of the Board.

6.4.11 Best practice provision 2.3.10 Company secretary

Given its limited size and as the lines of communication between the Directors are short and the procedures of the Board are fairly straight forward, during the financial year to which this report relates, the Board has decided not to appoint a company secretary.

6.4.12 Best practice provision 2.7.6 Personal loans

Since the Company has a one-tier Board, the Board as a whole, thus including the Non-Executive Directors, decides upon the approval referred to in this best practice provision. Hence, no separate approval from the Non-Executive Directors is requested. The relevant Director shall not take part in the discussions and decision-making and the Executive Directors shall not take part in the discussions and decision-making in relation to Executive Directors.

6.4.13 Best practice provision 3.1.1 Remuneration policy proposal

The Company has a one-tier board, and therefore, the Board as a whole proposes the Remuneration Policy to the General Meeting for adoption, based on a recommendation of the Non-Executive Directors. No remuneration committee has been installed.

6.4.14 Best *practice provision 3.2.1* Remuneration committee's proposal

The Company has a one-tier board, and therefore, the Board as a whole proposes the Remuneration Policy to the General Meeting for adoption, based on a recommendation of the Non-Executive Directors. No remuneration committee has been installed.

6.4.15 Principle 3.3 Remuneration – supervisory board

The Company has a one-tier board. Therefore, the Board as a whole proposes the remuneration for its Non-Executive Directors to the General Meeting.

6.4.16 Principle 3.4.1 Remuneration report

Due to the Company's one-tier board structure, the Remuneration Report is prepared by the Non-Executive Directors and adopted by the Board as a whole. No remuneration committee has been installed.

6.4.17 Best practice provision 4.3.3 Majority requirements for dismissal and overruling binding nominations

The Directors are appointed by the General Meeting upon the binding nomination by the Board. The General Meeting may only overrule the binding nomination by a resolution passed by a two thirds majority of votes cast, provided such majority represents more than half of the Company's issued share capital. In addition, except if proposed by the Board, the Directors may be suspended or dismissed by the General Meeting at any time by a resolution passed by a two thirds majority of votes cast, provided such majority represents more than half of the Company's issued share capital. The possibility to convene a new General Meeting as referred to in Section 2:120(3) DCC in respect of these matters has been excluded in the Articles of Association. The Company believes that these provisions support the continuity of the Company and its business and that those provisions, therefore, are in the best interests of the Shareholders and the other stakeholders.

6.5 Code of conduct and other corporate governance practices

The Company has adopted a code of conduct, which explicitly incorporates and refers to core values of the Company, being honesty, accountability, integrity, professionalism and fairness. The text of the

Company's code of conduct can be accessed at www.vivoryon.com. The Company does not voluntarily apply other formal codes of conduct or corporate governance practices.

6.6 Committees

6.6.1 General

Since the Board consists of four Non-Executive Directors, and not more than four Non-Executive Directors. The Board has therefore decided not to set up a remuneration committee nor a selection and appointment committee since the Board as a whole, thus including the Non-Executive Directors, performs the duties of the committees concerned. The Board did, however, establish an Audit Committee, which prepares decision-making for the Board.

The Audit Committee prepares the issues that fall within the Non-Executive Directors' respective areas of responsibility. The chair of the Committee reports to the Non-Executive Directors on the Committees' work in the next Non-Executive Directors meeting after an Audit Committee meeting. The minutes of the Committee meetings are made available to all Non-Executive Directors.

The Audit Committee is comprised of the following members: Dr. von der Osten, Charlotte Lohmann and Dr. Neermann; Dr. von der Osten is the Chairperson. All members have the corresponding expertise and independence. The Audit Committee met once in 2020 by conference call. The primary discussion points in these meetings were the audit of the 2019 financial statements pursuant to HGB and IFRS.

As of December 31, 2020, the Audit committee was composed as follows:

Name	Participation Rate
Dr. Dinnies von der Osten, Chairman	100 %
Ms. Charlotte Lohman	100 %
Dr. Jörg Neermann	100 %

6.6.2 Audit committee

The responsibilities of the audit committee include:

- recommending the appointment of the independent auditor to the General Meeting;
- the appointment, compensation, retention and oversight of any accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit services;
- pre-approving the audit services and non-audit services to be provided by the Company´s independent auditor before the auditor is engaged to render such services;
- evaluating the independent auditor's qualifications, performance and independence, and presenting its conclusions to the full Board on at least an annual basis;
- reviewing and discussing with the Board and the independent auditor the audit plan as well as the Company´s annual audited financial statements and interim financial statements prior to the filing of the respective annual and interim report;
- reviewing the Company´s compliance with laws and regulations, including major legal and regulatory initiatives and also reviewing any major litigation or investigations against us that may have a material impact on the financial statements;
- assessing the effectiveness of the design and operation of the Company´s internal controls;
- reviewing the operation of and the compliance with the Company´s code of conduct; and
- reviewing potential conflicts of interest involving the Company´s Directors.

During the financial year to which this report relates, the audit committee met once in 2020 in order to carry out its responsibilities. The primary discussion point in these meeting was the audit of the 2019 financial statements pursuant to HGB and IFRS.

6.7 Evaluation

The Board is responsible for the quality of its own performance. It discusses, once a year, without the presence of the Executive Directors, its own performance, as well as the performance of its individual members, its committees, the Executive Directors and its individual members. In 2020, the Board conducted an evaluation through a self-assessment which resulted in a positive assessment of the Board and its individual members and also the performance of the executive Directors. Further the Board was satisfied with the performance of the Board and determined that it works well together, with all members fully contributing to discussions.

6.8 Diversity

The Company has a diversity policy with respect to the composition of the Board. This is the diversity policy of the Company as prepared by the Non-Executive Directors in accordance with best practice provision 2.1.5 of the Code. The Board recognizes the importance of diversity within the Board and believes that the Company's business gains from a wide range of skills and a variety of different backgrounds. A diverse composition of the Board contributes to a robust decision-making and proper functioning of the Board. The Board furthermore recognizes that diversity should not be limited to the Board, but should extend to all areas of the Company's business, including but not limited to other key leadership positions. However, the importance of diversity, in and of itself, should not set aside the overriding principle that someone should be recommended, nominated and appointed for being 'the right person for the job'. The Company believes that it is important for the Board to represent a diverse composite mix of personal backgrounds, experiences, qualifications, knowledge, abilities and viewpoints. The Company seeks to combine the skills and experience of long-standing members of the Board with the fresh perspectives, insights, skills and experiences of new members.

Under the Company's diversity policy, to the extent possible and practicable, the Company intends for the composition of the Board to be such that at least 30% of the Directors are men and at least 30% of them are women, consistent with applicable (to be enacted) Dutch law. In addition to age and gender, the Company recognizes and welcomes the value of diversity with respect to race, ethnicity, nationality, sexual orientation and other important cultural differences. The Company is committed to seeking broad diversity in the composition of the Board and will consider these attributes when evaluating new candidates in the best interests of the Company and its stakeholders. In terms of experience and expertise, the Company intends for the Board to be composed of individuals who are knowledgeable in one or more specific areas detailed in the Company's diversity policy.

6.9 Anti-takeover measures

The Company has not adopted any specific takeover measures.

6.10 Risk management and control systems

For the leadership of the Company, a continuous and systematic management of the entrepreneurial opportunities and risks is of essential importance. For this reason, the Company implemented internal risk management and control systems. The Board on a regular basis assesses on the current developments in the Company. In the Audit Committee, the supervision of the effectiveness of the accounting processes as well as the supervision of the independence of the auditor are reviewed.

The business of the Company is exposed to specific industry risks, as well as general business risks. The financial condition or results of operations could be materially and adversely affected if any of these risks occurs, and as a result, the market price of the Company´s Shares could decline. This Annual Report also contains forward-looking statements that involve risks and uncertainties. The actual results could differ materially and adversely from those anticipated in these forward-looking statements as a result of certain factors.

6.10.1 Opportunities

The Company operates in an industry characterized by constant change and innovation. The challenges and opportunities in the healthcare sector are influenced by a wide variety of factors. Global demographic changes, medical advances and the desire to increase quality of life provide excellent growth opportunities for the pharmaceutical and biotechnology industries. However, companies must also grapple with growing regulatory requirements in the field of drug development as well as cost pressure on healthcare systems.

The main opportunities for the Company and its shareholders are based on an increasing interest in AD, the generation of additional positive data from the Company`s proprietary programs, licensing agreements due to the Company's very comprehensive and well-positioned patent portfolio as well as takeovers and M&A opportunities with the Company as a potential target.

6.10.2 Risks

On the other hand, the Company is exposed to various individual risks, which are described in detail in chapter 2 of the Management Report, relating to the Annual Financial Statements 2020. The occurrence of these risks can, individually or in the aggregate have a material adverse effect on the business activities, the realization of significant Company goals and/or the Company's ability to refinance. Moreover, the risks could have substantial negative implications on the Company's net assets, financial position and results of operations. In the worst case, this could force the Company to file for insolvency. Currently only a few factors have been identified which could, in the short-term, impair the development of the Company. Overall, the Company is well-positioned. As per the Company's current planning, the cash and cash equivalents as of December 31, 2020 provide for the Company's financing beyond the upcoming twelve months.

6.10.3 Risk management

The Company has an active, systematic risk management on the basis of which risks are to be identified, monitored and, on the basis of appropriate measures, minimized. The Company's current business risks are primarily in the research and development of novel active pharmaceutical ingredients, the protection of intellectual property, the cooperation with a network of service providers and partners as well as maintaining equity in the Company's mid- to long-term financing. These risks are continuously assessed so as to optimize the Company's opportunities/risks position.

For further details on the opportunities, the risks and the risk management please refer to chapter 2 of the Management Report.

6.10.4 Risks associated with the SARS-COV2 pandemic

Despite the strict lockdown requirements through the containment regulations, the Company 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.

The Company sources certain services from 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, the Company 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, the Company 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).

7 Remuneration

This remuneration report (the Remuneration Report) gives an overview of the remuneration of the Board in 2020 and explains how this relates to the policy of the Company on the remuneration of its Board (the Remuneration Policy) proposed for adoption at the 2021 annual General Meeting. This Remuneration Report has been prepared in line with Section 2:135b Netherlands Civil Code and best practice provision 3.4.1 of the Code and is separately made available on the Company's website.

Effective from 28 November 2020, the Company completed its conversion into an N.V. (the Conversion). Since the advisory vote of the General Meeting with respect to the remuneration report will apply for the first time to this Remuneration Report of 2020, this Remuneration Report cannot yet describe how the General Meeting's advisory vote relating to the previous remuneration report has been taken into account when preparing this Remuneration Report.

As a result of the Conversion, a one-tier board consisting of Executive Directors and Non-Executive Directors was installed. Former supervisory board members of the Company became Non-Executive Directors and former management board members of the Company became Executive Directors.

7.1 Remuneration Policy

With due observance of the Remuneration Policy tabled, the authority to establish remuneration and other conditions of employment for Executive Directors is vested in the Board. The Executive Directors shall not take part in the discussions and decision-making by the Board in relation to the establishment of the remuneration and other conditions of employment of the Executive Directors.

As indicated in the Articles of Association and in this Remuneration Report, the Remuneration Policy shall be tabled for adoption by the General meeting at the proposal of the Board in the 2021 annual General Meeting.

7.2 Remuneration for Executive Directors

7.2.1 Amount and Structure

The annual remuneration for the Executive Directors has the following two components:

- The annual remuneration for the Executive Directors has the following two components:
- fixed remuneration, comprising an annual base salary and possibly also (optional) benefits for the capacity of Executive Director, such as medical insurance, life insurance, retirement benefits, travel expenses and/or representation allowances;
- variable remuneration, comprising an annual performance-based compensation (depending on achievement of individual management corporate / management goals as defined on an annual base respectively);and may also comprise:
- Share-based remuneration.

FIXED REMUNERATION

The amount of the fixed remuneration depends on the Executive Director's function and responsibilities as well as on what is common in the industry and in the market, especially in comparison with similar listed companies in the biotechnology sector. The fixed remuneration is paid out as a monthly salary.

VARIABLE REMUNERATION

The variable remuneration consists of annual performance-based compensation (a bonus) measured in terms of one year.

Where the Company has awarded Share-based remuneration, the following applies:

- such Share-based remuneration has the form of options for Shares;
- these options for Shares may not be transferred, pledged or otherwise encumbered. These options can, subject to amongst others the applicable yearly exercise periods, be exercised after expiration of at least 4 years after their issuance and – where applicable – if the vesting period described below has expired, and if the simple average of the closing quotation of the Shares on Euronext Amsterdam of the last 20 trading days prior to the day of exercise exceeds the strike price of the options by at least 20 %; and
- in case of termination of the management agreement of an Executive Director (other than termination by the Executive Director for good cause) who holds options for Shares of if that Executive Director is dismissed, such options are subject to reverse vesting (and as such will be forfeited) over a period of 36 months after their grant.

No Shares have been granted to the Executive Directors. In its meeting of December 4, 2020, the Board, by unanimous vote of the Non-Executive Directors, resolved to grant Dr. Ulrich Dauer and Dr. Michael Schaeffer 236,775 options each as stipulated in the option programme 2020. The main conditions for exercise of these options are described above.

REDUCTION OR CLAW BACK OF VARIABLE REMUNERATION

Pursuant to Dutch law, the variable remuneration of the Executive Directors may be reduced, or Executive Directors may be obliged to pay (part of) their variable remuneration to the Company if certain circumstances apply:

- test of reasonableness and fairness – pursuant to Dutch law, any variable remuneration payable to an Executive Director may be adjusted by the Board to an appropriate level if payment of the variable remuneration were to be unacceptable according to the criteria of reasonableness and fairness; or
- claw back – the Board will have the authority under Dutch law to recover from an Executive Director any variable remuneration paid based on incorrect financial or other data.

These rules do not apply to the variable remuneration granted by the Company to the Executive Directors prior to the Conversion.

CONTRIBUTION TO LONG TERM PERFORMANCE AND VALUE CREATION

The remuneration of the Executive Directors is consistent with and supports the strategy of the Company. The remuneration also supports the ongoing efforts of the Company aimed at improving the overall performance, facilitating growth and sustainable success and enhancing the other long-term value and interests of the Company, as it has been designed to provide remuneration packages that are competitive to attract the required executive and non-executive talent and expertise for reaching these objectives in accordance with the Company's long-term strategy. As a result of the foregoing, the remuneration is aimed to enable the Company to compete in a global market, including the challenging US labor market, to attracting both the required top talent to execute the Company's long-term strategy and the required

Non-Executive Directors' expertise to effectively supervise such execution, creating long-term value and sustainable growth in the best interest of the Company and all of its stakeholders.

EXECUTIVE DIRECTORS' REMUNERATION FOR 2020

A detailed listing of the individual remuneration of the Executive Directors is presented in the tables below.

EUR 000	Dr. Ulrich Dauer CEO since May 1, 2018			Dr. Michael Schaeffer CBO since Oct 1, 2018		
	2020	**2019**	**2018**	**2020**	**2019**	**2018**
Fixed compensation	240	240	160	220	220	55
Fringe benefits	5	5	3	5	4	1
Total fix compensation	***245***	***245***	***163***	***225***	***224***	***56***
Annual performance-based compensation	60	55	-	40	37	-
Variable compensation for the previous year	-	35	-	-	32	-
Other variable compensation	-	-	60	-	-	-
Share-based remuneration -stock options	78	-	-	78	-	-
Carve-out incentive after capital increase	-	195	-	-	49	-
Total variable compensation	***138***	***285***	***60***	***118***	***118***	***0***
Direct insurance	-	-	-	5	5	1
Total compensation	**383**	**530**	**223**	**348**	**347**	**57**

RELATIVE PROPORTION OF FIXED AND VARIABLE REMUNERATION

The remuneration package of the Executive Directors is designed to be weighted towards fixed pay and benefits. The packages are structured so that at least 74% of the remuneration is fixed. This allocation does not consider share option expenses or one-time special bonuses (e.g. carve-out incentive).

LIABILITY INSURANCE (D&O) AND INDEMNITY

The Company maintains D&O insurance where all the Executive Directors are included, with a reasonable retained amount.

Pursuant to article 23 of the Company's articles of association, Executive Directors are indemnified, held harmless and reimbursed by the Company for all expenses, financial effects of judgements, fines and amounts paid in settlement actually and reasonably incurred by him in connection with an action, suit, proceeding or investigation against him in his capacity as Executive Director.

SHAREHOLDINGS OF EXECUTIVE DIRECTORS

According to the information available to the Company as of December 31, 2020, the Executive Directors held less than 1% of the shares of the Company.

COMPLIANCE WITH REMUNERATION POLICY

The remuneration of the Executive Directors over the financial year 2020 fully complies with the Remuneration Policy as proposed for adoption at the 2021 annual General Meeting.

SCENARIO ANALYSES

The Board (whereby the Executive Directors have not taken part in the discussions and decision-making by the Board) have performed - when formulating the Remuneration Policy and before determining the remuneration of individual Executive Directors - analyses of the possible results of the variable remuneration components and the way in which this affects the remuneration of the Executive Directors. The Board has also established whether the scenario analyses result in appropriate levels of remuneration, and whether measures are required to limit the remuneration.

7.3 Performance Assessment

The variable remuneration of the Executive Directors is determined by the Board (whereby the Executive Directors have not taken part in the discussions and decision-making by the Board) based on an annual performance assessment and professional judgement. The variable remuneration is linked to the performance against a set of financial and non-financial targets that is consistent with and supportive of the strategy and long-term interests of the Company. These targets include, among other topics, performance, business development, strategy, investor relations and general management. Risk alignment is also embedded in the target setting to promote sound and effective risk management. The variable remuneration is paid out according to how the Company's business develops, the scope of the individual Executive Director's achievement, as well as the realization of the Company's general objectives.

At the beginning of the financial year 2021, the Board has assessed to what extent the financial and non-financial targets have been met and determined the amounts of the variable remuneration of each of the Executive Directors. The Board has determined that over the financial year 2021, Dr. Ulrich Dauer is entitled to a bonus payment of EUR 60,000 and Dr. Michael Schaeffer is entitled to a bonus payment of EUR 40,000.

7.4 Remuneration for Non-Executive Directors

From the Company's perspective, it should especially be in the Non-Executive Directors' interest to focus on the Company's sustainable and long-term successful development. As such, the Company believes that fixed remuneration for the Non-Executive Directors is effective. Regardless of their remuneration, all Executive Directors are entitled to reimbursement for their travel expenses.

7.4.1 DETERMINATION OF NON-EXECUTIVE DIRECTORS REMUNERATION

For the financial year 2020, the Non-Executive Directors were entitled to the following fixed remuneration:

Name	EUR 000
Dr. Erich Platzer	60
Dr. Dinnies von der Osten	40
Ms. Charlotte Lohmann	40
Dr. Jörg Neermann	40

In addition, for the membership of a committee, the Non-Executive Directors Dr. Dinnies von der Osten, Ms Charlotte Lohmann and Dr. Jörg Neermann shall receive an additional annual fixed remuneration of EUR 5 thousand, while there will be no increase for chairing any committee.

7.4.2 LIABILITY INSURANCE (D&O) AND INDEMNITY

The Company maintains D&O insurance where all the Non-Executive Directors are included.

Pursuant to article 23 of the Company's articles of association, Non-Executive Directors are indemnified, held harmless and reimbursed by the Company for all expenses, financial effects of judgements, fines and amounts paid in settlement actually and reasonably incurred by them in connection with an action, suit, proceeding or investigation against them in their capacity as Non-Executive Director.

7.4.3 SHAREHOLDINGS OF NON-EXECUTIVE DIRECTORS

According to the Company's information as of December 31, 2020, the Non-Executive Directors held a total of approximately 1,9 % of the Company's shares.

7.5 Change in Remuneration, Company's Performance and Pay Ratios

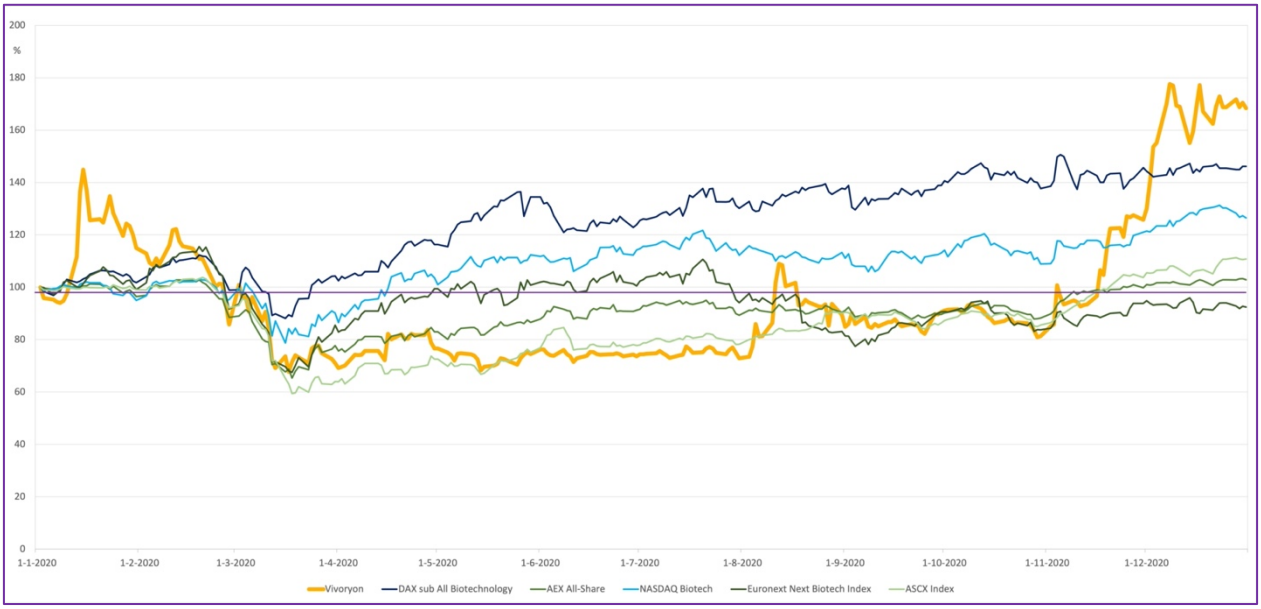
7.5.1 CHANGE IN REMUNERATION

The table below provides an overview of the annual compensation of each Director (including former Directors) for the financial years 2016 to 2020. The amounts mentioned in the table are gross amounts, before the impact of social security or income tax deductions.

EUR 000	2016	2017	2018	2019	2020
Executive Directors					
Former board members till Apr 30/Oct 31, 2018	1,486	1,053	557	-	-
Year-on-year difference %	-	*(29)*	-	-	-
Dr. Ulrich Dauer since, since May 1, 2018			223	530	383
Year-on-year difference %	-	-	-	-	*(38)*
Dr. Michael Schaeffer, since October 1,2018	-	-	57	347	348
Year-on-year difference %	-	-	-	-	*(0)*
Non-Executive Directors					
Executive Directors	95	137	112	105	195
Year-on-year difference %	-	*43*	*(18)*	*(6)*	*86*
Full time employees					
Average pay per FTE	87	95	97	82	98
Year-on-year difference %	-	*9*	*2*	*(15)*	*20*

7.5.2 EVOLUTION OF THE COMPANY'S PERFORMANCE

EUR 000	2016	2017	2018	2019	2020
Euronext next biotech	1.711	1.859	1.855	2.979	2.791
Year-on-year difference %	-	*9*	*(0)*	*61*	*(6)*
Nasdaq Biotechnology	2.773	3.357	3.044	3.787	4.759
Year-on-year difference %	-	*21*	*(9)*	*24*	*26*
Vivoryon Therapeutics N.V.	18,03	10,60	2,56	5,44	9,01
Year-on-year difference %	-	*(41)*	*(76)*	*113*	*66*



The chart below shows the evolution of the share price of the Company in 2020 compared to other benchmarks.

7.5.3 PAY RATIO

Based on best practice provision 3.4.1 of the Code, the Company shall disclose the pay ratio between the remuneration of the Executive Directors and that of a representative reference group of employees of the Company and, if applicable, comment on any important variation in the pay ratios in comparison with the previous financial year.

The entire workforce of the Company is included in the reference group expressed in the form of full-time-equivalent employees (FTE). The full-time equivalence of each employee is calculated based on the number of hours worked by the employee in each period, compared to the maximum number of hours/period allowed as per the local law prevalent in the country of operation. As at December 31, 2020, there were 16 FTEs.

The calculation of the pay ratios is based on the average of the remuneration received by the employees of the reference group and is made in accordance with the following rules:

- the remuneration of the employees of the reference group taken into account was the remuneration received during the year concerned (i.e. if a bonus was paid in 2020 relating to activities performed in 2019, the bonus was taken into account when calculating the pay ratio of the financial year 2020);
- if all or part of the remuneration was paid in a foreign currency, the exchange rate which was used was the average exchange rate of the relevant currency into euros for the year ended December 31, 2020;

The Company used both fixed and variable remuneration components when determining the pay ratio for a given year. The pay ratio disclosed by the Company reflects the last financial year.

The average Executive Director-toemployee pay ratio stands at 3.71 in 2020 compared to 5.10 in 2019.

8 NON-EXECUTIVE REPORT

8.1 Introduction

The Company's Non-Executive Directors are entrusted with supervising the performance by the members of the Board of their respective duties. The Board also acts as a collegial body and as such, the Board discussed and budgeted for the coming financial year. Also, at least one a year, the Board monitors the operation of the internal risk management and control systems and carries out a systematic assessment of their design and effectiveness. This monitoring covers all material control measures relating to strategic, operational, compliance and reporting risks. Attention is given to observed weaknesses, instances of misconduct and irregularities, indications from whistleblowers, lessons learned and findings from the auditor.

8.1.1 Non-Executive Directors

For information on the composition and profile of our Non-Executive Board members, please refer to our section 6.2.3. of this report.

8.1.2 Attendance at meetings

The following table shows the attendance at Board meetings and at Audit Committee meetings of the Non-Executive Directors.

Name	Board meetings	Audit Committee meetings
Dr. Erich Platzer, Chairman	100 %	N/A
Dr. Dinnes von der Ostern, Chairman of the Audit Committe	100 %	100 %
Ms. Charlotte Lohman	100 %	100 %
Dr. Jörg Neermann	100 %	100 %

8.1.3 Independence

All Non-Executive Directors are independent within the meaning of the Code.

8.1.4 Board Profile

The size and composition of the Board, including the number and the selection of Non-Executive Directors are established in conformity with the Board Profile available on the Company's website. The Non-Executive Directors aim to ensure a diverse composition that contributes to a proper functioning of the Board. In order to meet the Board's diversity targets as laid down in its Diversity Policy, diversity aspects shall be considered and be taken into account.

8.2 Evaluation

The Non-Executive Directors held one meeting independent from the Executive Directors to (i) conduct a self-assessment regarding their own performance in 2020, including their interaction with the Executive Directors and the Board, (ii) evaluate the functioning of the Audit Committee, the functioning and performance of the entire Board and the performance of the external auditor, and (iii) the desired profile, composition, competencies and expertise of the non-executive directors.

VIVORYON THERAPEUTICS N.V. FINANCIAL STATEMENTS

VIVORYON THERAPEUTICS N.V.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

EUR'000	Notes	2020	2019
Research and development expenses	6.12/ 7.1	(13,210)	(4,789)*
General and administrative expenses	7.3	(2,807)	(3,062)*
Other operating income		6	59
Operating loss		**(16,011)**	**(7,792)**
Finance income	6.13/ 7.5	105	0
Finance expense	6.13/ 7.5	(604)	(31)*
Finance result		**(499)**	**(31)**
Net loss for the period		**(16,510)**	**(7,823)**
Items not to be reclassified subsequently to profit or loss			
Remeasurement of the net defined benefit pension liability	8.8	(93)	(157)
Total other comprehensive loss		**(93)**	**(157)**
Comprehensive loss		**(16,603)**	**(7,980)**
Loss per share in EUR (basic and diluted)	6.16	(0,83)	(0,62)

* Please refer to Note 7.3 regarding certain presentational reclassifications.

Vivoryon Therapeutics N.V.
STATEMENTS OF FINANCIAL POSITION AS DECEMBER 31, 2020 AND 2019

EUR'000	Notes	2020	2019
ASSETS			
Non-current assets			
Intangible assets	6.7/ 8.1	565	16
Property, plant and equipement	6.6/ 8.2	390	465
Financial assets	6.4	3	3
Total non-current assets		**958**	**484**
Current assets			
Other current assets and prepayments	8.4	2,487	3,853
Cash and cash equivalents	8.5	26,306	41,524
Total current assets		**28,793**	**45,377**
TOTAL ASSETS		**29,751**	**45,861**
Equity	6.5/ 8.6		
Share capital		19,975	19,975
Share premium		82,143	82,143
Other capital reserves		4,404	4,245
Accumulated other comprehensive loss	8.6	(655)	(562)
Accumulated deficit		(79,646)	(63,136)
Total equity		**26,221**	**42,665**
Non-current liabilities			
Pension liability	6.10/ 8.8/ 8.9	1,981	1,951
Lease liabilities	6.15/ 8.3	224	315
Total non-current liabilities		**2,205**	**2,266**
Current liabilities			
Provisions	6.11	47	12
Trade payables	6.4	911	539
Lease liabilities	6.15/ 8.3	90	91
Other liabilities	8.10	276	288
Total current liabilities		**1,325**	**930**
Total Liabilities		**3,530**	**3,196**
TOTAL EQUITY AND LIABILITIES		**29,751**	**45,861**

Vivoryon Therapeutics N.V.
STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED DECEMBER 31, 2020, AND 2019

EUR'000	Share capital	Share premium	Other capital reserves	Accumu-lated other compre-hensive loss	Accumu-lated deficit	Total equity
January 1, 2019	**8,208**	**44,500**	**4,240**	**(405)**	**(55,313)**	**1,230**
Net loss for the period/ Comprehensive loss	-	-	-	(157)	(7,823)	(7,980)
Issuance of common shares less transaction costs	11,767	39,471	-	-	-	51,238
Transaction costs	-	(1,828)	-	-	-	(1,828)
Share-based payments	-	-	5	-	-	5
December 31, 2019	**19,975**	**82,143**	**4,245**	**(562)**	**(63,136)**	**42,665**
Net loss for the period/ Comprehensive loss	-	-	-	(93)	(16,510)	(16,603)
Share-based payments	-	-	159	-	-	159
December 31, 2020	**19,975**	**82,143**	**4,404**	**(655)**	**(79,646)**	**26,221**

Vivoryon Therapeutics N.V.
STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

EUR'000	Notes	2020	2019
Operating actitities			
Net loss for the period		(16,510)	(7,823)
Adjustments for:			
Finance result	7.5	499	31*
Depreciation and amortisation	8.1/ 8.2	146	88
Share based payments	8.7	159	5
Other non-cash adjustments		(5)	(41)
Changing in			
Other current assets and prepayments		1,366	(3,653)
Pension liabilities	8.8/ 8.9	(80)	(85)
Provisions		35	(1)
Trade payables		372	(233)
Other liabilities		(12)	109
Interest received		26	0
Interest paid		(7)	(5)
Cash flows used in operating activities		**(14,012)**	**(11,608)**
Investing activities			
Purchase of plant and equipment		(64)	(47)
Purchase of intangible assets		(576)	0
Cash flows used in investing activities		**(640)**	**(47)**
Financing activities			
Proceeds from issuance of common shares		-	51,238
Transaction costs of equity transaction		-	(1,828)
Payment of lease liabilities		(90)	(56)
Cash flows provided by financing activities		**(90)**	**49,354**
Net decrease in cash and cash equivalents		**(14,742)**	**37,699**
Cash and cash equivalents at the beginning of period		41,524	3,783
Effect of exchange rate fluctuation on cash held		(476)	41
Cash and cash equivalents at the end of period		**26,306**	**41,524**

* Please refer to Note 7.3 regarding certain presentational reclassifications.

Vivoryon Therapeutics N.V.
NOTES TO THE FINANCIAL STATEMENTS

1 Company information

Vivoryon Therapeutics N.V. (until November 28, 2020 Vivoryon Therapeutics AG) is a Dutch public company with limited liability (‘*Naamloze Nennootschap’*) 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 financial statements of Vivoryon Therapeutics N.V. for the year ended December 31, 2020 were authorized for issue by a resolution of the board of directors on April 29, 2021.

2 Financial reporting period

These financial statements cover the year 2020, which ended at the balance sheet date of December 31, 2020. The transfer of the statutory seat from Germany to the Netherlands, and the change of its legal form did not result in a change of the financial period.

3 Going Concern

These financial statements were issued under the going concern assumption. Based on the existing budget, approved by the board, anticipated working capital requirements of Vivoryon are sufficient through the 18 months following the date of these financial statements. Nevertheless, as the cash-reach of the company within the intended business development is until end of Q3 2022, the management is aware of the fact, that additional funds must be raised to meet its future financial obligations. The management believes that those additional funds can be raised in time. Those additional funds may be raised in the form of equity and/or through licensing.

It may take several years before Vivoryon receives regulatory approval for a product candidate. In addition, there are still significant uncertainties in the development of a product candidate until regulatory approval. Therefore, the company will stay dependent on raising further funds and/or entering into licensing deals.

In the event, that the Company will not be able to raise additional funds in the upcoming year 2021, Vivoryon is able to postpone or cancel activities in the clinical trials or production process (API and/or IMP) to slow down its cash-burn.

4 Risk management system

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

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

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

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

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

Executive board members

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

Non-Executive board members

The non-executive board members are having a control function with respect to all measures for risk limitation and risk management in the Company.

4.1 Risk groups

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

4.1.1 Credit risks

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

Vivoryon’s cash balances are held by the following banks: Deutsche Bank, Landesbank Baden-Württemberg and Commerzbank. All three have a rating of bbb or better (S&P). In general, cash balances are only held with financial institutions with prime credit ratings which are subject to the depositor’s guarantee fund of German banks.

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

EUR 000	December 31, 2020	December 31, 2019
Maximum risk of default		
Non-current financial assets	3	3
Cash and cash equivalents	26,306	41,524
Total	**26,309**	**41,527**

As of the reporting dates December 31, 2020 and December 31, 2019, the financial assets were neither impaired nor overdue.

4.1.2 Liquidity risk

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

To manage the liquidity situation during the year, the Company utilizes appropriate financial planning instruments. As of December 31, 2020, cash and cash equivalents amounted to EUR 26,306 thousand.

For detailed disclosures regarding going concern and liquidity requirements see note 3.

The table below presents an analysis of the remaining terms of all contractually agreed financial liabilities as of December 31, 2020 and December 31, 2019.

EUR 000	Carrying amount	Up to 30 days	1 to 3 months	3 months to 1 year	1 to 5 years
December 31, 2020					
Financial liabilities					
Trade payables	911	911	-	-	-
Lease liabilities*	325	8	24	72	221
Total	**1,236**	**919**	**24**	**72**	**221**
December 31, 2019					
Financial liabilities					
Trade payables	539	539	-	-	-
Lease liabilities*	424	8	25	74	317
Total	**963**	**547**	**25**	**74**	**317**

* undiscounted total payments

4.1.3 Market risks

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

4.1.4 Exchange rate risks

Vivoryon is currently exposed to exchange rate risks concerning cash and cash equivalents held in USD. A change of (5)% or +5% in the foreign exchange rate of the EUR compared to the USD could impact net loss and equity by EUR 217 thousand and EUR (197) thousand.

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

4.1.5 Risk of changes in interest rates

Vivoryon does not have any interest-bearing assets or liabilities to a third party. As such, there is no risk with respect to changes in interest rates. Vivoryon has to deal with negative interst on cash holdings, bank`s fees range between 0.5 and 0.6% p.a.. Thus, Vivoryon invested a part of the Cash into money market funds (see note 8.5).

4.1.6 Price risks

At present, the financial commitments of the Company (see note 9.2) do not contain variable price conditions and hence do not bear price risks.

4.2 Capital management

The primary objective of Vivoryon's capital management is to ensure that it maintains its liquidity to finance its operating activities and meet its liabilities when due. Following the present projections and based on current cash and cash equivalents, the cash reach is until 2022. The management expects that future financing requirements may be satisfied by the Company's ability to raise funds in the form of equity and/or conduct a partnership agreement. For detailed disclosures regarding going concern and liquidity requirements see notes 3. and 4.

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

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

Vivoryon currently has two active stock option programs from the years 2014 and 2020. For detailed disclosures see note 8.7.

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

As of December 31, 2020, Vivoryon's equity amounted to EUR 26,221 thousand (December 31, 2019: EUR 42,665 thousand), which equates to an equity ratio of 88.1% (December 31, 2019: 93.0%). The total liabilities amount to EUR 3,530 thousand (December 31, 2019: EUR 3,196 thousand).

5 Basis of preparation

5.1 Statement of compliance and basis of measurement

The financial statements of Vivoryon have been prepared in accordance with International Financial Reporting Standards (IFRS) of the International Accounting Standards Board, as adopted by the European Union (EU-IFRS) and with Section 2:362(9) of the Netherlands Civil Code.

The Company has a subsidiary, Vivoryon Therapeutics Inc. in Chicago, IL, USA. All operating activities and assets are concentrated in Vivoryon Therapeutics N.V.; currently, Vivoryon Therapeutics Inc. has no operating activities. Considering the negligible significance of this subsidiary to the financial statements, in accordance with Section 2:407 sub 1a of the Netherlands Civil Code, the Company applies the exemption pertaining to the consolidation scope and does not prepare consolidated financial statements.

The statement of profit and loss and other comprehensive income is prepared to classify the expenses by function; the classification of the statement of financial position is based on current and non-current distinction. Vivoryon classifies all amounts expected to be recovered or settled within twelve months after the reporting period as current and all other amounts as non-current.

The financial statements are prepared on the historical cost basis.

5.2 Functional and presentation currency

The financial statements are presented in Euro, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless indicated otherwise. As a result, rounding differences may occur.

5.3 Presentation of statement of profit and loss and other comprehensive income

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

5.4 Use of judgements and estimates

In preparing these financial statements, management has made judgements and estimates 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 prospectively.

5.4.1 Judgements

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is included in the notes.

Notes are presented, to the extent practicable, in a systematic order and are cross-referred to/from items in the primary statements. In determining a systematic manner of presentation, an entity considers the effect on the understandability and comparability of the financial statements. The Company has applied judgement in presenting related information together in a manner that it considers to be most relevant to an understanding of its financial performance and financial position. The order presented is only illustrative and entities need to tailor the organization of the notes to fit their specific circumstances.

5.4.2 Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the year ending December 31, 2021 is included in the following note:

- Recognition research and development expenses: as part of the process of preparing the financial statements, Vivoryon is required to estimate its accrued expenses. This process involves reviewing quotations and contracts, identifying services that have been performed on its behalf, estimating the level of service performed and the associated cost incurred for the service when Vivoryon has not yet been invoiced or otherwise notified of the actual cost, see note 6.12.

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

5.4.3 Measurement of fair values

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Company has established a control framework with respect to the measurement of fair values. The finance department regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used to measure fair values, then the finance department assesses the evidence

obtained from the third parties to support the conclusion that these valuations meet the requirements of the Standards, including the level in the fair value hierarchy in which the valuations should be classified.

5.4.4 Fair value hierarchy

The Company does not measure any financial asset or liability at fair value. The carrying amount of all financial instruments approximates their fair value, with the exception of money market funds which fair values are disclosed (see 9.1 under Cash and Cash Equivalents). When measuring the fair value of an asset or a liability, the Company uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability could be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

6 Summary of significant accounting policies

6.1 Changes in accounting policies

The Company has consistently applied the accounting policies to all periods presented in these company financial statements.

With an effective date of January 1, 2020, the following amended standards and interpretations were required to be applied for the first time:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 ‘Definition of a Business’
- 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.

6.2 Foreign currency transactions

Transactions in foreign currencies are translated to the Euro at exchange rates at the dates of the transactions.

Assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Foreign currency differences are generally recognized in research and development and general and administrative expenses in the statement of profit and loss and other comprehensive income.

6.3 Determination of fair values

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date. The fair value of a liability reflects its non-performance risk.

When one is available, the Company measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Company uses valuation techniques that maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Company measures assets and long positions at a bid price and liabilities and short positions at an ask price.

The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Company determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

6.4 Financial assets and liabilities (financial instruments)

6.4.1 Definition

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. The Company`s financial assets include predominantly quoted fixed-interest debt securities. The financial liabilities comprise trade and other payables (incl. accrued liabilities from the R&D projects).

6.4.2 Criteria for the recognition and derecognition, initial measurement

In general purchases or sales of financial assets are recognized on the settlement date, i.e., the date that the Group renders or receives the counter performance (typically cash). The Company initially measures a financial asset at its fair value plus transaction costs.

The Company initially recognizes non-derivative financial liabilities on the date that they are originated at fair val-ue net of directly attributable transaction costs. The Company derecognizes a financial liability when its contractual obligations are discharged, cancelled, or expire.

6.4.3 Classification and subsequent measurement

Considering the Company's business model for managing the financial assets, whose objective is to hold them in order to collect contractual cash flows, and their contractual cash flow characteristics, that are solely payments of principal. The financial assets are also subject to impairment.

The Company's financial liabilities are classified as subsequently measured at amortized cost which is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the EIR (effective interest method).

An analysis of the carrying amounts from the Statements of Financial Position by measurement category is disclosed under 9.1.'

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets – Business model assessment

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.
Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial

asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual paramount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss. The Company does not apply hedge accounting.

6.4.4 Criteria for realization of income and expenses

Interest income, if any, would be accrued using the relevant EIR. Interest expense on liabilities, if any, is also accrued based on the effective interest rate.

Gains and losses on the disposal of financial instruments are recognized in full when all significant risks and rewards have been transferred. In the case of a partial transfer of risks and rewards, a distinction would be made as to whether control remains with the company or is transferred.

Impairment losses on financial assets are recognized in profit or loss. The Company does not recognize an allowance for expected credit losses (ECLs) for the money market funds held in 'cash equivalents' as thes money market funds have no term, are of high credit ratings and can be readily converted into cash.

6.5 Share Capital

Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognized as a deduction from equity. Income tax relating to transaction costs of an equity transaction is accounted for in accordance with IAS 12.

6.6 Property, plant and equipment

Property, plant and equipment are recognized at cost less accumulated depreciation as well as any accumulated impairment losses which may have been recognized. Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation is recognized on the straight-line basis over the useful life. The useful life for operating and office equipment ranges from three to ten years; for laboratory equipment from five to ten years.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within 'other income' or 'other expenses' in the Statements of Operations and Comprehensive Loss.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

6.7 Intangible assets

The intangible assets acquired by Vivoryon relate to Intellectual Property and other intangible assets and are recognized at cost less accumulated amortization as well as any impairment losses which may have been recognized. The amortization is recognized on the straight-line basis over the expected useful life.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

Amortization begins when an asset is available for use and amortization is calculated using the straight-line method to allocate cost over the estimated useful lives. Intellectual Property is amortized over 18 years, other intangible assets are amortized over three to five years. The useful lives of intangible assets are reviewed at each reporting date. The effect of any adjustment to useful lives is recognized prospectively as a change of accounting estimate. The Company only owns intangible assets with a definite useful life.

6.8 Impairment of non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment.

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

6.9 Share-based payment transactions

Vivoryon grants equity-settled share-based payments in the form of option rights to employees. The stock option programs allow the grantees to acquire the Company's shares. The grant-date fair value of the stock options granted is recognized as research and development or general administrative expenses with a corresponding increase in equity (additional paid-in capital), over the vesting period of the awards. The fair value is based on the Monte-Carlo-simulation model. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service and non-market performance conditions are expected to be met, such that the amount ultimately recognized is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

6.10 Pensions

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

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

The defined benefit obligation and the related current service cost is based on the benefit to the period of service under the defined benefit plan's formula. Actuarial gains and losses are immediately recognized through equity in the other comprehensive income (loss).

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

The net interest expense associated with defined benefit plans is presented in finance expenses.

6.11 Provisions

Provisions are recognized for present obligations which result from past events for which the timing of the future payment is uncertain. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions with a term over one year are recognized at their discounted settlement considering expected cost increases. The discount rate used reflects the current market interest rate and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

6.12 Research and development

Research and development expenses comprise third party services, wages and salaries, cost of materials, intellectual property-related expenses, depreciation and amortization of relevant equipment and intangibles as well as overhead. Research and development expenses mainly consist of costs for clinical trials and manufacturing of the Company`s clinical drug product. Additional costs are incurred by drug discovery and pre-clinical activities.

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

6.13 Finance income and expenses

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

6.14 Income tax

Income tax expense comprises current and deferred tax. It is recognized in profit or loss except to the extent that items are recognized directly in equity or in OCI.

Interest and penalties related to income taxes, including uncertain tax treatments, are accounted for under IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

6.14.1 Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

No current income tax was recognized in 2019 and 2020.

6.14.2 Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognized for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognize a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plan of the Company. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized; such reductions are reversed when the probability of future taxable profits improves.

Unrecognized deferred tax assets are reassessed at each reporting date and recognized to the extent that it has become probable that future taxable profits will be available against which they can be used.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

No deferred tax was recognized in 2019 and 2020.

6.15 Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Company presents right-of-use assets in 'property, plant and equipment' and lease liabilities in 'lease liabilities' in the statement of financial positions.

Short-term leases and leases of low-value assets

The company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

6.16 Loss per share

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

6.17 New standards and interpretations

The following amendments will be adopted effective January 1, 2021 and are not expected to have a material impact on the financial statements of Vivoryon:

- Rate Benchmark Reform - Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16
- COVID-19-related Rent Concessions, Amendment to IFRS 16

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

6.18 Operating segments

In light of the development activities that are being performed and the development phase of the Company, the performance of the operations is monitored at the Company level and therefore no other reportable segments have been identified.

7 Material items from Statement of Profit or Loss and Other Comprehensive Income

7.1 Research and development expenses

The research and development expenses of EUR 13,210 thousand (2019: EUR 4,789 thousand) increased significantly compared with the previous year. The main drivers are the costs of our Clinical Research Organization, who is conducting clinical development services and the cost of our study drug manufacturing organizations.

Additional personnel expenses, patent -, legal and consulting fees increased slightly compared to 2019, as we started research activities in the area of a new approach with high potential in indication areas like Alzheimers Disease, inflammatory diseases and oncology.

EUR 000	2020	2019
Third-party research and development services	10,597	2,746
Personnel expenses	1,308	919*
Patent-, legal and consulting fees	845	769
Other expenses	460	355
Total	**13,210**	**4,789**

* Please refer to Note 7.3 regarding certain presentational reclassifications.

The other expenses include different cost elements mainly driven by rents and rents related expenses, repair and maintance cost, travel expenses, insurance fees and other operating expenses.

7.2 General and administrative expenses

The general and administrative expenses of EUR 2,807 thousand (2019: EUR 3,062 thousand) mainly include the items listed below:

EUR 000	2020	2019
Personnel expenses	982	1,042*
Legal and consulting fees	1,101	1,491
Accounting, closing and audit costs	202	78
Compensation expense for non-executive board directors	195	105
Other expenses	327	346
Total	**2,807**	**3,062**

* Please refer to Note 7.3 regarding certain presentational reclassifications.

The other expenses include different cost elements mainly driven by rents and rents related expenses, repair and maintance cost, travel expenses, insurance fees and other operating expenses.

7.3 Employee benefit expenses

The following table shows the items of employee benefits expenses:

EUR 000	2020	2019
Wages and salaries	1,917	1,802*
Social Security contributions (employer's share)	208	149
Contribution to defined contribution plans	5	5
Equity or cash settled share-based payments	159	5
Other	0	0
Total	**2,289**	**1,961**

* Personnel expenses in the amount of EUR 77 thousand were recognized in interest expense in 2019. We have adjusted the prior-year figure accordingly.

During the 2020 financial year, the average number of staff employed by the Company, converted into full-time equivalents, amounted to 16 people (2019: 13 people), of which all were employed outside the Netherlands.

This staffing level (average number of staff) can be divided into the following staff categories:

FTE (full time equivalents)	2020	2019
Management	2	2
Research & Development	8	6
General & Administrative	6	5
Total	16	13

7.4 Auditor´s fee

The following fees were charged by KPMG Accountants N.V. to the company, its subsidiaries and other consolidated companies, as referred to in Section 2:382a(1) and (2) of the Dutch Civil Code.

EUR 000	KPMG Accountants N.V.	Other KPMG Network	Total KPMG
	2020	**2020**	**2020**
Audit of the financial statements	175	8	183
Total	**175**	**8**	**183**
	2019	**2019**	**2019**
Audit of the financial statements	-	55	55
Other non-audit services	-	120	120
Total	**-**	**175**	**175**

The fees mentioned in the table for the audit of the financial statements 2020 (2019) relate to the total fees for the audit of the financial statements 2020 (2019), irrespective of whether the activities have been performed during the financial year 2020 (2019). Until 2019 KPMG AG Wirtschaftsprüfungsgesellschaft, Germany was the auditor for Vivoryon. KPMG Accountants N.V. was appointed as new auditor for 2020 by resolution of the Extraordinary General Meeting of Vivoryon Therapeutics N.V. on March 12, 2021.

7.5 Net finance costs

EUR 000	2020	2019
Finance income		
Interest income	26	-
FX-gains	79	-
Total	**105**	**-**
Finance expenses		
FX-losses	(555)	-
Interest expenses	(16)	(26)*
Money market funds measured at FVTPL	(26)	-
Interest on lease liabilities	(7)	(5)
Total	**(604)**	**(31)**
Net finance costs	**(499)**	**(31)**

* Please refer to Note 7.3 regarding certain presentational reclassifications.

7.6 Income taxes

Income taxes comprise current and deferred taxes. Current and deferred taxes are recognized in profit or loss except to the extent that they relate to items recognized directly in equity or other comprehensive loss. As part of the conversion of the legal entity into a Dutch N.V. no transfer of assets or business activities were transferred to the Netherlands. As a result, the conversion did not have any corporate income tax consequences for Vivoryon and the Company is subject to German corporate income taxes.

For the determination of deferred taxes, a corporation tax rate of 15% plus a solidarity surcharge of 5.5% as well as the trade income tax rate of 15.75% was used for 2020 and 2019.

EUR 000	2020	2019
Loss before income tax	(16,510)	(7,823)
Income tax rate	31.58%	31.58%
Expected tax benefits based on statutory rate	**5,213**	**2,470**
Tax losses not recognized	(4,997)	(2,449)
Non-deductible expenses/non-taxable income	(65)	(17)
Non-deductible FX-gains and losses	(151)	(4)
Reported income tax gain/losses	**-**	**-**

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

Differences that would result in deferred tax assets are essentially due to right-of-use assets (2020: EUR 98 thousand, 2019: EUR 128 thousand) and losses carry forwards. As of December 31, 2020, Vivoryon had corporate income tax loss carry forwards of EUR 158,522 thousand and trade tax loss carry forwards of EUR 158,362 thousand. The tax losses can be carried forward for an unlimited time. The deferred tax assets would arise from pension liabilities (2020: EUR 250 thousand, 2019: EUR 239 thousand) and from lease liabilities (2020: EUR 98 thousand, 2019: EUR 128 thousand). As of December 31, 2020, and 2019 deferred tax assets were not recognized as their utilization is not probable due to missing evidence for future taxable profit.

8 Material items from Statements of Financial Position

8.1 Intangible assets

EUR 000	Patents	Other intangible assets	Total
Acquisition costs			
Balance at January 1, 2019	-	373	373
Additions	-	11	11
Disposals	-	-	-
Balance at December 31, 2019	**-**	**384**	**384**
Additions	550	26	576
Disposals	-	-	-
Balance at December 31, 2020	**550**	**410**	**960**
Depreciation			
Balance at January 1, 2019	-	366	366
Additions	-	2	2
Disposals	-	-	-
Balance at December,31 2019	**-**	**368**	**368**
Additions	23	4	27
Disposals	-	-	-
Balance at December 31, 2020	**23**	**372**	**395**
Carrying amounts			
Balance at December 31, 2019	**-**	**16**	**16**
Balance at December 31, 2020	**527**	**38**	**565**

On March 18, 2020 Vivoryon acquired IP-rights related to Meprin Substrates from Fraunhofer-Gesellschaft/Institute for Cell Therapy (IZI) in the amount of net EUR 550 thousand. The remaining useful life for the patents is 17.2 years.

8.2 Property, plant equipment

EUR 000	Leasehold improvements	Other property, equipment, factory and office equipment	Total
Acquisition costs			
Balance at January 1, 2019	181	582	763
Recognition of right-of-use asset on initial application of IFRS 16	-	194	194
Adjusted balance at January 1, 2019	**181**	**776**	**957**
Additions	-	304	304
Disposals	-	-	-
Balance at December 31, 2019	**181**	**1,080**	**1,261**
Additions	-	64	64
Disposals	-	(222)	(222)
Balance at December 31, 2020	**181**	**922**	**1,103**

Depreciation			
Balance at January 1, 2019	180	528	708
Additions	1	87	88
Disposals	-	0	0
Balance at December 31, 2019	**181**	**615**	**796**
Additions	-	119	119
Disposals	-	(202)	(202)
Balance at December 31, 2020	**181**	**532**	**713**
Carrying amounts			
Balance at December 31, 2019	**-**	**465**	**465**
Balance at December 31, 2020	**-**	**390**	**390**

Property, plant and equipment merely consists of right-of-use assets (we refer to note 8.3 Leases for further details).

Depreciation is included in the statement of profit or loss and other comprehensive income within research and development expenses and general and administrative expenses. The expenses for depreciation of property, plant and equipment and amortization of intangible assets amount to EUR 146 thousand for fiscal year 2020 (2019: EUR 88 thousand).

8.3 Leases

EUR 000	2020	2019
Right of use asstes		
As of January 1	403	194
Additions	-	268
Disposals	(93)	(59)
As of December 31	**310**	**403**

Lease obligations consist of payments under non-cancellable lease agreements mainly relating to the Company`s leases of office space in Halle and München (Germany).

Set out below, are the carrying amounts and the movements of Vivoryon's lease liabilities:

EUR 000	2020	2019
Lease liabilities		
As of January 1	405	194
Additions	-	268
Disposals	(90)	(56)
As of December 31	**315**	**405**

The following are the amounts recognized in profit or loss in connection with leases:

EUR 000	2020	2019
Depreciation expense of right-of-use assets	93	58
Interest expense on lease liabilities	7	5
Leases of low-value assets	9	9
As of December 31	**109**	**72**

The Company had total cash outflows for leases of EUR 90 thousand in 2020 (2019: EUR 56 thousand).

8.4 Other current assets and prepayments

EUR 000	December 31, 2020	December 31, 2019
Prepayments	2,337	3,229
Value-added tax receivables	122	290
Corporate tax receivables	7	2
Rent deposits	21	21
Other receivables	-	310
Total	**2,487**	**3,853**

As of December 31, 2020 the prepayments include advance payments for the conduct of the clinical 2b trial in amount of EUR 2,227 thousand. This prepaids are mainly to our Clinical Research Organization, who is conducting our Alzheimer's Disease clinical trial with us.

8.5 Cash and cash equivalents

Cash consist of cash at bank and on hand. As of December 31, 2020, cash balances denominated in other currencies than the Euro amount to USD 5,066 thousand (December 31, 2019: USD 652 thousand). Cash is free at disposal of the Company.

Cash equivalents comprise money market funds with a fair value of EUR 16,966 thousand as of December 31, 2020 (December 31, 2019: EUR 0).

The banks and the issuer of the money-market funds (Commerzbank and Landesbank Baden Württemberg) are all investment graded (BBB or better; S&P).

8.6 Equity

As of December 31, 2020, Vivoryon's issued capital comprised 19,975,482 registered no par common shares (as of December 31, 2019: 19,975,482). The nominal amount per share is EUR 1.00. All shares are fully paid up.

8.6.1 2019 share issuance

In April 2019, Vivoryon raised capital of EUR 8.2 million from investors through a successful private placement of new shares. Upon full utilization of the authorized capital, the Company's share capital was increased from EUR 8,208,009 to EUR 12,301,376 by successfully issuing 4,093,367 new shares with a nominal value of EUR 1.00 per share. The Company sold the new shares to selected investors at a purchase price of EUR 2.00 per new share.

3.1 million new shares were sold to a consortium of investors led by Mr. Claus Christiansen, founder and Chairman of the Board of Directors of Nordic Bioscience, Denmark ('Investor Consortium'). Additionally,

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

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

In October 2019, the Company successfully raised capital of around EUR 43 million through a subscription right offering to existing shareholders and a private placement for selected qualified investors in Europe. 7,674,106 new bearer shares with a nominal value of EUR 1.00 each and full dividend entitlement from January 1, 2019 were issued at an offer price of EUR 5.61 per new share.

The rights offering was subscribed with a total of 4,445,323 new shares, through subscription and oversubscription by existing shareholders, of which Mr. Claus Christiansen, Den Danske Forskningsfond and T&W Holding A/S subscribed to a total of 2,673,798 new shares. The new shares which were not subscribed by existing shareholders (the 'Rump Shares') were offered via a private placement to selected qualified investors in Europe who purchased 3,228,783 Rump Shares at the offer price, including MorphoSys AG, which purchased Rump Shares in an aggregate investment amount of EUR 15 million.

8.6.2 Convertible Bonds

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

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

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

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

8.6.3 OCI

The other comprehensive income amounts to EUR 655 thousand as of December 31, 2020. (December 31, 2019 EUR 562 thousand). The OCI solely consists of annual remeasurements of the net defined benefit pension liability.

8.6.4 Loss per share

As of December 31, 2020, Vivoryon's issue capital consisted of 19,975,482 common shares (December 31, 2019: 19,975,482). All common shares are registered with 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 16,510 thousand in the financial year 2020 (2019: net loss of EUR 7,823 thousand).

The loss per share was calculated as follows:

	2020	2019
Weighted average number of common shares outstanding	19,975,482	12,549,932
Loss for the period (EUR 000)	(16,510)	(7,823)
Loss per share (basic/diluted) (EURO)	**(0.83)**	**(0.62)**

As of December 31, 2020 and 2019, no items had a dilutive effect. The Company is loss making and therefore any dilutive additional shares, e.g. stock options, were excluded from the diluted weighted average of ordinary shares calculation because their effect would have been anti-dilutive.

8.7 Share based payments

On September 30, 2020, the Annual General Meeting of Vivoryon approved the creation of a Stock Option Program 2020.

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

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

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

On December 04, 2020, 473,550 stock options were issued to the executive members of the Board of Directors. Each director (Dr. Ulrich Dauer and Dr. Michael Schaeffer) received 236,775 options.

These stock options have a fair value of EUR 6,41 per option. This corresponds to a total fair value of EUR 3,035 thousand.

In addition to the new stock option program 2020, there has been another outstanding stock option program in place since 2014. Under this stock option program options were issued in the years 2014 to 2017.

The key terms and conditions related to the grants under the stock option program 2020 and 2014 are as follows; all options are to be settled by the physical delivery of shares.

Grant date/employees entitled	Outstanding Options	Vesting conditions	Contractual life of options
ESOP 2020			
Granted to executive members of board of directors	473,550	Graded vesting over 3-year period (33,3% each after first, second and third year)	8 years, not exercisable before lapse of 4 years
ESOP 2014			
Granted to former members of management board	314,501	Immediate vesting on date of grant for 40%, graded vesting over 3-year period (20% each after first, second and third year) period	8 years, not exercisable before lapse of 4 years
Granted to employees	94,474	Immediate vesting on date of grant for 40%, graded vesting over 3-year period (20% each after first, second and third year) period	8 years, not exercisable before lapse of 4 years

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

The inputs used in the measurement of the fair values for 2014 to 2017 and 2020 grants were:

	ESOP 2014	ESOP 2020
Fair value at grant date	EUR 4.84 – 10.70	6.41
Share price at grant date	EUR 11.97 – 24.80	8.30
Exercise price	EUR 12.55 – 23.60	6.10
Expected volatility	40% to 45%	80%
Expected life (weighted average)	2 years	8 years
Expected dividends	0%	0%
Risk free interest rate (based on government bonds)	-0.47% to 0.05%	-0.78

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

	2020		2019	
	Number of options	WAEP* EUR	Number of options*	WAEP* EUR
Outstanding at January 1	**408,975**	**18.37**	**481,748**	**17.51**
Forfeited during the year	-	-	72,773	-
Exercised during the year	-	-	-	-
Cash settlement	-	-	-	-
Granted during the year	473,550	6.10	-	-
Outstanding at December 31	**882,525**	**11.79**	**408,975**	**18.37**
Exercisable at December 31	399,375	18.51	399,375	18.51

*Weighted average exercise price

The stock options outstanding at December 31, 2020 had an exercise price in the range of EUR 6.10 to EUR 23.60 (December 31, 2019: EUR 12.55 to EUR 23.60) and a weighted-average contractual life of 5.2 years (December 31, 2019: 3 years). According to the terms and conditions of the stock option programs, exercise is not possible during specified blackout periods and subject to a performance criterion concerning the average stock price of Vivoryon shares during the twenty days before exercise.

In 2020 for option rights not yet vested the total expense recognized for the stock option program 2014 amounted to EUR 5 thousand (2019: EUR 5 thousand) and for the stock option program 2020 to EUR 155 thousand. These amounts were credited to other capital reserves.

8.8 Pension liabilites

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. The calculation was based on the Heubeck 2018 G mortality tables.

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

	2020	2019
Discount rate	0,55%	0,91%

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

Reconciliation of defined benefit obligation

EUR 000		Defined benefit obligation			Defined benefit obligation
As of January 1, 2020		**1,751**	**As of January 1, 2019**		**1,644**
Interest expense (+) / income (-)		16	Interest expense (+) / income (-)		26
Benefit payments		(77)	Benefit payments		(76)
Actuarial gains (-)/ losses (+)		93	Actuarial gains (-)/ losses (+)		157
- Changs in financial assumptions	79		- Change in financial assumption	146	
- Change in demographic assumption	-		- Change in demographic assumption	-	
- Experience adjustments	14		- Experience adjustments	11	
As of December 31, 2020		**1,783**	**As of December 31, 2019**		**1,751**

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

- Interest rate – 0.5%: Increase of the DBO by EUR 120 thousand (December 31, 2019: EUR 119 thousand)
- Interest rate + 0.5%: Decrease of the DBO by EUR 109 thousand (December 31, 2019: EUR 108 thousand)

In the reporting period, interest expenses in the amount of EUR 16 thousand (2019: EUR 26 thousand) associated with defined benefit obligations were recognized in the statement of profit and loss and other comprehensive income.

The weighted average duration of the pension commitments is 12.7 years (December 2019: 12.8 years).

8.9 Pension liabilities – pension commitment using the provident fund

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

This pension liability was calculated using a discount rate of 0.82% and amounts to EUR 198 thousand as of December 31, 2020 (December 31, 2019: 1,07% and EUR 201 thousand).

8.10 Other current liabilities

EUR 000	December 31, 2020	December 31, 2019
Salaries and wages	137	110
Associated wages costs	40	128
Post-contractual payments	77	-
Others	22	50
Total	**276**	**288**

9 Other disclosures

9.1 Disclosures on financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. The table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

EUR 000	Carrying amount		Fair value			
	FVTPL	Financial assets at amortised cost	Level 1	Level 2	Level 3	Total
December 31, 2020						
Other non-current financial assets	-	3	-	-	-	-
Cash and cash equivalents	-	26,306	-	-	-	-
Trade payables	-	911	-	-	-	-
December 31, 2019						
Other non-current financial assets	-	3	-	-	-	-
Cash and cash equivalents	-	41,524	-	-	-	-
Trade payables	-	539	-	-	-	-

9.2 Contingencies and other financial commitments

The total of the other financial commitments as of December 31, 2020 was EUR 5,441 thousand and consist of services by research and development service providers as well as service and consulting commitments. Of these commitments, EUR 5,363 thousand is due within one year.

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.

9.3 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

Transactions with key management personnel

The total amount of compensation paid to key management personnel for the year is EUR 926 thousand (2019: 982 thousand), and is specified below on an individual level.

The remuneration of the executive members of the Board of Directors comprised:

EUR 000	Dr. Ulrich Dauer, CEO	
	2020	**2019**
Fixed compensation	240	240
Fringe benefits	5	5
Total fixed compensation	**245**	**245**
Annual performance-based compensation	60	55
Share-base payment –stock options	78	-
Variable compensation for the previous year	-	35
Carve-out incentive after capital increase	-	195
Total variable compensation	**138**	**285**
Direct Insurance	-	-
Total compensation	383	530

EUR 000	Dr. Michael Schaeffer, CBO	
	2020	**2019**
Fixed compensation	220	220
Fringe benefits	5	4
Total fixed compensation	225	224
Annual performance-based compensation	40	37
Share-base payment –stock options	78	-
Variable compensation for the previous year	-	32
Carve-out incentive after capital increase	-	49
Total variable compensation	118	118
Direct Insurance	5	5
Total compensation	348	347

Obligations for contributions to defined contribution plans are expensed as the related service is provided.

The amount of EUR 100 thousand (annual performance-based compensation) wasn´t paid but accrued (2019: EUR 92 thousand) for the executive management.

The remuneration of the non-executive Board of Directors comprised of:

EUR 000	2020	2019
Short-term benefits		
Dr. Erich Platzer	60	40
Dr. Dinnies von der Osten	45	30
Ms. Charlotte Lohmann	45	35
Dr. Jörg Neermann	45	-
Total	**195**	**105**

In addition to the fixed base renumeration the Non-Executive Directors Dr. Dinnies von der Osten, Ms. Charlotte Lohmann and Dr. Jörg Neermann received an additional annual fixed remuneration of EUR 5 thousand. For details see 7.4 ‘Remuneration for Non-Executive Directors’ of the Board Report.

9.4 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 VIVIAD study. 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).

9.5 Subsequent events

On January 29, 2021, the Board of Vivoryon Therapeutics N.V. invited all Shareholders to a virtually held Extraordinary General Meeting of Shareholders on Friday, March 12, 2021. The key agenda items for the EGM included the re-appointment of Dr. Ulrich Dauer as executive member of the Board with the title of Chief Executive Officer, the appointment of Mr. Florian Schmid as executive member of the Board with the title of Chief Financial Officer, and (confirmation of) the appointment of the external Auditor for the Financial Year 2020. Some uncertainty had arisen whether the appointment - when Vivoryon Therapeutics

still had the legal form of a German AG - of KPMG Accountants N.V. in the Netherlands to audit the annual accounts of Vivoryon as a Dutch N.V. for the financial year 2020 had been validly made. Therefore, the Board proposed to confirm the appointment of, and to the extent required to appoint, KPMG Accountants N.V. in Amstelveen to audit the annual accounts of Vivoryon for the financial year 2020. The shareholders approved all these resolutions proposed by the Board with a large majority.

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

Signature page to the annual report of Vivoryon Therapeutics N.V. for the financial year ended December 31, 2020.

By signing this signature page, the annual report of Vivoryon Therapeutics N.V. for the financial year ended December 31, 2020, is approved.

_____	_____
Dr. Ulrich Dauer	Dr. Michael Schaeffer
_____	_____
Florian Schmid	Dr. Erich M. O. Platzer
_____	_____
Dr. Dinnes J. von der Osten	Charlotte Lohmann
_____	
Dr. Jörg Neermann	

OTHER INFORMATION

Provisions in the Articles of Association governing the profit appropriation

Under article 26 of the Company's Articles of Association, the Board shall determine the amount of the profits accrued in a financial year that shall be added to the reserves of the Company. The allocation of the remaining profits shall be determined by the General Meeting. The Board shall make a proposal for that purpose.

Independent auditor`s Report

The independent auditor's report is set forth on the following pages.

Independent auditor's report

To: the General Meeting of Shareholders and the Board of Non-Executive Directors of Vivoryon Therapeutics N.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Vivoryon Therapeutics N.V. as at December 31, 2020 and of its result and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the financial statements 2020 of Vivoryon Therapeutics N.V. (the 'Company') based in Amsterdam, The Netherlands.

The financial statements comprise:

1 the statement of financial position as at December 31, 2020;

2 the following statements for 2020: the statement of profit or loss and other comprehensive income, changes in shareholders equity and cash flows; and

3 the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Vivoryon Therapeutics N.V. in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Audit approach

Summary

Materiality
— Materiality of EUR 525.000 — 3,2% of loss before tax from continuing operations

Key audit matter
— Conversion Vivoryon Therapeutics AG into Vivoryon Therapeutics N.V.

Opinion
Unqualified

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 525.000. The materiality is determined with reference to loss before tax from continuing operations (3,2%). We consider loss before tax from continuing operations as the most appropriate benchmark based on our analysis of the common information needs of users of the financial statements and stakeholders of the Company. On this basis, and given the stage of the Company's research & development projects, we believe that loss before tax from continuing operations is the most relevant metric to determine materiality. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Board of Non-Executive Directors that misstatements in excess of EUR 26.000 which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Our focus on the risk of fraud and non-compliance with laws and regulations

Our objectives

The objectives of our audit with respect to fraud and non-compliance with laws and regulations are:

With respect to fraud:

— to identify and assess the risks of material misstatement of the financial statements due to fraud;

— to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate audit responses; and
— to respond appropriately to fraud or suspected fraud identified during the audit.

With respect to non-compliance with laws and regulations:

— to identify and assess the risk of material misstatement of the financial statements due to non-compliance with laws and regulations; and
— to obtain a high (but not absolute) level of assurance that the financial statements, taken as a whole, are free from material misstatement, whether due to fraud or error when considering the applicable legal and regulatory framework.

The primary responsibility for the prevention and detection of fraud and non-compliance with laws and regulations lies with the Management Board, with oversight by the Board of Non-Executive Directors. We refer to chapter 'Risk Factors' and chapter 'Nonexecutive report' of the Annual Report where the Management Board included its risk assessment and where the Board of Non-Executive Directors reflects on this assessment respectively.

Our risk assessment

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We, together with our forensics specialists, evaluated the fraud risk factors to consider whether those factors indicated a risk of material misstatement due to fraud.

In addition, we performed procedures to obtain an understanding of the legal and regulatory frameworks that are applicable to the company and we inquired Management Board and the Board of Non-Executive Directors as to whether the entity is in compliance with such laws and regulations and inspected correspondence, if any, with relevant regulatory authorities.

The potential effect of the identified laws and regulations on the financial statements varies considerably.

Firstly, the company is subject to laws and regulations that directly affect the financial statements, including taxation and financial reporting. We assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items and therefore no additional audit response is necessary.

Secondly, the company is subject to many other laws and regulations where the consequences of non-compliance could have an indirect material effect on amounts recognized or disclosures provided in the financial statements, or both, for instance through the imposition of fines or litigation. We identified the following areas as those most likely to have such an indirect effect:

— pharmaceutical and intellectual property laws and regulations.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the

business, to the Company's ability to continue its business, or to avoid material penalties and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of key management, the Board of Non-Executive Directors, and Management Board as to whether the Company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

In accordance with the auditing standards we evaluated the following presumed fraud and non-compliance risk that was relevant to our audit:

— fraud risk in relation to management override of controls.

The presumed fraud risk with regard to revenue recognition is not considered applicable as the Company does not recognize any revenue.

We communicated the identified risks of fraud and non-compliance with laws and regulations throughout our team and remained alert to any indications of fraud and/or non-compliance throughout the audit.

In our audit, we addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by management that may represent a risk of material misstatement due to fraud.

We communicated our risk assessment and audit response to management and the Audit Committee of the Board of Non-Executive Directors. Our audit procedures differ from a specific forensic fraud investigation, which investigation often has a more in-depth character.

Our response

We performed the following audit procedures (not limited) to respond to the assessed risks:

— We evaluated the design and the implementation of internal controls that mitigate fraud risks. In case of internal control deficiencies, where we considered there would be opportunity for fraud, we performed supplemental detailed risk-based testing.
— We performed data analysis of high-risk journal entries and evaluated key estimates and judgements for bias by the company, including retrospective reviews of prior year's estimates. Where we identified instances of unexpected journal entries or other risks through our data analytics, we performed additional audit procedures to address each identified risk. These procedures also included testing of transactions back to source information.
— Assessment of matters reported on the company's whistleblowing and complaints procedures with the entity and results of management's investigation of such matters.
— We incorporated elements of unpredictability in our audit.
— We considered the outcome of our other audit procedures and evaluated whether any findings or misstatements were indicative of fraud or non-compliance. If so, we re-evaluated our assessment of relevant risks and its resulting impact on our audit procedures.

— We obtained audit evidence regarding compliance with the provisions of those laws and regulations generally recognized to have a direct effect on the determination of material amounts and disclosures in the financial statements.

We do note that our audit is based on the procedures described in line with applicable auditing standards. In addition to the requirements of the auditing standards we have performed the following additional procedures:

— We obtained an understanding of the company's assessment of cyber security business risks and analyzed how the company respond to these cyber security business risks, and

— We obtained an understanding of the policies and procedures regarding compliance with pharmaceutical regulations and intellectual property laws and regulations through discussions with Management Board and Non-Executive Directors and inspection of (board) minutes.

Our procedures to address identified risks of fraud and related to non-compliance with laws and regulations did not result in a key audit matter.

We do note that our audit is not primarily designed to detect fraud and non-compliance with laws and regulations and that management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud, including compliance with laws and regulations.

The more distant non-compliance with indirect laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

Our key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the Board of Non-Executive Directors. The key audit matter is not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this key audit matter.

Conversion Vivoryon Therapeutics AG into Vivoryon Therapeutics N.V.

Description

As described in Note 1 to the financial statements under Company information, effective as of November 28, 2020, the Company operates under the registered name Vivoryon Therapeutics N.V. and has its statutory seat in Amsterdam, the Netherlands. The administrative headquarters and the business operations will remain in Germany with locations in Halle (Saale) and Munich. The Company previously operated as a German AG, with its statutory seat in Halle (Saale), Germany. As a consequence the Company has to comply with Dutch Civil Law, and had to appoint a Dutch auditor.

We identified the conversion as key audit matter due to its significance to the financial statements as it impacted multiple elements of the financial statements, amongst others the carry-over of the net operating losses and the requirements to the Other information included in the financial statements. Therefore a relative significant portion of our time spent was devoted to this matter.

Our response

Our audit procedures performed to address this key audit matter included, amongst others:

- We have obtained an understanding of the conversion by performing management and legal inquiries, inspection of board minutes and legal letters.
- We have inspected the conversion agreement to gain an understanding of the contract elements to assess the legal and accounting implications.
- We have inspected relevant reports of management experts engaged by the Company to support the conversion process.
- We evaluated and assessed the proper accounting treatment of the conversion, specifically with respect to the net operating losses.
- We assessed the adequacy of the relevant disclosure surrounding the accounts impacted by this transaction.
- We evaluated and assessed compliance with Dutch Civil Law, more specifically article 2:362(9), including the requirements related to the Other information included in the financial statements.

Our observation

The results of our procedures performed were satisfactory and we consider the disclosure to be adequate.

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information.

Based on the following procedures performed, we conclude that the other information:

— is consistent with the financial statements and does not contain material misstatements; and

— contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is less than the scope of those performed in our audit of the financial statements.

The Management Board of Vivoryon Therapeutics N.V. is responsible for the preparation of the other information, including the information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were appointed by the General Meeting of Shareholders as auditor of Vivoryon Therapeutics N.V. on March 12, 2021 for the audit of the financial statements of the financial year 2020.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audits of public-interest entities.

Description of responsibilities regarding the financial statements

Responsibilities of the Management Board and the Board of Non-Executive Directors of the Company for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the Management Board is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing Vivoryon Therapeutics N.V.'s ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial

statements using the going concern basis of accounting unless the Management Board either intends to liquidate the Vivoryon Therapeutics N.V. or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Board of Non-Executive Directors is responsible for overseeing Vivoryon Therapeutics N.V.'s financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A further description of our responsibilities for the audit of the financial statements is located at the website of de 'Koninklijke Nederlandse Beroepsorganisatie van Accountants' (NBA, Royal Netherlands Institute of Chartered Accountants) at: http://www.nba.nl/ENG_oob_01. This description forms part of our independent auditor's report

Amstelveen, April 30, 2021

KPMG Accountants N.V.

H.A.P.M. van Meel RA

GLOSSARY

A

AD – Alzheimer´s disease

Amyloid beta – Protein produced by the body that can be deposited in the brain and is associated with the development of Alzheimer's disease

Abeta – Amyloid-beta denoted peptides of 36–43 amino acids that are either soluble or main components of the insoluble amyloid plaques found in the brains of Alzheimer patients

Abeta-oligomer – Soluble molecular Abeta aggregates of variable size

Amyloid – Amyloid are insoluble fibrous protein aggregates sharing specific structural traits

B

BACE – Beta-site APP cleaving enzyme is a family of beta secretases which family includes the aspartic proteases BACE- 1 (memapsin 2, EC=3.4.23.46) and BACE-2 (memapsin 1, EC=3.4.23.45) both capable to cleave APP at the N-terminal side of the Abeta peptide. The term is often synonymously used for BACE-1

BLA - Biologic License Application

Board – The board of directors of the Company.

C

CD47 – Surface protein expressed on many cells in the human body with especially high expression levels on cancer cells

Clinical trial – Clinical trials allow safety and efficacy data to be collected for new drugs or devices; depending on the type of product and the stage of its development, investigators enroll healthy volunteers and/or patients into small pilot studies initially, followed by larger-scale studies in patients

Code – The Dutch Corporate Governance Code

CRO – Clinical Research Organization

CMO – Contract Manufacturing Organization

D

Director – A member of the Board. Unless the contrary is apparent, this shall include each Executive Director and each Non-Executive Director

DCC – The Dutch Civil Code

E

EMA – European Medicines Agency

Executive Director – An executive member of the Board.

F

FDA – Food and Drug Administration; US federal agency for the supervision of food and drugs

G

GCP – Good clinical practice; an international ethical and scientific quality standard for designing, conducting, recording and reporting trials that involve the participation of human subjects

General Meeting – The general meeting of the Company.

GLP – Good laboratory practice; a formal framework for the implementation of safety tests on chemical products

GMP – Good manufacturing practice; term for the control and management of manufacturing and quality control testing of pharmaceutical products and medical devices

I

Iso-QC – iso-Glytaminyl Cyclase or QPCTL

IFRS – International Financial Reporting Standards issued by the IASB and adopted by the EU

N

Non-Executive Director – A non-executive member of the Board.

N.V. - 'Naamloze Vennootschap', a public company with limited liability incorporated under the laws of the Netherlands

Q

QC – Glutaminyl Cylclase or QPCT

P

PQ912 – Varoglutamstat

R

Royalties – Percentage share of ownership of the Revenue generated by drug products

S

Small molecules – Low molecular compounds

Share – A share in the capital of the Company.

V

Vivoryon Therapeutics AG – Legal form under which the Company was active until November 28, 2(

Vivoryon Therapeutics N.V. – Legal form under which the Company is active since November 28, 2020