TME Pharma N.V.

(formerly known as NOXXON Pharma N.V.)

Amsterdam, The Netherlands

Annual Report 2022

Contents

Forward-looking statements

This Annual Report contains statements that constitute forward-looking statements. Forward-looking statements appear in several instances in this Annual Report and include, but are not limited to, statements regarding our intent, belief or current expectations. Forward-looking statements are based on management estimates and on management's beliefs and assumptions and on information currently available to the management. Such statements are subject to risks and uncertainties, and actual results may differ materially from those expressed or implied in the forward-looking statements due to various factors, including, but not limited to, those identified under the section "Risk Management" in this Annual Report.

Such estimates have been made in good faith and represent the current beliefs of management. Management believes that such estimates are founded on reasonable grounds. However, by their nature, estimates may not be correct or complete. These statements reflect the Company's current knowledge and its expectations and projections about future events. Many of these forward-looking statements contained in this Annual Report can be identified by the context of such statements or words such as "anticipate," "believe", "estimate", "expect", "intend", "plan", "project", "target", "may", "will", "would", "could", "might" or "should" or "potential" or similar terminology. By their nature, forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Group's control that could cause the Group's actual results and performance to differ materially from any expected future results or performance expressed or implied by any forward-looking statements. Forward-looking statements speak only as of the date they are made and the Group does not undertake any obligation to update them in light of new information or future developments or to release publicly any revisions to these statements in order to reflect later events or circumstances or to reflect the occurrence of unanticipated events.

Management report

Management of TME Pharma N.V. (in the following also the "Company") and its controlled subsidiaries (the "Group") hereby presents its consolidated and company financial statements for the financial year ended on 31 December 2022.

General information

Overview

TME Pharma N.V. is a Dutch public company with limited liability (*naamloze vennootschap*) and has its corporate seat in Amsterdam, The Netherlands and its headquarters in Berlin, Germany. NOXXON Pharma N.V. changed its name to TME Pharma N.V. on 11 July 2022 to reflect its evolution into an oncology biotech focused on therapeutics targeting the tumor microenvironment, or TME. The statutory consolidated financial statements of TME Pharma N.V. as of and for the year ended 31 December 2022 comprise the Company and its wholly owned and / or controlled subsidiaries, TME Pharma AG (formerly known as NOXXON Pharma AG), Berlin, Germany and TME Pharma Inc. (formerly known as NOXXON Pharma Inc.), Norwalk, CT, United States. The Company's ordinary shares are listed under the symbol "ALTME" with ISIN NL0015000YE1 on the public offering compartment of the Euronext Growth stock exchange Paris, France. In connection with the corporate name change the ticker symbol was changed from "ALNOX" to "ALTME" and the ISIN was changed from NL0012044762 to NL0015000YE1 on the share consolidation execution date on 28 July 2022. TME Pharma N.V. is a management holding company providing corporate, legal and administrative services, financial and business advice and asset management to its German subsidiary TME Pharma AG.

The Company's business address is in Berlin, Germany, with the address of Max-Dohrn-Str. 8-10, 10589 Berlin.

The Group is a clinical-stage biopharmaceutical group that has generated a proprietary product pipeline targeting the tumor microenvironment and focuses on the significant improvement in the effectiveness of cancer therapies. Its product candidates – NOX-A12 and NOX-E36 – are based on a new class of drug first developed by TME Pharma called "Spiegelmers®", which the Group believes offer specific advantages over other drug classes. In various Phase 1 and 2 clinical trials conducted by TME Pharma involving over 3,500 administrations to over 400 human subjects, Spiegelmer drugs have so far shown to be biologically active and generally well tolerated and with safety profiles that support further development. Currently, the Group has retained all worldwide rights to its clinical-stage product candidates, although it has entered and may continue to enter into licensing agreements, collaborations and partnering discussions on its assets.

The Group advanced its lead program GLORIA, Phase 1/2 dose-escalation study of NOX-A12 in first-line brain cancer (glioblastoma) patients in combination with radiotherapy, or radiotherapy plus anti-VEGF therapy[1], conducted at six sites in Germany. Data was presented by the principal investigator of the clinical trial, Dr. Frank Giordano, at two high-profile cancer conferences in the US, the American Society of

[1] Bevacizumab is an anti-VEGF (Vascular Endothelial Growth Factor) antibody originally developed by Roche/Genentech under the brand name Avastin.

Clinical Oncology (ASCO) Annual Meeting in June 2022 and the Society for Neuro-Oncology (SNO) Annual Meeting in November 2022.

Comparing the results from patients treated with NOX-A12-containing regimens with those achieved by patients receiving radiotherapy + chemotherapy, the standard of care, suggests that significant clinical benefit could be achieved for brain cancer patients with NOX-A12 combinations. In response to the emerging positive data the Group has decided to focus its strategy, capabilities and resources for the advancement of the glioblastoma program.

Therapy	**Patients with any tumor size reduction as measured by MRI**	**Patients with ≥50% reduction in tumor size as measured by MRI (radiographic partial response)**
Standard of care (radiochemotherapy) historical control arm (n=20)*	25%	10%
NOX-A12 + radiotherapy (n=10)*	90%	40%
NOX-A12 + radiotherapy + anti-VEGF (n=6)**	100%	100%

* Giordano (2022) ASCO Annual Meeting Presentation #2050,

** Giordano (2022) SNO Annual Meeting Poster Presentation #CTNI-67 & TME Pharma Press Release from 19 Nov 2022

NOX-A12 has been also studied in pancreatic cancer, where a Phase 1/2 study reported encouraging top-line results warranting further development. The protocol of the planned Phase 2 OPTIMUS trial of NOX-A12 in second-line pancreatic cancer has been fully approved in France and Spain and is under discussion with the regulatory authorities in the US to open its first investigational new drug application (IND). The Group leads preparations such that the trial could be initiated rapidly when the required financial resources become available.

The Group's second clinical stage asset, NOX-E36 is a clinical stage asset ready for Phase 2 trials in oncology that has already been administered in 175 human subjects. NOX-E36 targets the tumor microenvironment (TME) by modifying the innate immune system, specifically highly immunosuppressive cells that contribute to the cancer's ability to evade the immune system. TME Pharma plans to resume clinical studies of NOX-E36 in solid tumor in collaboration with clinical researchers as part of an investigator-initiated trial (IIT) when required financial resources become available.

On 31 December 2022, the Group had cash resources of € 4.6 million. The Group successfully raised € 7.5 million in cash during the financial year 2022 through the Atlas Special Opportunities (ASO) financing vehicle and the exercise of outstanding warrants and their subsequent conversion to shares. The flexible convertible bond agreement with ASO, initially disclosed on 23 April 2020, and amended on 14 October 2020 and on 29

December 2021, has been further amended on 18 May 2022 to adjust the remaining capacity to € 20.52 million, divided into nineteen equal tranches of € 1.08 million (nominal), modify the conversion conditions back to those of the original agreement in April 2020, and as of 01 July 2022 provide for more flexible conditions at the Company's discretion on the following two drawdowns by waiving market liquidity and capitalization conditions.

Subsequent to 31 December 2022, the Company raised €2 million as part of a transaction that involved € 1.00 million in equity financing (gross) from a group of new investors and a € 1.08 million convertible bond financing (nominal) under the ASO agreement which has been further amended on 17 April 2023. ASO also converts €2 million convertible bonds into shares as part of the transaction at the same price per share as the new investors, thus aligning the financial interests of all investors in this transaction. Importantly, this €2 million financing is innovatively structured to remove pressure on the share price through the upcoming clinical datapoints by placing all newly created shares under a soft lock-up for 6 months, and also locking up remaining convertible bonds during this period. In addition, the Company has committed not to draw any further tranches from the ASO convertible bond vehicle and the agreement with ASO is terminated other than with regard to the convertible bonds held by ASO following the transaction.

Upon conversion of the currently outstanding ASO convertible bonds to shares, the capital structure of the Company will free of warrants and other derivative-like structures other than the Company's Stock Option Plan.

The current budget projects a cash requirement of approximately €575k per month in 2023 to allow the Group to continue the ongoing GLORIA brain cancer trial expansion arm with NOX-A12 in combination with radiotherapy and bevacizumab in order to generate more mature survival data. When additional financing becomes available, this will be used to prepare for and execute the next steps of clinical development in brain cancer.

Management is actively pursuing various financing alternatives in parallel to meet the Group's future cash requirements, including seeking additional investors, pursuing strategic partnerships, obtaining further funding from existing investors through additional funding rounds, and pursuing a merger or an acquisition. While management is confident to be able to raise additional capital and its preference is to do so via private placement of shares to long-term investors or strategic partnerships, recent public market conditions have remained challenging due to macroeconomic conditions and geopolitical events having a significant impact on the alternatives available to the Company and making it difficult to obtain financing from these preferred sources.

As of the date of this report, the Group has one member of the Management Board and 13 employees.

Financial information

Key Factors Affecting Consolidated Results of Operations and Financial Condition of the Group

The Group believes that the following factors have had and will continue to have a material effect on its consolidated results of operations and financial condition.

Revenues

The Group does not expect to generate any revenues from any product candidates that it develops until the Group either signs a licensing agreement or obtains regulatory approval and commercializes its products or enters into collaborative agreements with third parties.

Other operating income

Other operating income results from the derecognition of liabilities and other income.
In the future, the Group may receive other operating income through grants from several public institutions and state-owned organizations to support specific research and development projects and to support investments in required capital equipment, primarily machinery and laboratory equipment.

Research and development expenses

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

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

Research and development costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to reliably measure the expenditure during development.

In the opinion of management, due to the regulatory and other uncertainties inherent in the development of TME Pharma's products, the criteria for development costs to be recognized as an asset, as prescribed by IAS 38 (Intangible Assets) are not met until the product has received regulatory approval and when it is probable that future economic benefits will flow to the Group. Accordingly, the Group has not capitalized any development costs since its inception.

Research and development activities are the primary focus of the Group's business. Product candidates in later stages of clinical development generally have higher development costs than those in earlier stages of clinical development, primarily due to the increased size and duration of later-stage clinical trials. In general, the Group expects that its research and development expenses will increase in absolute terms in future periods as the Group continues to invest in research and development activities related to developing its pipeline product candidates, and as programs advance into later stages of development and the Group enters into larger clinical trials. The process of conducting the necessary clinical research to obtain regulatory approval is costly and time consuming and the successful development of the Group's product candidates is highly uncertain.

General and administrative expenses

General and administrative expenses consist principally of salaries and related costs for personnel in executive and finance functions, such as salaries, social security contributions, benefits, and share-based compensation. Other general and administrative expenses include legal and consulting expenses related to the preparation of financing transactions, facility costs not otherwise included in research and development expenses, professional fees for legal services, patent portfolio maintenance, consulting, cost associated with maintaining compliance with listing rules and compliance requirements as a result of being a publicly traded company, auditing and accounting services, remuneration for the Supervisory Board, restructuring costs, benefits settled in cash and equity and travel expenses.

Foreign exchange result (net)

Foreign exchange gains and losses comprise unrealized and realized foreign exchange gains and losses incurred by purchases of research and development materials and clinical trial services denominated in a currency other than euro.

Finance income

Finance income includes gains from the derecognition of derivative financial liabilities and fair value adjustments of derivative financial instruments in connection with the Group's financing activities.

Finance cost

Finance cost includes effects from the recognition of hybrid instruments and derivative financial liabilities in connection with the financing of the Group, effects from warrants exercised, fair value adjustments of warrants issued and outstanding, derecognition of financial liabilities and recognition of equity resulting from contractually agreed conversions of convertible notes into ordinary shares of the Company and interest expense on lease liabilities of the Group. Interest expense is recognized using the effective interest method.

Consolidated Statements of Comprehensive Loss

The following table provides an overview of the Group's results of operations for the periods presented:

	For the fiscal year ended 31 December	
	2022	2021
	(in € thousands, unless otherwise indicated) (audited)	
Other operating income	34	82
Research and development expenses	(8,148)	(10,657)
General and administrative expenses	(3,882)	(2,876)
Foreign exchange result (net)	(33)	184
Loss from operations	**(12,029)**	**(13,267)**
Finance income	303	319
Finance cost	(3,400)	(1,504)
Loss before income tax	**(15,126)**	**(14,452)**
Income tax	**(7)**	**(1)**
Net loss	**(15,133)**	**(14,453)**
Net loss – attributable to:		
Owners of the Company	**(15,132)**	**(14,452)**
Non-controlling interest	**(1)**	**(1)**
Loss per share (in €) (basic and diluted) *	**(12,86)**	**(21,90)**

* Number of ordinary shares was adjusted for the share consolidation consummated in July 2022, refer to Note 8 and 15 of the consolidated financial statements.

Comparison of the Fiscal Years Ended 31 December 2022 and 2021

Other operating income

Other operating income decreased 59% from K€ 82 in the Fiscal Year 2021 to K€ 34 in the Fiscal Year 2022.

in thousands of €	**2022**	**2021**
Sale of raw materials and services provided	0	33
Derecognition of benefits waived and derecognition of liability	18	10
Other income	16	39
Total	**34**	**82**

Other operating income decreased on an overall basis and resulted mainly from reduction of sale of raw materials and services provided as well as other income, partly offset by higher derecognition gains of benefits waived and derecognition of a liability.

Research and development expenses

in thousands of €	**2022**	**2021**
Costs for drug manufacturing, service fees and other costs related to clinical trials and preclinical testing	6,182	9,054
Personnel expenses	1,098	1,004
Patent costs and consulting services	726	481
Other	142	118
Total	**8,148**	**10,657**

Research and development expenses decreased 24% from K€ 10,657 in the Fiscal Year 2021 to K€ 8,148 in the Fiscal Year 2022. The decrease in research and development expenses in 2022 compared to 2021 is mainly driven by lower costs associated with clinical trials, including costs for drug manufacturing, service fees and other costs related to clinical trials and preclinical testing, partly offset by increased patent costs and consulting services, personnel expenses and other expenses. Personnel expenses include non-cash share-based payment expenses amounting to K€ 201 in 2022 and K€ 166 in 2021. Adjusting for these non-cash share-based payment expenses, the personnel expenses reached K€ 897 in 2022 and K€ 838 in 2021.

General and administrative expenses

in thousands of €	**2022**	**2021**
Personnel expenses	1,955	1,611
Legal, consulting and audit fees	1,102	680
Public and investor relations and related expenses	355	270
Other	470	315
Total	**3,882**	**2,876**

General and administrative expenses increased 35% from K€ 2,876 in the Fiscal Year 2021 to K€ 3,882 in the Fiscal Year 2022. The increase in general and administrative expenses in 2022 is mainly driven by higher personnel expenses as well as higher legal, consulting and audit fees. In addition, public and investor relations expenses and other expenses increased compared to 2021. Personnel expenses include non-cash share-based payment expenses amounting to K€ 388 in 2022 and K€ 309 in 2021. When such non-cash share-based payment expenses are not taken into account, the personnel expenses are K€ 1,567 in 2022 and K€ 1,302 in 2021.

Foreign exchange result (net)

Foreign exchange result (net) decreased from K€ 184 (gain) in the Fiscal Year 2021 to K€ 33 (loss) in the Fiscal Year 2022 due to higher unrealized foreign exchange losses on cash balances denominated in currencies other than euro.

Finance income

The finance income in the Fiscal Year 2022 and 2021 is non-cash finance income. Finance income decreased from K€ 319 in the Fiscal Year 2021 to K€ 303 in the Fiscal Year 2022. Finance income in 2022 resulted from the derecognition of conversion rights in connection with the ASO financing upon conversion of the bonds. In 2021, finance income of K€ 303 resulted from the derecognition of conversion rights in connection with the ASO financing upon conversion of the bonds and of K€ 38 relating to the fair value adjustments of detachable warrants issued to Yorkville.

Finance cost

Finance cost increased from K€ 1,504 in the Fiscal Year 2021 to K€ 3,400 in the Fiscal Year 2022.

Finance cost in the Fiscal Year 2022 and 2021 is non-cash finance cost, except for transaction costs of K€ 122 in 2022 and K€ 47 in 2021 borne by the Group in conjunction with its issuance of convertible bonds as well as K€ 11 in 2022 and K€ 2 in 2021 relating to interest expense for lease liabilities.

Finance cost in the Fiscal Year 2022 and 2021 of K€ 3,350 and K€ 1,047 relate to the ASO facility (contractually entered into in 2020) and reflect losses on initial recognition of convertible bonds, conversion losses and conversion right derivatives as well as transaction costs. Further, finance cost in the Fiscal Year 2022 and 2021 of K€ 39 and K€ 455 relate to the exercise of warrants by Kreos, Yorkville and certain other investors.

Loss before income tax

As a result of the above factors, the Group's loss before income tax increased 5% by K€ 674 from K€ 14,452 in the Fiscal Year 2021 to K€ 15,126 in the Fiscal Year 2022.

Income Tax

Income tax expenses increased from K€ 1 in the Fiscal Year 2021 to K€ 7 in the Fiscal Year 2022.

Consolidated Statements of Financial Position

The following table provides an overview of the Group's financial position as of the dates presented:

	As of 31 December	
	2022	2021
	(in € thousands) (audited)	
ASSETS		
Intangible assets	4	4
Equipment	47	47
Right-of-use assets	174	19
Financial assets	5	5
Total non-current assets	**230**	**75**
Other assets	377	209
Financial assets	0	28
Cash and cash equivalents	4,634	9,456
Total current assets	**5,011**	**9,693**
Total assets	**5,241**	**9,768**
EQUITY AND LIABILITIES		
Equity		
Subscribed capital	**1,739**	**746**
Additional paid-in capital	184,839	176,461
Accumulated deficit	(187,635)	(172,503)
Cumulative translation adjustment	8	5
Treasury shares	(223)	(194)
Equity attributable to owners of the Company	**(1,272)**	**4,515**
Non-controlling interest	-	(13)
Total equity	**(1,272)**	**4,502**
Liabilities		
Lease liabilities	67	0
Total non-current liabilities	**67**	**0**
Financial liabilities	4,141	2,505
Lease liabilities	112	21
Trade accounts payable	1,695	2,235
Other liabilities	498	505
Total current liabilities	**6,446**	**5,266**
Total equity and liabilities	**5,241**	**9,768**

Assets

The Group's total non-current assets include intangible assets, equipment, right-of-use assets, and financial assets. Total non-current assets increased from K€ 75 as of 31 December 2021 to K€ 230 as of 31 December 2022 as a result of an increase of right-of-use assets due to the commencement of a new real estate lease in July 2022.

The Group's total current assets consist of its cash and cash equivalents in cash balances, other assets and financial assets. As of 31 December 2022, the Group's cash and cash equivalents amounted to K€ 4,634. As of 31 December 2021, financial assets consist of invested interest-bearing rental deposits related to the Group's operating lease agreements. Other assets correspond to prepaid expenses consisting for insurance and service contracts, the Groups liquidity account, claims against local tax authorities for value added tax (VAT) on supplies and services received.

The movements in total current assets from 31 December 2021 to 31 December 2022 primarily relate to a decrease in cash and cash equivalents by K€ 4,822 from K€ 9,456 to K€ 4,634 as a result of continued research and development activities exceeding financing activities.

Equity

This section should be read in conjunction with Note 8 of the consolidated financial statements with respect to the share consolidation consummated in July 2022.

The Group's total equity includes its subscribed capital, additional paid-in capital, accumulated deficit and treasury shares.

As of 31 December 2022, the subscribed capital of the Company amounts to K€ 1,739 (prior year: K€ 746) and is divided into 1,739,335 ordinary shares (prior year: 746,015) with a nominal value of € 1.00.

The annual general meeting on 29 June 2022 approved resolutions increasing the authorized share capital of the Company from € 2,500,000 divided into 250,000,000 ordinary shares, each with a nominal value of € 0.01 (as of 29 June 2022 prior to the share consolidation becoming effective) to € 4,850,000, divided into 3,500,000 ordinary shares and 1,350,000 preference shares, each with a nominal value of € 1.00 (after the share consolidation becoming effective on 27 July 2022). If the Company's issued and paid-up preference share capital amounts to € 1,250,000, comprised of 1,250,000 preference shares, the authorized capital automatically increases to € 11,000,000, divided into 6,750,000 ordinary shares and 4,250,000 preference shares, each with a nominal value of € 1.00. If the Company's issued and paid-up ordinary share capital amounts to € 3,250,000, comprised of 3,250,000 ordinary shares, the authorized capital automatically increases to € 16,000,000, divided into 11,500,000 ordinary shares and 4,500,000 preference shares, each with a nominal value of € 1.00.

The change in equity from 31 December 2021 to 31 December 2022 results from the following transactions:

In 2022, the Company issued an aggregate of 993,320 ordinary shares and raised € 7.5 million (excluding transaction costs incurred of € 0.1 million) in connection with the following financing transactions:

- Issuance of 11,054 ordinary shares to Yorkville through the exercise of 41,778 warrants (cash inflow of K€ 85 as consideration received for ordinary shares), and
- Issuance of 982,266 ordinary shares against conversion of 6,650 convertible bonds (comprising of 2,419 convertible bonds outstanding on 31 December 2021 and 4,231 convertible bonds out of 8,138 convertible bonds issued in 2022) against net cash inflow in 2022 of K€ 7,431) with a nominal amount of € 1,000 per each convertible bond.

As a result, additional subscribed capital of K€ 993 and additional paid-in capital of K€ 7,817 were recognized less issuance costs of K€ 14.

The total equity as of 31 December 2022 amounted to a negative equity of K€ 1,272 and consisted of subscribed capital of K€ 1,739, additional paid-in capital of K€ 184,839, an accumulated deficit of K€ 187,635, a cumulative translation adjustment of K€ 8 and treasury shares amounting to K€ 223. The Group's own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Due to a capital reduction and concurrent capital increase of TME Pharma AG, resolved in November 2022, TME Pharma N.V. holds 100.0% of the shares of TME Pharma AG as of 31 December 2022. Non-controlling interest of K€ 14, after an increase of K€ 1 reflecting net losses attributable to such non-controlling interest in 2022 prior to the capital reduction and concurrent capital increase, was recognized in additional paid-in capital, as no non-controlling interest was reacquired or paid for.

Liabilities

Non-current liabilities consist of lease liabilities in conjunction with the recognition of right-of-use assets increased from nil as of 31 December 2021 to K€ 67 as of 31 December 2022.

The Group's total current liabilities include financial liabilities, lease liabilities, trade accounts payable and other liabilities. Current liabilities increased from K€ 5,266 as of 31 December 2021 by K€ 1,180 to K€ 6,446 as of 31 December 2022 mainly as a result of the increase of convertible bonds outstanding amounting to K€ 3,907 (prior year: K€ 2,419) in connection with the ASO convertible bonds financing and the fair value of the related bifurcated compound embedded derivative amounting to K€ 234 (prior year: K€ 86), partly offset by the decrease in trade accounts payable and other liabilities.

Trade accounts payable decreased from K€ 2,235 as of 31 December 2021 to K€ 1,695 as of 31 December 2022 in the course of the decreased research and development activities. Other liabilities decreased from K€ 505 of 31 December 2021 to K€ 498 as of 31 December 2022 and lease liabilities in conjunction with the recognition of right-of-use assets increased from K€ 21 as of 31 December 2021 to K€ 112 as of 31 December 2022.

Events After the Consolidated Statement of Financial Position Date as of 31 December 2022

For Events After the Consolidated Statement of Financial Position Date as of 31 December 2022 we refer to Note 20 of the consolidated financial statements of TME Pharma N.V.

Liquidity and Capital Resources

Overview

The Group's liquidity requirements primarily relate to the funding of research and development expenses, general and administrative expenses, capital expenditures and working capital requirements. To finance its research and development activities the Group raised funds from several sources including its shareholders through the issuance of convertible bonds and equity.

Cash flows

The following table provides an overview of the Group's cash flows for the periods presented:

	For the fiscal year ended 31 December	
	2022	**2021**
	(in € thousands, audited)	
Net cash used in operating activities	(12,143)	(12,381)
Net cash used in investing activities	(21)	(14)
Net cash provided by financing activities	7,285	11,498
Net change in cash and cash equivalents	**(4,879)**	**(897)**
Cash at the beginning of the fiscal year	**9,456**	**10,304**
Effect on movements in exchange rates on cash held	57	49
Cash at the end of the fiscal year	**4,634**	**9,456**

Net cash used in operating activities

Net cash used in operating activities reflects the Group's results for the period adjusted for, among other things, depreciation and amortization expense, finance income and finance cost, share -based compensation, other non-cash transactions and changes in operating assets and liabilities.

Net cash used in operating activities was mainly derived from the net losses generated in the respective periods, which in turn is mainly driven by the research and development as well as the general and administrative expenses incurred. Research and development expenses vary over time dependent on the development stage of each clinical program and the activities related to those clinical programs.

The decrease in net cash used in operating activities from K€ 12,381 in the Fiscal Year 2021 to K€ 12,143 in the Fiscal Year 2022 was mainly a result of the decrease in the loss from operations, partly offset by a decrease of trade accounts payable and other liabilities.

Net cash used in investing activities

The increase in net cash used in investing activities from K€ 14 in the Fiscal Year 2021 to K€ 21 net cash used in investing activities in the Fiscal Year 2022 is due to increased purchases of equipment.

Net cash provided by financing activities

Net cash provided by financing activities in 2022 reflects proceeds from the issuance of convertible bonds and the related transaction costs and exercise of warrants, partly offset by payments for lease liabilities (including interest paid) recognized in accordance with IFRS 16 which are presented in cash flows used in financing activities.

The decrease in net cash provided by financing activities from K€ 11,498 in the Fiscal Year 2021 to K€ 7,285 in the Fiscal Year 2022 was mainly due to lower proceeds from the issuance of ordinary shares of the Company in the amount of K€ 85 in the Fiscal Year 2022 compared to K€ 7,219 from the issuance of ordinary shares in the Fiscal Year 2021, partly offset by higher proceeds from the issuance of convertible bonds of the Company in the amount of K€ 7,431 in the Fiscal Year 2022 and K€ 4,371 in the Fiscal Year 2021.

Capital expenditures

The following table sets forth the Group's capital expenditures for the periods presented:

	For the fiscal year ended December 31,	
	2022	**2021**
	(in € thousands) (audited, unless otherwise indicated)	
Purchase of equipment	(21)	(14)
Net capital expenditures (unaudited)	**(21)**	**(14)**

The principal capital expenditures in the relevant period were primarily related to, and future capital expenditures are expected to primarily relate to, investments for office equipment and information technology.

Commitments and Contingencies

For Commitments and Contingencies we refer to Note 17 of the consolidated financial statements of TME Pharma N.V.

Key Factors Affecting Results of Operations and Financial Condition of the Company

The Company believes that the following factors have had and will continue to have a material effect on the Company's results of operations and financial condition.

Comparison of the Fiscal Years Ended 31 December 2022 and 2021

Revenues

The Company has generated revenues from its management holding services since 1 October 2017. For the period through 31 December 2022 and 2021, the Company has generated K€ 1,854 and K€ 1,481 of intra-group revenues related to service agreements in respect of certain management consultancy services, respectively.

Research and development expenses

Research and development expenses consist of costs incurred that are directly attributable to the development of the Group's platform technology and product candidates. Those expenses include salaries for research and development related activities, including management benefits and expenses for share-based compensation; other expenses directly attributable to the development of the Group's product candidates and preclinical pipeline.

Research and development expenses decreased from K€ 163 in the Fiscal Year 2021 to K€162 in the Fiscal Year 2022.

General and administrative expenses

General and administrative expenses consist principally of salaries and related costs for personnel in executive and finance functions, such as salaries, social security contribution, benefits, and share-based compensation, which were partly incurred in connection with an intra-group agreement between TME Pharma N.V. and TME Pharma Inc. Other general and administrative expenses include legal and consulting expenses related to the preparation of financing transactions, professional fees for legal services, consulting, cost associated with maintaining compliance with listing rules and compliance requirements as a result of being a publicly traded company, auditing and accounting services, remuneration for the Supervisory Board, restructuring costs, benefits settled in cash and equity, facility costs, and travel expenses.

General and administrative expenses increased from K€ 2,697 in the Fiscal Year 2021 to K€ 3,617 in the Fiscal Year 2022. This increase in general and administrative expenses is mainly driven by higher personnel expenses, partly incurred in connection with an intra-group agreement between TME Pharma N.V. and TME Pharma Inc. In addition, public and investor relations expenses and legal, consulting and audit fees as well as other expenses increased compared to 2021.

Finance income and finance cost

The finance income in the Fiscal Year 2022 and 2021 is non-cash finance income. Finance income decreased from K€ 319 in the Fiscal Year 2021 to K€ 303 in the Fiscal Year 2022. Finance income in 2022 resulted from the derecognition of conversion rights in connection with the ASO financing upon conversion of the bonds. In 2021, finance income of K€ 303 resulted from the derecognition of conversion rights in connection with the ASO financing upon conversion of the bonds and of K€ 38 relating to the fair value adjustments of detachable warrants issued to Yorkville.

Finance cost increased from K€ 1,504 in the Fiscal Year 2021 to K€ 3,400 in the Fiscal Year 2022. Finance cost in the Fiscal Year 2022 and 2021 is non-cash finance cost, except for transaction costs of K€ 122 in 2022 and K€ 47 in 2021 borne by the Group in conjunction with its issuance of convertible bonds and K€ 11 in 2022 and K€ 2 in 2021 relating to interest expense for lease liabilities.

Finance cost in the Fiscal Year 2022 and 2021 of K€ 3,350 and K€ 1,047 relate to the ASO facility (contractually entered into in 2020) and reflect losses on initial recognition of convertible bonds, conversion losses and conversion right derivatives as well as transaction costs. Further, finance cost in the Fiscal Year 2022 and 2021 of K€ 39 and K€ 455 relate to the exercise of warrants by Kreos, Yorkville and certain other investors. An amount of K€ 11 (Fiscal Year 2021: nil) relate to interest expense for lease liabilities.

Net result

As a result of the above factors, the Company's net result (loss) increased by K€ 648 from K€ 14,452 (net loss) in the Fiscal Year 2021 to K€ 15,134 (net loss) in the Fiscal Year 2022. This increase is due to an increase of predominantly non-cash finance result (net) of K€ 1,914 and increased loss from operations of K€ 700, partly offset by a decrease of share in results from participating interests by K€ 1,932.

Assets

The Company's total fixed assets include office equipment, right-of-use assets and financial fixed assets. Total fixed assets increased from K€ 21 as of 31 December 2021 to K€ 464 as of 31 December 2022 as a result of an increase of right-of-use assets due to the commencement of a new real estate lease in July 2022 and the recognition of a financial fixed asset reflecting the positive equity of participating interests.

The Company's total current assets consist of its cash at bank and in hand, receivables due from group companies and other receivables. As of 31 December 2022, the Company's cash at bank and in hand amounted to K€ 2,740 (prior year: K€ 8,850). Other assets correspond to prepaid expenses consisting of insurance and service contracts, the Company's liquidity account as well as claims against local tax authorities for value added tax (VAT) on supplies and services received.

Equity

The Company's total equity includes its issued capital, share premium (treasury shares deducted), retained earnings and undistributed result.

As of 31 December 2022, the issued capital of the Company amounts to K€ 1,739 (prior year: K€ 746) and is divided into 1,739,335 ordinary shares (prior year: 746,015) with a nominal value of € 1.00. The change in equity from 31 December 2021 to 31 December 2022 results from the transactions as described in Note 8 to the consolidated financial statements of TME Pharma N.V.

The total equity as of 31 December 2022 amounted to a negative equity of K€ 1,268 compared to an equity of K€ 4,510 as of 31 December 2021.

Liabilities

The Company's total liabilities comprise non-current lease liabilities of K€ 67 in conjunction with the recognition of right-of-use assets. Current liabilities include financial liabilities of K€ 4,141 reflecting the ASO financing (bonds payable on demand and compound derivative liability), trade payables of K€ 399, other liabilities of K€ 285, lease liabilities of K€ 112 and liabilities due to group companies of K€ 65.

Events After the Company Statements of Financial Position Date as of 31 December 2022

For Events After the Company Statements of Financial Position Date as of 31 December 2022 we refer to Note 17 of the Company financial statements of TME Pharma N.V.

Commitments and Contingencies

For Commitments and Contingencies we refer to Note 17 of the consolidated financial statements of TME Pharma N.V.

Significant risks and uncertainties

Risk Management

The Group's business is exposed to specific industry risks, as well as general business risks. This risk management section provides an overview of some of the main risks and uncertainties the Group currently faces. The risk appetite of the Group is aligned with its strategy and priorities. Some of the risks and uncertainties the Group faces are outside its control, others may be influenced or mitigated. The Group has, with regards to certain of these risks, implemented or started implementing risk management procedures and protocols.

The Group's management analyzes in a continuous process the potential risks, evaluating impact and likelihood, and determining appropriate measures to mitigate and minimize these risks. The risk appetite varies across the various risk categories. The risks and unpredictability of research and development are an intrinsic aspect of the biopharmaceutical business. These risks cannot be avoided without compromising the innovative strength and the development opportunities of the Group and its programs. Therefore, the Group – as a clinical-stage biopharmaceutical company – must accept these strategic and operational risks related to the pharmaceutical business and its novel substance class Spiegelmers in order to secure the entrepreneurial chances of the Group. As these risks and uncertainties are outside of the control of the Group, the options to mitigate or to implement risk avoiding mechanisms are limited. TME Pharma acts with the full awareness that it can justify and manage these risks and – where possible and meaningful – protect itself against them. Only in this way it is possible to achieve the Group's objectives. In 2022 and 2023 to date, the risks with significant impact on the Group relate to raising additional capital to fund the Group's clinical development in accordance with its strategic planning, which requires the Group's financing alternatives to remain as flexible as possible to adapt to uncertain conditions on the macroeconomic and geopolitical fronts that affect the ability of small cap, pre-revenue biotech companies to raise financing. The financing instruments associated with financing transactions, such as convertible bonds or warrants, caused and may continue to cause dilution to the Group's shareholders.

Impact of COVID-19 on the global economy has been significantly decreasing throughout 2022 and further in early 2023. Nevertheless, TME Pharma has been monitoring closely the progress of COVID-19 and its potential impact on the operations of the Group. TME Pharma and all partners involved in the trial continued to follow the European Medicines Agency (EMA), assessments and recommendations to ensure safety of clinical trial patients, hospital staff and employees. TME Pharma has reduced risk to its employees by continuing to provide hybrid working opportunities, IT and work-place solutions to minimize risk of infection at offices.

Overall, the impact of COVID-19 on trial recruitment, the main route for value creation in the clinical process, as well as the impact on the organization and the staff has been manageable. However, delays in manufacturing outside the control of the Group occurred and may occur in the future at our service providers. If such delays are not mitigated, they could potentially result in delays of patient recruitment or interruption of treatment of patients with downstream consequences on patient health and regulatory compliance. More generally, TME Pharma has noted difficulties at several of its service providers with longer required lead-times for project initiation, difficulties obtaining manufacturing supplies, and higher rates of technical errors that need to be corrected. In addition, we have encountered in certain cases a lack of capacity to ship goods internationally under controlled conditions. We believe that this stems from the burden on service-provider staff of operating for a long period of time under COVID-19-imposed restrictions, reduced on-site staffing and global supply-chain issues. It is difficult to predict when, or to what extent, such issues may affect Group timelines in the future.

The Group is also monitoring the impact the Russia-Ukraine conflict is having and could have on its operations. While the Group has no direct activity in Ukraine or Russia, potential indirect consequences on financing and operations of the Group are being monitored and evaluated in order assess and appropriately manage these risks. However, for now and based on the currently available information, the Group does not expect the Russia-Ukraine conflict to have a material, direct impact on its operations.

The extent to which the global COVID-19 pandemic, the Russia-Ukraine conflict and recent macroeconomic factors (such as impact on global supply chains, shortage of raw materials, supplies and energy, risks of power outage, high inflation rates) impact TME Pharma's business operations will depend on future developments, which are highly uncertain and cannot be predicted. Any of these significant factors could result in a widespread health or economic crisis that could adversely affect the economies and financial markets worldwide, resulting in an economic downturn that could impact our business, financial condition and results of operations, including the ability to obtain additional funding. At times of crisis, small-cap (European) biotech companies such as TME Pharma have experienced and may experience in the future 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 types and less volatile investments. A trend of decreasing share price and volumes reduces the attractiveness of TME Pharma'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. 2022 and the first few months of 2023 have been one such period with an overall decreasing share price and generally low volumes during which it has been difficult to identify new sources of financing and the capacity to access existing sources such as the ASO vehicle have thus been limited.

TME Pharma's risks with significant potential impact can be grouped into the following various risk categories:

Risk Area	Description of Risk	Mitigation and Control
Strategic risks	Biopharmaceutical product development is a lengthy, high-risk undertaking and involves a substantial degree of uncertainty relating to the success of a therapeutic approach and the rapidly changing competitive environment.	The Group plans to develop and commercialize those product candidates that the Group believes have a clear clinical and regulatory approval pathway and that the Group believes it can commercialize successfully, if approved. The Group also remains in contact with a wide range of relevant experts to optimize its chance of success and remain up to date with potentially competitive approaches.
	The regulatory approval processes of the FDA, EMA and comparable foreign authorities are time consuming, costly and unpredictable, and the Group ultimately may be unable to obtain regulatory approval for its product candidates in pursued indications.	The Group was granted with orphan drug designations and can benefit from an enhanced and improved interaction with regulators in the US and EU potentially reducing regulatory approval risk.
	The limited pipeline of product candidates may lead to increased risks for the Group in the event of project failures.	Subject to availability of financial resources, the Group evaluates development of a broad pipeline of indications and combination partners for its product candidates to allow the Group to potentially avoid being too dependent on the success of one indication.
Operational risks	The Group's product candidates may suffer from insufficient safety and/or efficacy profiles to enable their further development, registration and commercialization.	Subject to availability of financial resources, the Group aims to spread risks of its product candidates by developing a broad pipeline of indications and combinations.
	The Group expects to continue to rely on third parties, in relation to the manufacturing, storage and shipment of drug product and Clinical Research Organizations to conduct its clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, the Group's research and development efforts and business, financial condition and results of operations could be materially adversely affected.	The Group endeavors to build and maintain relationships with service providers, medical experts in fields related to the Group's product candidates in order to increase awareness around the existence of the Group's product candidates and its clinical trials. Third party contractor selection and management are subject to the Group's quality management system.
	The Group's future growth and ability to compete depends on retaining its key personnel and recruiting additional qualified personnel. The loss of key managers and senior scientists could delay the Group's research and development activities.	The Group offers competitive remuneration packages and share based incentives in the form of its employee stock option plan.
	The Group relies on patents and other intellectual property rights to protect its product candidates, the enforcement, defense and maintenance of which may be challenging and costly. Certain of the Group's patents are limited	The Group files and prosecutes patent applications to protect its product candidates and technologies.

	to certain jurisdictions. Failure to enforce or protect these rights adequately could harm the Group's ability to compete and impair its business.	In order to protect trade secrets, the Group maintains strict confidentiality standards and agreements for collaborating parties. The Group regularly monitors third party intellectual property rights within its relevant fields and jurisdictions to avoid violating any third-party rights and secures licenses to such third party rights on an as-needed basis.
	Development of the Group's product candidates may be affected by and delayed due to various infectious disease-related restrictions, geopolitical developments and macroeconomic factors or effects on manufacturing drug product, recruiting patients or auditing clinical data.	The Group has adapted its communication, planning and project management to restrictions and conditions relating to conduct of clinical development. The Group enables remote working capabilities of all key staff, assesses ability of R&D programs to advance on an ongoing basis and adapt business planning accordingly, if required.
Financial risks	The Group expects to incur losses for the foreseeable future and will need substantial additional funding in order to complete the development and commercialization of its product candidates, which may not be available on acceptable terms when needed, if at all. Raising additional capital may restrict the Group's operations or require it to relinquish rights to its technologies or product candidates.	Due to the unpredictability of the Group's business, the Group's aim is to secure a solid mid-term cash position. Its aim is to actively develop a shareholder base of mainly long-term expert investors and to diversify its non-dilutive income base via industrial collaborations and government grants.
	Raising additional capital (by convertible bond financing) may cause dilution to the Group's shareholders and dissuade other investors from providing financing to the Group. Geopolitical developments and macroeconomic factors may negatively affect markets, limit communication with investors, access to financing and impact the Group's ability to fund itself.	To mitigate the financial risks the Group also maintains disciplined cash management and regularly assesses cash need and cash availability to make informed decisions concerning upcoming commitments.
	Convertible bonds financings have caused and may cause additional dilution to the Group's shareholders.	The Group aims to minimize use of convertible bonds in future and sets criteria to carefully consider use of financing instruments with warrants or other complex dilutive instruments.
	Financial risks also relate to tax, accounting and reporting.	The Group aims for full compliance with financial reporting rules and regulations.
Compliance risks	Compliance risks relate to unintentional or unanticipated failures to comply with applicable laws and regulations.	The Group's aim is to be fully compliant with these laws and regulations with the assistance of experienced external support.

TME Pharma's risk appetite is aligned with Group's strategy and priorities and serves as a guideline for the measures to be taken. It is different for the various risk categories the Group is exposed to. The risk appetite for each of the risk categories is summarized as follows:

Strategic risk: Strategic risks (e.g., by taking opportunities) may affect the Group's strategic ambitions. The Group is prepared to take certain strategic risks, balancing the need to capture return from opportunities and manage risks. This may include investing in certain markets, in R&D in certain areas and managing the portfolio of products, in acquisitions and divestments in a highly uncertain global political and economic environment.

Operational risk: Operational risks include adverse unexpected developments resulting from internal processes, people and systems, or from external events as well as geopolitical and macroeconomic developments that are linked to the actual running of each business. The Group aims to minimize downside risks to maintain the high quality of its products, systems and services, reliable IT systems and sustainability commitments.

Compliance risk: The Company has a zero-tolerance policy towards non-compliance in relation to breaches of regulations and its code of conduct as well as any fraudulent actions.

Financial risk: The Group recognizes financial risks outside its control related to treasury, accounting and reporting, pensions and tax. To minimize their impact, the Group follows a conservative risk management approach in these areas. Furthermore, the Company strives to ensure transparent and truthful accounting and reporting to enable financial statement users to make informed decisions which take the effect of these risks into consideration.

Listed below are the detailed description of the risks perceived by management to be the most significant. The risks faced by the Group during 2022 and 2023 to date are not limited to this list. Risks have not been ranked in order of importance. There may be other risks which the Group currently does not consider to be significant but which at a later stage may manifest themselves as such. Where possible, the specific measures in place to help mitigate these risks are indicated.

Risks Relating to the Group's Business and Industry

The Group heavily depends on the future success of its clinical stage lead product candidate, NOX-A12, the development of which the Group is currently focusing, as well as NOX-E36. Any failure to successfully develop, obtain regulatory approval for or commercialize the Group's product candidates, independently or in cooperation with a third-party collaborator, or any significant delays in doing so, would compromise the Group's ability to generate revenues and become profitable.

Fully exploiting the potential of some of the Group's product candidates will require partnerships or collaborations, including with other pharmaceutical or biotechnology companies, and if the Group is unable to enter into or realize such partnerships or collaborations, this would compromise its ability to advance its programs.

The potential of the Group's product candidates may be compromised because its product candidates incorporate a mirror-image oligonucleotide connected site-specifically to polyethylene glycol ("**PEG**"). There have been some therapeutic agents developed by other companies containing PEG that have experienced safety issues and the Group's product candidates may experience similar or other safety issues, as a result of which the potential of the Spiegelmer® technology platform may be compromised.

It may be difficult to identify and enroll patients in clinical trials, and patients could discontinue their participation in clinical trials, which could delay or otherwise adversely affect clinical trials of the Group's product candidates.

Success in early clinical trials may not be indicative of results obtained in later trials.

In addition to the level of commercial success of current product candidates, if approved, future prospects are also dependent on the Group's ability to successfully develop a pipeline of additional product candidates. The Group may not have sufficient financing to develop additional Spiegelmers, and even if it does, it may not be successful in its efforts to use its technology platform to identify or discover additional product candidates and may choose or be forced to abandon its development efforts for a program or programs.

Risks Relating to Commercialization of Product Candidates

Even if the Group eventually gains approval for any of its product candidates, it may be unable to commercialize them. In addition, engaging in international business involves a number of complexities and risks.

The Group faces intense competition and rapid technological change. The Group's competitors may develop therapies that are more advanced or effective, which could impair the Group's ability to successfully develop or commercialize its product candidates.

If the Group fails to maintain orphan drug status for its lead product candidate NOX-A12 for the treatment of glioblastoma (brain cancer), to obtain orphan drug status for NOX-A12 for the treatment of other cancers or to obtain and maintain orphan drug status for any of its other product candidates for which it may apply for an orphan drug status, the Group would likely have limited or shortened protection or market exclusivity for NOX-A12 or any of its product candidates.

If the Group fails to maintain drug-related patents or obtain patent term extensions for its lead product candidate NOX-A12 or to obtain and maintain similar patents and term extensions for any of its other product candidates, or if drug-related patents expire and other means of commercial exclusivity need to be used, the Group would likely have limited or shortened period of market exclusivity reducing is commercial potential of its products.

The commercial success of any current or future product candidate, if approved, will depend upon the degree of market acceptance by physicians. The Group may suffer from physician prescription of its products for off-label uses to the extent such off-label uses become pervasive and produce results such as reduced efficacy or other adverse effects.

The insurance coverage, pricing and reimbursement status of newly approved products is uncertain. Failure to obtain or maintain adequate coverage, pricing and reimbursement for any of the Group's product candidates that receive approval could limit its ability to market those products and compromise the ability to generate revenues.

Risks Relating to the Regulatory Environment

Nearly all aspects of the Group's activities are subject to substantial regulation. No assurance can be given that any of the Group's product candidates will fulfil regulatory compliance. Failure to comply with such regulations could result in delays, suspension, refusals and withdrawal of approvals as well as fines.

The Group's product candidates are based on novel technology, which makes it difficult to predict the time and cost of product candidate development and potential regulatory approvals. Any delay or failure to obtain the regulatory approvals necessary to bring the Group's product candidates to market could impair the ability to generate product revenues and to become profitable.

The Group may encounter substantial delays in clinical trials or fail to demonstrate safety and efficacy to the satisfaction of the Food and Drug Administration ("**FDA**"), the European Medicine Agency ("**EMA**") or another government body ("**Competent Authority**"), which may impair the ability to commercialize product candidates.

The results from clinical trials may not be sufficiently robust to support the submission for marketing approval for product candidates. Before the Group submits its product candidates for marketing approval, the FDA, EMA or other Competent Authority may require additional clinical trials or evaluate subjects for an additional follow-up period.

Adverse events in the Group's clinical trials for any product candidate, whether as a result of the treatment with the Group's product candidates or as a result of other therapies administered in combination with the Group's product candidates, may require it to stop or delay development of that product candidate, or may prevent or delay regulatory approval of that product candidate.

Even if the necessary preclinical studies and clinical trials are completed, the Group cannot predict when or if it will obtain regulatory approval to commercialize a product candidate or the approval may be for a narrower indication than expected.

Even if the Group obtains regulatory approval for a product candidate, the product will remain subject to ongoing regulatory obligations. The Group may be subject to significant restrictions on the indicated uses or marketing of the product candidates, which could lead to the withdrawal, restriction on use or suspension of approval, and the Group may be subject to government investigations of alleged violations which could require the Group to expend significant time and resources and could generate negative publicity.

Risks Relating to the Group's Business Operations

The Group's future success depends on the ability to retain qualified personnel, including but not limited to employees, consultants and advisors and to attract, retain and motivate qualified personnel.

The Group had been subject to restructurings and might be subject to restructurings and/or expansion of its organization in the future. The Group may experience difficulties in managing the restructuring or expansion of its organization, which could disrupt operations and could require significant additional capital.

The Group's employees, principal investigators involved in the Group's clinical studies, consultants and commercial partners may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which may result in the imposition of significant fines or other sanctions and significantly impact the business.

The Group faces potential product liability, and, if successful claims are brought against the Group, it may incur substantial liability and costs. If the use of the Group's product candidates harms patients, or is perceived to harm patients even when such harm is unrelated to its product candidates, regulatory approvals could be revoked or otherwise negatively impacted and the Group could be subject to costly and damaging product liability claims.

If the Group fails to comply with environmental, health and safety laws and regulations, it could become subject to fines or penalties or incur costs that could have a material adverse effect on the success of its business.

Exchange rate fluctuations may adversely affect the Group's results of operations and financial condition.

Risks Relating to the Group's Financial Position and Capital Requirements

The Group has incurred significant losses and anticipates that it will continue to incur significant losses for the foreseeable future.

The Group has never generated material revenues from product sales and may never become profitable.

The Group's financing agreements with ASO contain operating covenants and undertakings that may restrict its business and financing activities. The instruments associated with this financing transaction may, when exercised, result in increased future dilution of an amount that varies inversely with the quoted share price of the Company's shares.

The Group will need to raise additional funding in the future, which may or may not be available on acceptable terms, or which may restrict the Group's operations or require it to relinquish substantial rights. Failure to obtain this necessary capital when needed may force the Group to delay, limit or suspend its product development efforts or other operations and may affect the Group's ability to continue as a going concern. Obtaining the financing needed to advance the Group's programs may result in significant dilution of existing shareholders. As is common in the biotech sector, financing transactions may be associated with instruments, such as notes or warrants, which may result in increased future dilution of an amount that varies inversely with the quoted share price of the Group's shares. Although the Group aims to have flexibility in the timing of its financing needs, if the Group needs to obtain financing during a period of decreasing share price and volumes this could make it more difficult for the Group to obtain financing on acceptable conditions.

Risks Relating to Reliance on Third Parties

The Group has only limited experience in regulatory affairs and intends to rely on consultants and other third parties for regulatory matters, which may affect its ability to obtain necessary regulatory approvals or the time required to achieve this.

The Group relies, and expects to continue to rely, on third parties to conduct some or all aspects of its product manufacturing, protocol development, research and preclinical and clinical testing, and these third parties may not perform satisfactorily.

One of the components used in the manufacture of the Group's product candidates is currently acquired from a single-source supplier. The loss of this supplier, or its failure to supply the Group this component, could materially and adversely affect the Group's business.

The Group relies, and expects to continue to rely on third parties, to conduct, supervise and monitor its clinical trials, and if these third parties perform in an unsatisfactory manner, it may harm the Group's business.

The Group intends to rely on third-party manufacturers to produce commercial quantities of any of its product candidates that receives regulatory approval, but has not entered into binding agreements with any such manufacturers to support commercialization. Additionally, these manufacturers do not have experience producing the Group's product candidates at commercial levels and may not pass pre-approval inspections or achieve the necessary regulatory approvals or produce its product candidates at the quality, quantities, locations and timing needed to support commercialization.

The Group's collaborations with outside scientists and consultants may be subject to restriction and change.

Risks Relating to the Group's Intellectual Property

If the Group is unable to obtain and maintain sufficient patent protection for its product candidates, or if the scope of the patent protection is not sufficiently broad, the Group's competitors could develop and commercialize similar or identical products, and the Group's ability to commercialize its product candidates successfully may be adversely affected.

The Group may not be able to protect and/or enforce its intellectual property rights throughout the world.

The patent term, including patent term extensions, if available, may be inadequate to protect the Group's competitive position on its products for an adequate amount of time.

The Group may become involved in legal proceedings in relation to intellectual property rights, which may result in costly litigation and could result in the Group having to pay substantial damages or limit the Group's ability to commercialize its product candidates.

If the Group fails to comply with its obligations in the agreements under which it licenses intellectual property rights from third parties, or if the license agreements are terminated for other reasons, the Group could lose license rights that are important to its business and have to delay or cease further development of the relevant program or product or be required to spend significant time and resources to modify the program or product or develop or license replacement technology so as not to use the rights under the terminated agreement.

If the Group is not able to prevent disclosure of its trade secrets, know-how or other proprietary information, the value of its technology and product candidates could be significantly diminished. Also, the Group's reliance on third parties requires it to share trade secrets, which increases the possibility that a competitor will discover them or that its trade secrets will be misappropriated or disclosed.

The Group may be subject to claims that its employees, consultants or independent contractors have wrongfully used or disclosed confidential information of third parties or that its employees have wrongfully used or disclosed alleged trade secrets of their former employers or that its patents and other intellectual property are owned by its employees, consultants or other third parties.

Obtaining and maintaining patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and the Group's or its licensors' patent protection could be reduced or eliminated for non-compliance with these requirements.

Certain of the Group's employees and patents are subject to the German Act on Employees' Inventions, and the Group may be subject to claims under this Act.

Risks Resulting from Infectious Disease Outbreaks and Geopolitical Developments

TME Pharma's business and financial condition may be adversely affected by infectious disease pandemics such as the COVID-19 outbreak and geopolitical developments, particularly if located in regions in which we conduct our research and development activities, drug manufacturing, or conduct our 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 COVID-19 outbreak. If the hospitals with which TME Pharma collaborates require this as well, then TME Pharma 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.

TME Pharma's financial condition and financing opportunities could be adversely affected to the extent an infectious disease epidemic or geopolitical developments such as the Russia-Ukraine conflict harm the global economy or make investors more reluctant to invest in stock market listed companies with the profile of TME Pharma.

At times of crisis, small-cap European biotech companies such as TME Pharma 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 TME Pharma'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.

Risks relating to fraud

Fraud is a deception that is deliberately practiced to secure unlawful gains, alteration of (electronic) documents to achieve a certain result of clinical data in relation to TME Pharma's compounds under development or financial information. TME Pharma's Code of Conduct outlines the ethical standards for conducting business and prevention of fraudulent action, including senior and financial management and the members of the Management Board, shall provide fair, accurate, timely and understandable (financial) disclosure in all documents filed with the relevant authorities and regulators or otherwise disclosed in any public communications. With regards to working with and publishing of clinical trial data, TME Pharma follows the same Code of Conduct and the implemented standard operating procedures (SOP) for preparation, review, approval and publication of information and clinical results.

TME Pharma's Risk management system

The risks and unpredictability of research and development are an intrinsic aspect of the pharmaceutical business which cannot be avoided without compromising the innovative strength and the development opportunities of the company. In such cases, TME Pharma acts with the full awareness that it can justify and manage these risks and – where possible and meaningful – protect itself against them, reducing the exposure to these risks.

The monitoring and control of business risks constitutes a major part of the responsibilities of the Company's senior management. TME Pharma, as a company engaged in intensive research and committed to growth, accounts for existing or potential opportunities and risks in its business activities as a matter of regular course. Management regularly goes to great lengths to develop a well-organized product portfolio within the Spiegelmer substance class in order to ensure an attractive opportunity/risk profile.

The aim of risk management is to support TME Pharma's management in securing the continued existence of the Group. Risk management promotes a conscious handling of risks so that situations which threaten the existence of the Company can be identified at an early stage and managed effectively.

TME Pharma has introduced a monitoring system to identify, analyze, categorize, document and monitor risks to the company. The monitoring system is also intended to ensure that possible measures which serve to minimize risks are initiated and that their implementation and effectiveness are checked.

For this purpose, TME Pharma's management has identified, analyzed and assessed existing and potential risks and documented these results and the responsibilities that emerge in a risk database. TME Pharma updates this information on a continual basis. The employees of TME Pharma are informed about the risk management system and are required to register new or changed potential risks in their area of activity and to make an active contribution to the further development of the risk management system.

The risk management system at TME Pharma includes the following **elements**:

- **documentation** in the form of the risk list, the risk portfolio (risk map) and this risk manual;

- the **internal monitoring system** with a controlling function (planning, checking and control, as well as providing information) and an early warning system;

- the **external monitoring system** with the Supervisory Board the "principles of proper company management" and insurances.

The risk list enables the Management Board and the Supervisory Board to gain an overview of the risk situation of the Company and to identify a possible need for action at an early stage. Due to the Group's business, the assessment of the risks is presented qualitatively and provides judgement on the probability of the occurrence and the possible level of potential loss. Quantitative sensitivity analyses are not performed.

Since the identification and assessment of risks is an ongoing process and needs continuous improvement to support the growth of the Group's activities, risk management will continue to have the full attention of the Management Board and will be subject to further and regular discussions with the Supervisory Board. The structure and functioning of the risk management and internal control systems are assessed annually by the Supervisory Board. In its meeting in December 2022, it was confirmed that the risk management system is appropriate for the risk profile, the type and the size of the Group. It should however be noted that such systems can never provide absolute assurance regarding achievement of company objectives, nor can they provide an absolute assurance that material errors, losses, fraud, and the violation of laws or regulations will not occur.

Internal risk management and control system

Risk management system

TME Pharma has introduced a monitoring system in order to identify, to analyze, to categorize, to document and to monitor risks to the Group. The monitoring system is also intended to ensure that possible measures which serve to minimize risks are initiated and that their implementation and effectiveness are checked. For this purpose, the

Management Board of TME Pharma has identified, analyzed and assessed existing and potential risks and documented these results and the responsibilities that grow out of them in a risk list. TME Pharma updates this list and adds to it on a regular basis. The employees of TME Pharma are informed about the risk management system and are required to register new or changed potential risks in their area of activity and to make an active contribution to the further development of the risk management system. The risk list enables the Management Board, the Supervisory Board to gain an overview of the risk situation of the Group and to identify a possible need for action at an early stage.

In addition, the Group has set up an internal control system consisting of various rules and regulations such as policies, standard operating procedures, working practice documents, signatory rules, segregation of duties, spot checks, self-checks, employee training and emergency planning. These regulations are mandatory for the entire organization. The Group's quality management system and the controlling system serve as important elements of the internal control and the risk management. The quality management provides specification documents which include position descriptions and functional descriptions as well as verification documents.

This internal control system also contributes to the prevention and control of risks from the Group's activities, including those linked to risks of fraud. Fraud risks addressed by internal control mechanism are mainly related to fraudulently changing clinical data and the misappropriation of cash balances of the Group.

The Group's projects are analyzed in detail in regular project meetings to provide for close coordination of the project team as well as with the management.

Risk management and internal control system in the financial reporting process

The internal control and risk management system is set up to ensure that the financial reporting and its processes are consistent and in compliance with legal regulations and generally accepted accounting principles for International Financial Reporting Standards (IFRS). This includes adhering to segregation of duties, authorization procedures, spot checks, various measures of plausibility checks for the numbers as well as comparison analyzes of actual with budgeted numbers.

The Group's controlling system serves as the basis for the risk management. The controlling is based on strategic planning, budgeting, reporting and deviation analyses. The available instruments provide the management with the information which are necessary to adequately assess the actual situation, to identify and evaluate opportunities and risks, and following this to make business decisions.

The description of the risk factors and the risk management approach of the Group is described in more detail in section "Risk Management".

Financial and non-financial performance indicators

The most important financial performance indicator is the cash forecast. We refer to section "liquidity risk" in Note 18 of the consolidated financial statements of TME Pharma N.V.

Further, the following financial and non-financial performance indicators are relevant. The Group uses a number of contract research organizations to perform the clinical studies and the preclinical work as well as production of drug substance and drug product as well as related process development. Important performance indicators in this respect are, in addition to compliance with the budget and the timetables, the quality of the work carried out as well as compliance with all applicable regulations. As a safeguard in this area, the Group carries out audits prior to the awarding of contracts as well as during the ongoing work addressing the aforementioned points and potentially deriving recommendations for action. Great emphasis continues to be placed on adherence to timetables for the work contracted and to perform clinical studies within the original timeframe. With respect hereto, the Group has alternative scenarios prepared to potentially be able to limit or compensate delays.

Information regarding financial instruments

For further information regarding financial instruments, we refer to Note 10 “Financial liabilities” and Note 18 “Financial risk management policies and objectives” of the consolidated financial statements of TME Pharma N.V.

Research and development information

The Group’s goal is to become a leading biopharmaceutical group focused on cancer therapy and create long-term value for its shareholders by developing and commercializing its proprietary class of drugs called Spiegelmers. Spiegelmers are a chemically synthesized, immunologically passive alternative to antibodies which we believe have the potential to be best-in-class on certain target classes, such as chemokines. Accordingly, the Group’s key strategies and goals are to:

- Make its lead product candidate NOX-A12 a combination partner for a wide range of cancer treatments by leveraging the NOX-A12 mechanism of action on the tumor microenvironment (TME) in combination with existing therapy classes, including immune checkpoint inhibitors and cell therapies as well as standard therapies such as chemo- and radiotherapy.

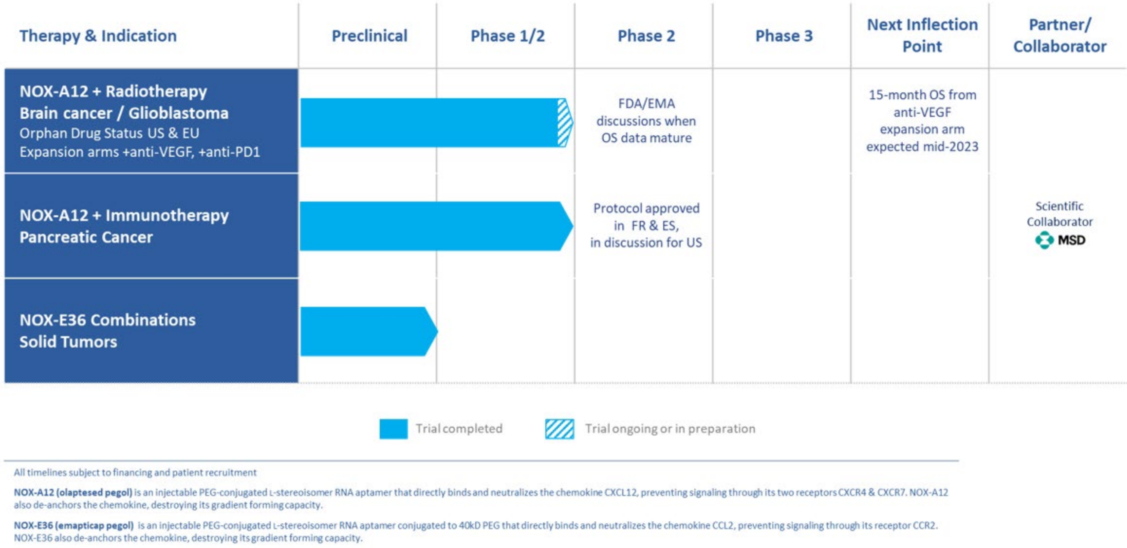
- Develop NOX-E36, the Group’s other potential product candidate, as a TME-targeting agent for solid tumors as part of an investigator-initiated trial (IIT) when financial resources are available.

- Partner its product candidates bringing additional expertise and financial resources to development of our products.

- Develop its lead product candidate and find suitable routes to commercialization.

The Group’s strategy to create long-term value for its shareholders is based on a strong commitment to the dynamic business model of investing in clinical programs, which TME Pharma believes are driven by a compelling scientific rationale, promising clinical data, as well as collaborations with academic and pharmaceutical partners.

All of the Group's proprietary product candidates were identified and synthesized through its drug discovery platform. The Group's oncology-focused product pipeline consists of two clinical-stage candidates. The primary product candidates that the Group intends to progress, alone or through potential partnerships, include NOX-A12 in various cancer indications and NOX-E36 in solid tumors. The Group's pipeline of product candidates is summarized in the figure below:



It has become very clear to the scientific community that chemokines are important, yet largely unaddressed targets for TME-directed cancer therapy and that neutralizing them could significantly improve efficacy of a broad range of therapies in many cancer types (*Source: Joyce & Fearon, 2015, Huynh, 2020*). The Group believes that this creates a tremendous opportunity to develop a series of successful new products for cancer treatment. The Group is conducting the GLORIA Phase 1/2 dose-escalation study in brain cancer patients combining NOX-A12 with radiotherapy and in expansion arms also with bevacizumab or pembrolizumab. Data was presented by the principal investigator of the clinical trial, Dr. Frank Giordano, at two high-profile cancer conferences in the US, the American Society of Clinical Oncology (ASCO) Annual Meeting in June 2022 and the Society for Neuro-Oncology (SNO) Annual Meeting in November 2022 with an update on patient survival provided by the Company in January 2023.

Comparing the results from patients treated with NOX-A12-containing regimens with those achieved by patients receiving standard of care at one of the hospitals participating in the study suggests that significant clinical benefit could be achieved for brain cancer patients with NOX-A12 combinations.

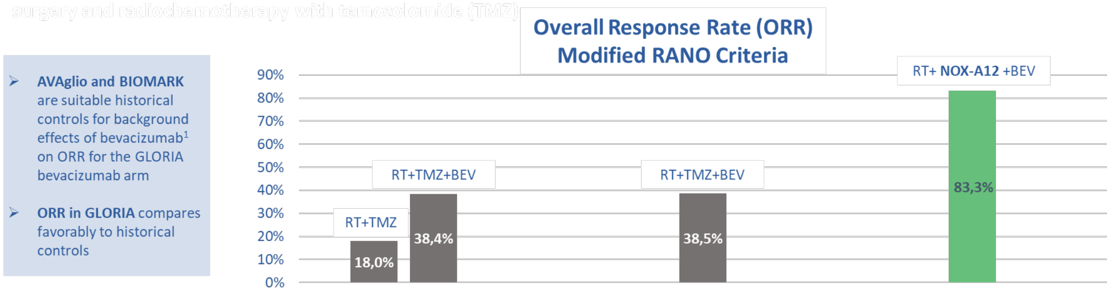
Therapy	Patients with any tumor size reduction as measured by MRI	Patients with ≥50% reduction in tumor size as measured by MRI (radiographic partial response)
Standard of care (radiochemotherapy) historical control arm (n=20)*	25%	10%
NOX-A12 + radiotherapy (n=10)*	90%	40%
NOX-A12 + radiotherapy + anti-VEGF (n=6)**	100%	100%

* Giordano (2022) ASCO Annual Meeting Presentation #2050,

** Giordano (2022) SNO Annual Meeting Poster Presentation #CTNI-67 & TME Pharma Press Release from 19 Nov 2022

The durability of patient responses to NOX-A12 + radiotherapy + bevacizumab was shown at the SNO conference in November 2022, with 5/6 patients (83.3%) achieving durable mRANO[2] responses that lasted 6 months or more. Responses that are durable for 6 months (6-month progression-free survival) are thought to correlate with overall survival and, as such, suggest clinical benefit for the patient (*Source: Han, 2014; Suh, 2020*).

A comparison of response rates in published studies to GLORIA data suggests that with NOX-A12 + radiotherapy + bevacizumab outperforms bevacizumab + the standard of care (radiotherapy + chemotherapy).



	AVAglio (Roche)[2]	BIOMARK (Chugai)[3]	GLORIA (TME Pharma)[4]
Clinical Phase	Phase 3	Phase 2	Phase 1/2
Publication year	2013	2022	2022
# of patients in BEV arm (ORR evaluable)	458 (375)	94 (39)	6 (6)
% of patients resistant to chemotherapy	49%[5]	65%	100%

1. Bevacizumab added at 10 mg/kg Q2W or 15 mg/kg Q3W at least until progression
2. Wick (2013) ASCO Annual Meeting Presentation
3. Nagane (2022), Cancers 14:5522
4. Giordano (2022) SNO Annual Meeting Poster Presentation #CTNI-67
5. No information available for 25% of the patients

[2] mRANO = modified radiographic response assessment in neuro-oncology criteria that add clincal condition of the patient to the radiographic (MRI) analysis of tumor size.

In 2022, TME Pharma appointed two leading brain cancer experts from the US and Europe to its Scientific Advisory Board (SAB) chaired by Dr. Jose Saro. Prof. Monika Hegi, Head of the Laboratory of Brain Tumor Biology and Genetics, Department of Clinical Neurosciences, University Hospital Lausanne, Switzerland, and Dr. Michael Lim, Professor and Chair of the Department of Neurosurgery, Stanford University, California, USA, joined the SAB to provide strategic and scientific counsel on TME Pharma's lead NOX-A12 program in brain cancer (glioblastoma).

The protocol of the OPTIMUS Phase 2 trial in collaboration with MSD has been fully approved in France and Spain, and is in discussions with the regulatory authorities in the US to test NOX-A12 with pembrolizumab and chemotherapy in second-line metastatic pancreas cancer patients to determine the best chemotherapy combination to pursue in a pivotal trial. TME Pharma is thus planning to rapidly initiate the trial when all approvals, appropriate financing and drug supply are available.

NOX-E36 is planned to go back into the clinic as part of a Phase 1/2 trial in a solid tumor indication in an investigator-initiated trial (IIT) when financial resources are available. The Group targets an indication with rapid clinical read-outs that will be of commercial interest to larger pharmaceutical companies.

In June 2022, TME Pharma has entered into a collaboration with the U.S. National Cancer Institute (NCI), of the National Institutes of Health (NIH), to further explore the effects of TME Pharma's lead compounds, the CXCL12 inhibitor NOX-A12 and the CCL2 inhibitor NOX-E36, individually and combined, on brain tumors. The research program has been led by Mark R. Gilbert, M.D., Chief of the Neuro-Oncology Branch at the National Cancer Institute's Center for Cancer Research (NCI/CCR). Under the agreement, TME Pharma supplied NOX-A12 and mNOX-E361 to the NCI to conduct preclinical testing in different combinations with immunomodulatory treatments, including immune checkpoint inhibitors. The various combinations are being tested in an array of experiments in three murine brain cancer models, with extensive and detailed characterization of the tumor microenvironment. The studies are ongoing.

Remuneration of managing and supervisory directors

We refer to Note 19 in the consolidated financial statements 2022 of TME Pharma N.V. and the section “Remuneration” in the Supervisory Board Report in this Annual Report.

Information culture and behavior and the application of code of conduct

The Company has incorporated a code of conduct, an insider trading policy, a whistle-blower policy, a diversity policy and a policy on bilateral contacts with shareholders. Each of those policies is guided by the Group's culture and its core values of transparency, integrity and collegiality. These documents apply mandatorily to all personnel, Directors and consultants and can be found on the Company's website. The Group pursues various measures to foster the corporate culture, behavior and motivation of its employees, by providing them with a work environment that promotes open communication, as well as diversity, integrity, and collaboration. The Company promotes a culture that is open and honest and encourages an open communication as well as checks and balances to prevent incidence. Regular team meetings addressing all key areas designed to bring relevant team members together enable the Company and its employees to follow progress and status of projects and activities, provide an opportunity for regular feedback and introduction of timely refinements. A small size of the Company facilitates easy and direct communication and access to information to best promote corporate goals and strategy. The Company drives and supports employee initiatives that further strengthen integration and motivation.

Diversity policy board of management and supervisory board

TME Pharma N.V. recognizes the benefits of diversity, including gender balance. We aim for a diverse composition with respect to nationality, experience, background, age and gender, which objective has also been included in our profile of the size and composition of the supervisory directors. However, TME Pharma N.V. feels that gender is only one part of diversity and future members of the Board of Directors and of the Supervisory Board will continue to be selected on the basis of wide ranging (technical) experience, backgrounds, skills, knowledge and insights. The Company's diversity policy reflecting these values can be found on the Company's website. With the current composition and as a result of the Supervisory Board members (re-)appointed at the 2021 and 2022 AGMs, the Supervisory Board is of the view that the Supervisory Board currently has the desired diverse composition in line with its profile. We recognize that the composition of the Management Board is not diverse from a gender perspective, because the appointment of only one Management Board member in accordance with the Articles of Association. The Supervisory Board will strive to consider a diversified composition as appropriate, if a vacancy should arise.

Control relationship within the Company

As of 31 December 2022, the subscribed capital of the Company amounts to € 1,739,335.00 and is divided into 1,739,335 ordinary shares each with a nominal value of € 1.00. All shares are ordinary shares listed on Euronext Growth, Paris. All shares are registered ordinary shares of the same class and carry the same rights. No restrictions on the transfer of shares, no special control rights, no restrictions on voting rights and no relationship-type agreements of the Company with shareholders exist.

Outlook

The Group believes the future of cancer treatment will rely on combination therapies, combinations of different drugs that have a synergistic benefit for the patient by fighting the cancer in multiple ways at the same time (*Source: Mahoney, 2015*). The Group's lead product candidate and its second clinical stage product candidate in its pipeline target the tumor microenvironment (TME) and are designed to be combined with other cancer targeting therapies. The TME is the space in which cancer cells exist in the body, which includes amongst others surrounding blood vessels, immune cells, fibroblasts and signaling molecules. The TME has been shown to have a critical role in almost all aspects of cancer biology (*Source: Guo, 2015; Joyce & Fearon, 2015; Huynh, 2020*).

Specific signaling molecules called chemokines are important in the interaction between the cancer and the TME. These chemokines can act as communication bridges between cells and their environment and as signposts for migrating cells when attached to cell surfaces for example on blood vessel walls. The Group's cancer pipeline consists of products that are designed to break this line of communication and isolate tumor cells from their supportive environment so that they can be killed more effectively by the patients' own immune system and by cancer targeting therapies.

The Group's pipeline consists of one lead clinical-stage product candidate, NOX-A12, and a second clinical product candidate, NOX-E36, that the Group intends to progress alone or through potential partnerships:

NOX-A12 (olaptesed pegol)

The Group's lead product candidate, NOX-A12, targets a key chemokine in the TME, CXCL12, also known as stromal cell-derived factor-1 (SDF-1), that is naturally involved in the migration of blood cells, and that in cancer acts as a communication bridge between tumor cells and their environment (*Source: Guo, 2015*). For example, while CXCL12 and other chemokines generally attract cells, it is now understood that under certain conditions of very high local concentrations that can be found in some solid tumors, CXCL12 can act either as a repulsive factor for cytotoxic or killer T cells, which are key cell types of the immune system (*Source: Feig, 2013; Joyce & Fearon, 2015; Poznansky, 2000 & Lee, 2009*) or as a sequestration factor trapping the immune cells in areas of supportive tissue away from cancer cells (*Source: Seo, 2019*). NOX-A12 offers a complementary mode of action to other treatments including the current standard of care and the latest immuno-oncology therapeutics, such as immune checkpoint inhibitors and cell therapy approaches such as CAR-T or CAR-NK-based therapies. Thus, the Group believes that NOX-A12 has specific characteristics that make it highly suitable as a partner drug in various cancer combination therapies. The Group believes that combination with NOX-A12 will increase the efficacy of cancer treatments without adding significant side effects. Therefore, the Group believes NOX-A12 is positioned to be a combination partner for a wide range of cancer treatments. The Group has been developing NOX-A12 therapeutic settings in two distinct ways:

- In brain cancer, in combination with radiotherapy, to block recruitment of bone marrow-derived "repair" cells into the tumor to prevent re-growth; in addition, further combinations with radiotherapy and VEGF inhibition or PD-1 checkpoint inhibition are explored,
- In advanced solid tumors, such as metastatic pancreatic cancer, in combination with immune checkpoint inhibitors and standard-of-care chemotherapy, to destroy tumor immune privilege to unleash the full potential of tumor immunotherapy.

Status of NOX-A12 GLORIA Phase 1/2 clinical trial in Brain Cancer

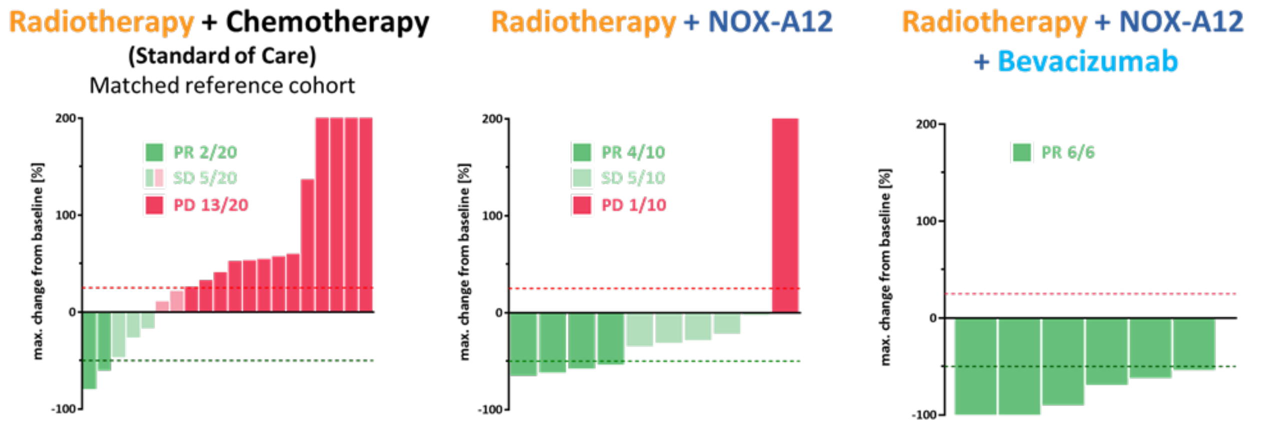
In June 2022, the top-line results from the Phase 1/2 GLORIA trial in first-line brain cancer (glioblastoma) patients treated with NOX-A12 and radiotherapy (RT) were presented by the lead investigator, Dr. Frank A. Giordano, at the American Society of Clinical Oncology (ASCO) Annual Meeting. Key points of the poster presentation included:

- 90% of patients who received NOX-A12 and RT achieved tumor size reductions vs. 25% of patients in a matched reference cohort receiving standard of care.
- 40% of patients who received NOX-A12 and RT achieved radiographic partial response (defined as tumor size reduction of more than 50%) vs. 10% in a matched reference cohort receiving standard of care.
- In 30% of patients who received NOX-A12 and RT, one or more non-target lesions (smaller secondary lesions) completely disappeared.
- Infiltration of the tumor with activated, cytotoxic T-cells and M1-like macrophages was seen in both patients who had repeat surgery during NOX-A12 therapy, consistent with NOX-A12 and RT overcoming immune cell exclusion and making the tumors immunologically hotter (i.e. more infiltrated by the immune system and therefore more likely to lead to a destruction of the tumor by the immune system).
- The combination of NOX-A12 and RT was safe and well tolerated, with no dose limiting toxicities and no treatment-related deaths. Only 4% of the adverse events of Grade 2 or more were deemed solely NOX-A12-related.

In November 2022, interim data from an expansion arm of the Phase 1/2 GLORIA trial in first-line brain cancer (glioblastoma) patients testing NOX-A12 combined with radiotherapy (RT) and bevacizumab (BEV) were presented by the lead investigator, Dr. Frank A. Giordano, at the Society for Neuro-Oncology (SNO) Annual Meeting in November 2022. Key points of the poster presentation included:

- 100% of targeted tumor lesions treated with the triple combination of NOX-A12, radiotherapy and bevacizumab were reduced by more than 50%.
- 5 of 6 patients (83%) achieved durable partial responses (PR) by mRANO criteria, which takes into account radiographic response as well as other factors such as clinical condition of the patient. One patient experienced progressive disease (PD) and subsequently died due to distant leptomeningeal metastases while target lesion control was maintained.
- 2 of 6 patients achieved almost complete tumor size reduction (>99%) where contrast enhancing lesions were detectable but too small to be measured. Of note, the data for the second patient achieving >99% decrease in tumor size was obtained shortly after the data cut-off for the poster and was presented by Dr. Giordano in a public webinar on 22 November 2022.
- The mean best tumor response was -74.9% (-53.8% to -99.9%) for the sum of the products of perpendicular diameters (SPDP) of target lesions.
- The triple combination was well tolerated and safe. No dose-limiting toxicities were observed.

Although data from the expansion arm with bevacizumab suggest that adding a VEGF inhibitor to NOX-A12 and radiotherapy provide greater clinical benefit over NOX-A12 with radiotherapy alone, the latter already showed strong signs of clinical efficacy vs. standard of care.



- Bar graphs showing best responses of brain tumors to three therapeutic regimens in newly diagnosed brain cancer (glioblastoma) patients. Reductions of tumor size shown in green, increases in tumor size shown in red. All patients carry the biomarker showing that they will not benefit from standard chemotherapy (MGMT promoter unmethylated).
- A matched imaging reference cohort (left) treated with standard of care radiotherapy + chemotherapy (temozolomide), was compared with patients treated with radiotherapy (RT) + NOX-A12 (middle) or radiotherapy (RT) + NOX-A12 + anti-VEGF (right)

cut off date: 01-Nov-2022

Sources: Giordano (2022) ASCO Annual Meeting Presentation #2050; Giordano (2022) SNO Annual Meeting Poster Presentation #CTNI-67 & *TME Pharma* Press Release from 19 November 2022

As of March 2023, with a median follow-up to date of 12 months, the NOX-A12 + radiotherapy + bevacizumab arm of the trial had not yet reached median overall survival (mOS) with five of six patients (83%) alive. The 12-month timepoint is an important landmark for assessment since it exceeds the expected survival for patients with MGMT unmethylated tumors and incomplete resection (*Source: Kreth, 2013*). The Company thus expects the patients in this expansion arm to outperform the NOX-A12 + radiotherapy dose escalation cohorts where the median OS was 12.7 months. As the data mature, the Company will continue reporting updates on survival with the next catalyst being around the 15-month timepoint in mid-2023.

Once mature data for survival is available, we plan to discuss with regulators in the US and EU to determine the most efficient path to approval for NOX-A12. We believe that the next study will need to be a randomized, controlled trial comparing one or more NOX-A12-containing regimens to standard of care.

Status of NOX-A12 OPTIMUS Phase 2 clinical trial in Pancreatic Cancer

Following encouraging top-line results reported in OPERA Phase 1/2 clinical trial, the Group plans the OPTIMUS Phase 2 trial to further evaluate NOX-A12 in pancreatic cancer. The OPTIMUS trial in collaboration with MSD has been approved in France and Spain, and is in discussions with the regulatory authorities in the US to test NOX-A12 with pembrolizumab and chemotherapy in second-line metastatic pancreas cancer patients to determine the best chemotherapy combination to pursue in a pivotal trial.

TME Pharma is thus ready to rapidly initiate the trial when appropriate financing and drug supply are available.

NOX-E36 (emapticap pegol), a TME opportunity in oncology targeting the innate immune system

The Group is investigating the potential for use of this product candidate in the TME since its target (CCL2/MCP-1) is implicated in cancer spread and immune privilege of tumors. NOX-E36 also inhibits related chemokines relevant to the TME: CCL8, CCL11 and CCL13 (*Source: Oberthür, 2015*). Indeed, a signature called IPRES for Innate PD-1 Resistance Signature has been identified which has been linked to resistance to checkpoint inhibitors (*Source: Bu, 2016*). The IPRES contains a monocyte/macrophage component composed of four chemokines, three of which, CCL2, CCL8 and CCL13, are neutralized by NOX-E36. As such, the Group believes that NOX-E36 may be a more effective approach to blocking checkpoint resistance mediated by monocyte/macrophage components of the immune system than competing agents which do not fully block the signaling of all the chemokines neutralized by NOX-E36.

Animal data suggests that NOX-E36 has the potential for monotherapy activity in pancreatic cancer due to its ability to clear immunosuppressive tumor associated macrophages (TAMs) from tumors resulting in increased killer T-cells and reduced tumor volume in an animal model *(Source: Lazarus, 2017)*. Further data from another laboratory showing activity in a model of liver cancer supports the use of NOX-E36 in therapy of solid tumors (*Source: Bartneck, 2019*).

The Group has significant clinical experience already with NOX-E36 as it was initially developed in diabetic nephropathy. NOX-E36 has completed Phase 1 trials and a Phase 2a trial in diabetic nephropathy which the Group believes significantly de-risks the clinical development in oncology (*Source: Menne, 2017*). These studies demonstrated the doses at which NOX-E36 could act on CCR2+ monocytes, the cells believed to become TAMs and established a safety and tolerability profile that supported further development.

Having clinical trial drug supply now available, the Group plans to initiate a NOX-E36 clinical in a solid tumor indication in collaboration with university researchers as part of an investigator-initiated clinical trial as a more cost-effective manner to obtain initial clinical data in cancer when financial resources are available.

The Group continues to evaluate other indications and therapeutic combinations in which to test NOX-A12 and NOX-E36 as well as the relative priority of such indications for the overall corporate strategy.

Business Planning

The Group expects it will incur operating losses for the foreseeable future due to, among other things, costs related to research funding, development of its product candidates and its preclinical programs, pursuit of strategic alliances and the development of its administrative organization. The Group will be required to raise additional funds, alternative means of financial support or conduct a partnering deal for one or more compounds in order to finance its operations and execute its plan. Management is actively pursuing various financing alternatives to meet the Group's future cash requirements, including seeking additional investors, pursuing strategic partnerships, or obtaining further funding from existing investors through additional funding rounds, pursuing a merger or an acquisition. As the Group matures and undertakes the activities required to advance product candidates into later stage clinical development and to commercialize product candidates, it expects to further adapt its full-time employee base.

The Group is also monitoring the impact the Russia-Ukraine conflict could have on its operations. While the Group has no direct activity in Ukraine or Russia, there are indirect consequences impacting our various business partners on financing and operations. These risks are being monitored in order to put potential remediation plans in place should that be necessary. However, for now and based on the currently available information, the Group does not expect the Russia-Ukraine conflict to have a material direct impact on its operations, though we expect it to make financing more difficult through its impact on macroeconomic factors that reduce the attractiveness to investors of investing in small-cap early-stage biotechnology companies versus other types of investments.

On the financial front, we continue to engage with interested healthcare investors. However, the remaining convertible debt in the Group's capital structure was dissuasive for many investors and has resulted in significant dilution and put long-term pressure on the Group's share price. While the financing obtained from convertible bond and similar structures were an important source of cash during a difficult time for small-cap biotech companies, we continue to prefer equity financing via capital increases.

Corporate Governance Report

I. General

TME Pharma N.V. (in the following also the "Company") is a Dutch public limited liability company (naamloze vennootschap) and has its corporate seat in Amsterdam, The Netherlands and its headquarters in Berlin, Germany. The Company's ordinary shares are listed under the symbol "ALTME" with ISIN NL0015000YE1 on Euronext Growth stock exchange Paris, France. TME Pharma N.V. is a management holding company providing corporate and administrative services, financial and business advice and asset management to its German subsidiary TME Pharma AG.

The Company's business address is in Berlin, Germany with the address of Max-Dohrn-Str. 8-10, 10589 Berlin.

The Company applies a two-tier board structure comprising of the Management Board (bestuur) and the Supervisory Board (raad van commissarissen). Under Dutch law, the Management Board (Board of Directors) is collectively responsible for the Company's general affairs and is in charge of the day-to-day management, formulating strategies and policies, and setting and achieving the Company's objectives. The Supervisory Board supervises the Management Board and the general affairs in the Company and the business connected with it and provides the Management Board with advice.

Each member of the Management Board and the Supervisory Board has a duty to properly perform the duties assigned to him or her and to act in the corporate interest of the Company and its business. Under Dutch law, the corporate interest extends to the interests of all corporate stakeholders, such as shareholders, creditors, employees, customers, patient populations and suppliers.

II. Management Board

Powers, Responsibilities and Functioning of the Management Board

The Management Board is the executive body of the Company, collectively responsible for the day-to-day management, the Company's general affairs and the Company's representation.

The Management Board shall supply the Supervisory Board in due time with all information required for the performance of the duties the Supervisory Board. The Management Board is required to notify the Supervisory Board in writing of the main features of the Company's strategic policy, general and financial risks and management and control systems, at least once per year. The Management Board must submit certain important decisions to the Supervisory Board and/or the General Meeting for approval.

Composition of the Management Board

In 2022, the Management Board was comprised of the following Management Board Directors, each with a term approved by the Annual General Meeting held on 29 June 2022 that will end at the General Meeting to be held in 2026.

Name	Age	Nationality	Position	Member Since	Term
Aram Mangasarian, Ph.D.	53	US & French	Chief Executive Officer	1 July 2015	until AGM 2026
Bryan Jennings.	56	US	Chief Financial Officer	15 December 2021	until 31 December 2022

Dr. Jarl Ulf Jungnelius is in the role of Senior Medical Advisor on a consulting basis.

Effective as of 31 December 2022, Bryan Jennings, with the consent of the Company, resigned from his role as member of the Management Board and CFO.

The following is a brief summary of the business experience of the current member of the Management Board and the Senior Medical Advisor.

Aram Mangasarian

Aram Mangasarian was appointed CEO of TME Pharma in July 2015 after having served as Chief Business Officer of the company since May 2010. Aram brings over twenty years' experience in the biotechnology industry to TME Pharma. Prior to joining TME Pharma, Aram served as Vice-President Business Development for Novexel from October 2005 to March 2010. In this capacity he concluded a €150 million licensing agreement including a €75 million upfront payment with Forest Laboratories (NYSE:FRX) for North American rights to a beta-lactamase inhibitor now known as avibactam. Aram was a member of the management team that negotiated the acquisition of Novexel by AstraZeneca (NYSE:AZN) in March 2010 for up to $505 million. From May 2000 to October 2005, Aram served in a variety of roles at ExonHit Therapeutics (now Diaxonhit, Euronext: ALEHT), eventually heading the business development function as Vice-President. He concluded a number of important agreements for ExonHit, in particular the $30 million strategic alliance with Allergan. Aram is a non-executive member of the board of directors of Isofol Medical AB, based in Gothenburg, Sweden, since June 2020. Aram received a B.S. from the University of Wisconsin-Madison in biochemistry, molecular biology and English literature, a PhD in Biology from the University of California-San Diego for research carried out at the Salk Institute and an MBA from INSEAD.

Jarl Ulf Jungnelius

Jarl Ulf Jungnelius, MD, PhD joined TME Pharma as Chief Medical Officer in February 2017 and remains a fundamental part of TME Pharma’s top management as Senior Medical Advisor from May 2020 both roles being on a consulting basis (not a member of the management board). He is an oncologist with more than 25 years of clinical and research experience at both large pharmaceutical companies and academic organizations.

Jarl Ulf is CEO of Isofol Medical AB. He also holds board positions at Biovica International AB and Oncopeptides AB.

Jarl Ulf held important responsibilities in the clinical development of several successful oncology drugs, including Abraxane®, Gemzar®, Alimta® and Revlimid®. He worked at Celgene from 2007 to 2014 where he served as Vice President of Clinical Research and Development, Solid Tumors. Prior to that post Jarl Ulf held leadership positions at Takeda, Pfizer, Eli Lilly & Company and VAXIMM, where he was responsible for clinical development of oncology programs as well as being involved in business development.

He received both a Bachelor of Science degree and his MD from the Karolinska Institute in Stockholm Sweden.

Appointment, Term of Appointment and Dismissal of the Management Board

The Articles provide that the Management Board Directors are appointed by the General Meeting upon a binding nomination by the Supervisory Board. The General Meeting may at all times deprive such nomination of its binding character by a resolution passed by at least two-thirds of the votes cast representing more than one-half of the Company's issued capital, following which the Supervisory Board shall draw up a new binding nomination.
The Management Board Rules provide that the Management Board Director will serve for a term of not more than two years and have been updated in 2022 to allow for a Management Board Director to be re-appointed for a term of not more than four years at a time.

Under the Articles, the General Meeting and the Supervisory Board may suspend Management Board Directors at any time, and the General Meeting may remove Management Board Directors at any time. A resolution of the General Meeting to remove a Management Board Director may be passed by a simple majority of the votes cast, provided that the resolution is based on a proposal by the Supervisory Board. A resolution of the General Meeting to remove a Management Board Director other than upon proposal of the Supervisory Board shall require a majority of at least two-thirds of the votes cast representing more than one-half of the Company's issued share capital. A suspension of a Management Board Director may be discontinued by the General Meeting at any time. A General Meeting must be held within three months after a suspension of a Management Board Director has taken effect, in which meeting a resolution must be adopted to either terminate or extend the suspension, provided that in the case that such suspension is not terminated, the suspension does not last longer than three months in aggregate. The suspended Management Board Director must be given the opportunity to account for his or her actions at that meeting. If neither such resolution is adopted nor the General Meeting has resolved to dismiss the Management Board Director, the suspension will cease after the period of suspension has expired.

Decision-making and approvals of the Management Board

The Management Board adopted internal rules and regulations (the "**Management Board Rules**") that describe, *inter alia*, the procedure for holding meetings of the Management Board, for the decision-making by the Management Board, and the Management Board's operating procedures. Any change to the Management Board Rules requires the approval of the Supervisory Board.

III. Supervisory Board

Powers, Responsibilities and Functioning of the Supervisory Board

The Supervisory Board is an independent corporate body responsible for supervising and advising the Management Board and overseeing the general course of affairs and strategy of the Group.

Further details in respect of the members of the Supervisory Board can be found in the section entitled “Supervisory Board” in this Annual Report.

IV. General Meeting

Annual General Meeting

An annual General Meeting must be held within six months from the end of the preceding fiscal year of the Company. The purpose of the annual General Meeting is to discuss, amongst other things, the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of the Management Board Directors from liability for their management and the Supervisory Board Directors from liability for their supervision thereon, filling of any vacancies and other proposals brought up for discussion by the Management Board and the Supervisory Board.

Extraordinary General Meetings

Extraordinary General Meetings may be held as often as the Management Board or the Supervisory Board deems such necessary. In addition, shareholders representing alone or in aggregate at least 10% of the issued and outstanding share capital of the Company may request that a General Meeting be convened, the request setting out in detail matters to be considered. If no General Meeting has been held within 42 days of the shareholder(s) making such request, that/those shareholder(s) will be authorized to request in summary proceedings a Dutch District Court to convene a General Meeting. In any event, a General Meeting will be held to discuss any requisite measures within three months of it becoming apparent to the Management Board that the shareholders' equity of the Company has decreased to an amount equal to or lower than one-half of the issued and paid-up part of the capital.

Share capital

As of balance sheet date, 1,739,335 ordinary shares were outstanding, of which 14,592 ordinary shares were held by the Company as treasury shares.

On 27 July 2022, the amendment of the Articles of Association, as resolved by the Annual General Meeting on 29 June 2022, effecting the share consolidation was consummated, such that every 100 ordinary shares with a nominal value of € 0.01 each were consolidated and converted into 1 new ordinary share with a nominal value of € 1.00. The share consolidation has taken effect on 27 July 2022.

As of balance sheet date, the Articles provided for an authorized share capital in an amount of € 4,850,000 divided into 3,500,000 ordinary shares, each with a nominal value of € 1.00. In addition and also as of balance sheet date, the Articles provide for a transitional provision (which shall terminate and disappear once in effect) regarding the increase in authorized share capital, according to which as per the moment the Company's issued and paid-up share capital amounts to € 1,250,000, comprised of 1,250,000 preference shares, the authorized capital automatically increases to € 11,000,000, divided into 6,750,000 ordinary shares and 4,250,000 preference shares, each with a nominal value of € 1.00. If the Company's issued and paid-up ordinary share capital amounts to € 3,250,000, comprised of 3,250,000 ordinary shares, the authorized capital automatically increases to € 16,000,000, divided into 11,500,000 ordinary shares and 4,500,000 preference shares, each with a nominal value of € 1.00.

For Events After the Consolidated Statement of Financial Position Date as of 31 December 2022 we refer to Note 20 of the consolidated financial statements of TME Pharma N.V.

Voting rights

Each ordinary share confers the right on the holder to cast 1 vote at the General Meeting. Under the Articles, blank and invalid votes shall not be counted as votes cast. Further, ordinary shares in respect of which a blank or invalid vote has been cast and shares in respect of which the person with meeting rights who is present or represented at the meeting has abstained from voting are counted when determining the part of the issued share capital that is present or represented at a General Meeting. The chairman of the General Meeting shall determine the manner of voting and whether voting may take place by acclamation, subject to certain restrictions under the Articles. Ordinary shares in respect of which the law determines that no votes may be cast shall be disregarded for the purposes of determining the part of the issued share capital that is present or represented at a General Meeting. Pursuant to Dutch law, no votes may be cast at a General Meeting in respect of ordinary shares which are held by the Company.

Resolutions are passed by an absolute majority of the votes cast, unless Dutch law or the Articles prescribe a larger majority. In accordance with Dutch law, the Articles do not provide quorum requirements generally applicable to General Meetings.

Amendment of Articles of Association

The General Meeting may only resolve to amend the Articles upon a proposal made by the Management Board, which proposal requires the prior approval of the Supervisory Board. A resolution adopted by the General Meeting to amend the Articles requires an absolute majority of the votes cast, unless less than half of the Company's issued and outstanding share capital is present or represented at the meeting, in which case a majority of at least two-thirds of the votes cast shall be required.

Issue of shares

The General Meeting is authorized to issue ordinary and/or preference shares or to grant rights to subscribe for ordinary and/or preference shares and to restrict and/or exclude statutory pre-emptive rights in relation to the issuance of ordinary and/or preference shares or the granting of rights to subscribe for ordinary and/or preference shares. The General Meeting may designate another body of the Company, such as the Management Board, competent to issue ordinary and/or preference shares (or grant rights to subscribe for ordinary and/or preference shares) and to determine the issue price and other conditions of the issue for a specified period not exceeding five years (which period can be extended from time to time for further periods not exceeding five years) so long as the maximum number of ordinary and/or preference shares which may be issued is specified. A resolution of the General Meeting to issue ordinary and/or preference shares or to designate another body of the Company, such as the Management Board, competent to do so, can only be adopted at the proposal of the Management Board, which proposal requires the prior approval of the Supervisory Board.

The ordinary General Meeting held on 29 June 2022, and thus effective on balance sheet date, has adopted a resolution (replacing the authorization granted on 24 June 2021) pursuant to which the Management Board was designated as the corporate body authorized to, subject to approval of the Supervisory Board, to issue ordinary shares in the capital of the Company and grant rights to subscribe for ordinary shares and/or preference shares in the capital of the Company, at any time during a period of 5 years as from the date the amendment of the articles of association approved at that General Meeting took effect on 27 July 2022, i.e. until 26 July 2027, and further up to the maximum number of ordinary and/or preference shares, as applicable, available under the Company's authorized share capital and, subject to the transitional provision taking effect, and therefore up to the maximum of ordinary shares and/or preference shares, as applicable, available under the authorized share capital at that time as a result of the transitional provision having become effective. The authorization is intended to allow the board of directors to issue new ordinary shares and/or preference shares, as applicable, for general purposes, which includes, without limitation, mergers, demergers, acquisitions and other strategic transactions and alliances as well as pursuant to the ESOP and to limit or exclude any pre-emptive rights in connection therewith.

Repurchase of own shares

The Company cannot subscribe for ordinary shares in its own capital at the time ordinary shares are issued. Subject to the certain provisions of the Articles, the Company may acquire fully paid-up ordinary shares provided no consideration is given or provided, (i) its shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any reserves to be maintained by Dutch law and/or the Articles, (ii) the Company and its subsidiaries would thereafter not hold ordinary shares or hold a pledge over ordinary shares with an aggregate nominal value exceeding 50% of the Company's issued share capital and (iii) the Management Board has been authorized thereto by the General Meeting. Any acquisition by the Company of ordinary shares that are not fully paid-up shall be null and void.

The General Meeting's authorization to the Management Board to acquire own ordinary shares is valid for a maximum of 18 months. As part of the authorization, the General Meeting must specify the number of ordinary shares that may be repurchased, the manner in which the ordinary shares may be acquired and the price range within which the ordinary shares may be acquired. A resolution of the Management Board to repurchase ordinary shares can only be adopted with the prior approval of the Supervisory Board. The authorization is not required for the acquisition of ordinary shares for employees of the Company or another member of its Group, under a scheme applicable to such employees.

Ordinary shares held by the Company in its own share capital do not carry a right to any distribution. Furthermore, no voting rights may be exercised for any of the ordinary shares held by the Company or its subsidiaries unless such ordinary shares are subject to the right of usufruct or to a pledge in favor of a person other than the Company or its subsidiaries and the voting rights were vested in the pledgee or usufructuary before the Company or its subsidiaries acquired such ordinary shares. The Company or its subsidiaries may not exercise voting rights in respect of ordinary shares for which the Company or its subsidiaries have a right of usufruct or a pledge.

The General Meeting held on 29 June 2022 renewed the existing authority granted on 24 June 2021 and designated the Management Board for a period of 18 months and thus until 28 December 2023 to repurchase ordinary shares up to 10% of the Company's issued and outstanding share capital against a repurchase price between €1.00 and €50, with the prior approval of the Supervisory Board, for the purpose of supporting the secondary market through a liquidity agreement with an authorized investment services provider, complying with the charter of ethics approved by the French Financial Markets Authority (Autorité des Marchés Financiers (AMF)) and the French Association of the Financial Markets (Association française des marchés financiers (AMAFI)).

V. Related Party Transactions

The Company is not aware of any transaction with any person who could be considered to have a direct relationship with the Company in the Fiscal Years 2022 and in 2021 to date, other than the transactions as set out below, which transactions were conducted at an arm's length basis.

Convertible bonds issued and outstanding to ASO

In April 2020, amended in October 2020, in December 2021 and in May 2022 and further amended in April 2023, the Company entered into a convertible bonds financing with Atlas Special Opportunities, LLC (ASO). Under this amended agreement the Company has drawn an amount of € 19.95 million (nominal), thereof € 1.08 million subsequently to 31 December 2022. As of 31 December 2022, ASO holds nil of the ordinary shares of the Company. Taking into account 3,907 unconverted convertible bonds outstanding as of 31 December 2022 from ASO financing, ASO could hold 65.2 % of the ordinary shares of the Company, if all such convertible bonds were converted at once assuming a conversion price of € 1.1971 representing the VWAP on the last trading day of the fiscal year 2022. For Events After the Consolidated Statement of Financial Position Date as of 31 December 2022 we refer to Note 20 of the consolidated financial statements of TME Pharma N.V.

In accordance with best practice provision 2.7.5. of the Dutch Corporate Governance Code all transactions with shareholders holding at least 10% of the shares in the Company were agreed on terms customary in the biotech sector and corresponding Supervisory Board approvals have been obtained.

Management Board and Supervisory Board

The members of the Management Board and the Supervisory Board have no personal interest in the investments made by the Group in the Fiscal Years 2022 and 2021.

Until 30 September 2017 TME Pharma AG has had a service agreement with Aram Mangasarian, Ph.D, a member of the Management Board. In conjunction with the implementation of TME Pharma N.V. as a management holding company, since 01 October 2017 TME Pharma N.V. (formerly NOXXON Pharma N.V.) has also had a service agreement with Aram Mangasarian with main conditions unchanged compared to the prior service agreement with TME Pharma AG, except for the Company's obligation to the French social security system. In June 2022 an amendment to such service agreement with TME Pharma N.V. was made which provides for minimum resignation/notice periods as well as severance payments if the service agreement is terminated without cause upon the occurrence of certain events (including in case of a change of control, subject to certain conditions),which provisions are customary in the field of business and help ensure a seamless management transition if such events occur.

Effective as of 31 December 2022, Bryan Jennings, with the consent of the Company, resigned from his role as member of the Management Board and CFO.

No Supervisory Board Director has a service contract or a severance agreement with the Company.

Prior to 31 December 2022 and 2021, Supervisory Board members partially waived their receivables with respect to Supervisory Board remuneration due from the Company totaling nil and K€ 9, respectively. The Company derecognized the related other liabilities to other income.

The remuneration paid to the members of the Management Board and the Supervisory Board and the pension arrangements for the members of the Management Board are set out in the remuneration section in the Supervisory Board Report.

No other business transactions with the members of the Management Board and the Supervisory Board exist.

VI. Dutch Corporate Governance Code

The Dutch Corporate Governance Code contains principles and best practice provisions, that regulate relations between the management board, the supervisory board and the shareholders, and is based on a “comply or explain” principle.

The current 2016 version of the Dutch Corporate Governance Code can be found at www.mccg.nl. With regard to the amendment to the Dutch Corporate Governance Code 2022 becoming effective on 1 January 2023, the Company will assess the impact of the corresponding changes on its activities during the fiscal year 2023.

TME Pharma is not required to report on its compliance with the Dutch Corporate Governance Code but in general acknowledges the importance of good corporate governance. In due consideration of the Company’s relatively small size of the company, it endorses and applies the underlying principles of the Dutch Corporate Governance Code where possible and conducive for its operations. Without being conclusive, the main principles of the Dutch Corporate Governance Code 2016 that are not complied with are the following:

- The Company complies with best practice provision 2.1.7. The Company does not comply with best practice provision 2.1.9, which set independency requirements for the Chairman of the Supervisory Board. The position of Kreos as shareholder and holder of warrants and bonds changed such that Kreos’ interest would no longer reach or cross the 10% threshold and therefore Dr. PetitBon would on the basis of the Dutch Corporate Governance Code could strictly speaking be considered independent. Notwithstanding, given his long-standing position with the Company and Kreos, the Company still considers Dr. PetitBon to be non-independent. As of the date of this report, the Supervisory Board is composed of 4 members, of which 3 are considered independent and only Dr. PetitBon considered non-independent.
- The Company does not comply with best practice provisions 3.1.2(vii), and 3.3.2 dealing with aspects of remuneration and which require that option rights are exercisable only three years after their grant and that Supervisory Board Directors will not be granted any shares or rights to shares as remuneration, as some of the Supervisory Board Directors will be granted ordinary shares or rights to subscribe for ordinary shares by way of remuneration, in due consideration of

the rapid and often short term changes that characterize the industry sector while at the same recognizing the importance of the substantial industry expertise such Supervisory Board Directors bring to the Company. The equity compensation for Supervisory Directors corresponds to approximately 0.2% of the Company's outstanding shares for each of the Supervisory Directors for each regular two-year appointment term.

- The Company does not comply with best practice principle 4.3.3 of the Dutch Corporate Governance Code, which requires that a resolution of the General Meeting to cancel the binding nature of a nomination for the appointment of a Managing Director, or to remove such a Managing Director, be passed with an absolute majority of the votes cast, representing at least one-third of the issued share capital. In line with the Dutch Corporate Governance Code such resolutions can only be adopted by the General Meeting with two-third of the votes cast representing at least half of the Company's issued capital. The Articles provide that these resolutions can only be adopted with at least a two-third majority which must represent more than half of the Company's issued capital, following which a new nomination will be drawn up by the Supervisory Board, because the Company believes that the decision to overrule a nomination for the appointment or dismissal of a member of the Management Board or the Supervisory Board must be widely supported by the Shareholders.

TME Pharma N.V., 20 April 2023

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

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Supervisory Board report

Introduction

The Supervisory Board is an independent corporate body responsible for supervising and advising the Management Board and overseeing the general course of affairs and strategy of the Group. The Supervisory Board is guided by the Articles of Association of the Company, its Rules of Procedure, applicable law, the Dutch Corporate Governance Code and the interests of the Company and the enterprise connected with the Company and will take into consideration the overall good of the enterprise and the relevant interests of all the Group's stakeholders.

Composition of the Supervisory Board

As of the balance sheet date, the Supervisory Board of the Company was comprised as follows:

Name	Age	Nationality	Position	Member Since	Independent/ Non-independent	Term
Dr. Maurizio PetitBon	75	Italian	Chairperson	2016	not independent	until AGM 2024
Dr. Martine van Vugt	53	Dutch	Deputy Chairperson	2021	independent	until AGM 2023
Susan Coles	57	Canadian	Supervisory Board Member	2021	independent	until AGM 2023
Dr. Cornelis Alexander Izeboud	52	Dutch	Supervisory Board Member	2020	independent	until AGM 2024

The following member has resigned in the course of the fiscal year 2022.

Name	Age	Nationality	Position	Member Since	Independent/ Non-independent	Term
Gregory Weaver	66	American	Supervisory Board Member	2021	independent	Originally until AGM 2023, resigned 30 Sept. 2022

Effective 30 September 2022, Gregory Weaver has resigned as member of the Supervisory Board to allow room to focus on his Chief Financial Officer career, leading to scaling back on his other professional obligations.

The following is a brief summary of the business experience of the current members of the Supervisory Board.

Dr. Maurizio PetitBon

Dr. PetitBon is general partner and co-founder of Kreos Capital where he focuses on healthcare investments. Prior to co-founding Kreos, Maurizio was managing partner of PMA Europe, London, a consulting partnership focused on assisting private equity firms and corporate clients in evaluating investment opportunities in technology companies. Prior to that, he was principal consultant at SRI International, in Menlo Park, California and London where he advised a number of U.S., European and Japanese technology companies on business development and M&A strategies. He also held a number of managerial positions at Emerson Electric, Digital Equipment and Xerox. Dr. PetitBon holds a doctor's degree in mechanical engineering from the University of Rome and a Master in Business Administration from INSEAD in Fontainebleau, France.

Dr. Martine J. van Vugt

Dr. Martine J. van Vugt is a senior biopharma executive with more than 20 years of successful biotechnology industry experience. She is an inventor of Tepezza® (FDA approval in Jan 2020) and the blockbuster product Darzalex® (human CD38 antibody for treatment of Multiple Myeloma). She is an expert in corporate transactional and licensing operations, such as strategic partnering, in- and out-licensing, as well as asset divestment and purchases and led negotiations of over 20 partnering deals, including partnerships with Janssen, Novartis, BioNTech, Immatics and CureVac.

Martine started her professional career at Genmab in 2001, where she currently holds the position of Executive Vice President, Chief Strategy Officer. Martine also holds a board position at Scandion Oncology. Martine holds an M.Sc. in biology from the University of Wageningen and a Ph.D. in immunology from Utrecht University.

Susan Coles

Susan Coles is a specialist in corporate law with over 25 years of experience in international collaborations and corporate/commercial activities, including more than 20 years in the life sciences sector. Susan is General Counsel and Head of Finance at Vivet Therapeutics, a private gene therapy biotech company with a strong investor base, including Roche Venture Fund, Novartis Venture Funds, HealthCap, Columbus Venture Partners, Kurma Partners, Ysios Capital, Idinvest Partners and Pfizer Inc.

Prior to joining Vivet Therapeutics, Susan was General Counsel for 3 years at Stallergenes, a global leader in allergy immunotherapy, and also acted as General Counsel for 4 years at Inventiva, a clinical-stage biopharmaceutical company listed on Euronext and Nasdaq. Between 2002 – 2012, Susan was Senior Counsel in charge of Licensing and Acquisitions at Laboratoires Fournier and subsequently at Solvay Pharmaceuticals, after its acquisition of Laboratoires Fournier.

Prior to these experiences, Susan worked for over 7 years in the field of international partnerships and mergers and acquisitions. Susan has a strong track record in advising senior management on strategic and operational matters as well as broad experience in business negotiation and strategic transactions. She holds a B.A. in Psychology from the University of British Columbia, and an LLB from the University of Toronto. Susan is an attorney of the Bar of Ontario and the New York Bar.

Dr. Cornelis Alexander Izeboud

Dr. C. A. (Oscar) Izeboud is CEO of Scenic Biotech, a drug discovery and development company focused on genetic modifiers, based in the Netherlands. Before joining Scenic Biotech, Dr. Izeboud was Managing Director at NIBC Bank N.V. in Amsterdam, where he headed a life sciences and healthcare team and led corporate finance and capital markets activities with a focus on innovative companies. Prior to that, as Managing Director at Kempen & Co., a Dutch investment bank, he built the Life Sciences and Healthcare franchise and played a pivotal role in numerous international transactions in biotech, medtech, and the healthcare industry. Before his transition to the banking sector, Dr. Izeboud's initial interest was in the biotech industry where he spent a number of years working for Crucell NV, Specs BV, and TNO Pharma. Dr. Izeboud has been a nonexecutive member of the board of directors of Luciole Medical AG since 2019, and a member of the board of Nomad Bioscience GmbH since 2020. He holds a Ph.D. in immunopharmacology from the University of Utrecht in The Netherlands.

Supervisory Board Committees

In September 2016, the Supervisory Board established three committees to cover key areas in greater detail: an audit committee, a compensation committee and a nomination and corporate governance committee consisting of Supervisory Board Directors. The responsibility of each of the committees was set up with a preparatory and/or advisory role to the Supervisory Board, reporting their findings to the Supervisory Board, which is ultimately responsible for all decision-making. In accordance with the Supervisory Board rules, the Supervisory Board has drawn up rules on each committee's role, responsibilities and functioning.

Since the appointment of the additional members of the Supervisory Board at the general meeting held on 24 June 2021 and until 30 September 2022, the Supervisory Board was composed of five members. As of the date of this report, the Supervisory Board was composed of four members. On 24 June 2021, the Supervisory Board has re-considered the re-instatement of the committees and agreed to implement the following committees:

- Audit Committee;
- Compensation and Nomination & Corporate Governance Committee (in compliance with article 21 para. 3 of the Articles the tasks and duties of the compensation committee and the nomination and corporate governance committee were combined and entrusted to one committee); and
- a Research & Development Committee.

Until 24 June 2021, the Supervisory Board covered the duties of the Audit Committee, the Compensation Committee and of the Nomination and Corporate Governance Committee and applied the best practices in accordance with the Dutch Corporate Governance Code with the exceptions disclosed in paragraph VI of the management report.

The following table outlines the corresponding committees and the membership of the Supervisory Board members:

	Dr. Maurizio PetitBon	Susan Coles	Dr. Cornelis Alexander Izeboud	Dr. Martine van Vugt	Gregory Weaver
Audit Committee		member	chair (since 30 June 2022) & member		chair (until 30 June 2022) & member (until 30 Sept. 2022)
Compensation and Nomination & Corporate Governance Committee	member	chair & member		member	member (until 30 Sept. 2022)
Research & Development Committee			member	chair & member	

Audit Committee

In the reporting period, the Audit Committee assisted the Supervisory Board in supervising the activities of the Management Board with respect to, inter alia the operation of the internal risk-management and control systems; the provision of financial information by the Company (including the choice of accounting policies, application and assessment of the effects of new rules, and the treatment of estimated items in the Company's annual accounts); compliance with recommendations and observations of the Company's internal audit functions and external auditors; the role and functioning of the Company's internal audit procedures; the Company's tax planning policy; the Company's relationship with its external auditor, including the independence and remuneration of the external auditor; the financing of the Company; and matters relating to information and communication technology.

The Audit Committee also advised the Supervisory Board on its nomination to the General Meeting of persons for appointment as the Company's external auditor, and prepares meetings of the Supervisory Board where the Company's annual report, the Company's annual financial statements, and the Company's half-yearly figures and quarterly trading updates (in case applicable) are to be discussed.

The Audit Committee met as often as was required for its proper functioning, but at least two times a year, such meetings to be held to coincide with key dates in the financial reporting and audit cycle. The Audit Committee had to meet at least once a year with the Company's external auditor. In the reporting period, the Audit Committee met five times. Attendance rate at the meetings was 100%.

Compensation and Nomination & Corporate Governance Committee

The Compensation and Nomination & Corporate Governance Committee is entrusted with responsibilities that include the review and recommendation of compensation policies and plans (e.g., long-term incentive plan) and the compensation of the members of the Management and Supervisory Boards. This committee also makes an assessment to ensure that the area of nomination and compensation is in compliance with the standards set forth in the associated terms of reference and the Company's Articles. It also is entrusted with the review of the selection criteria and appointment procedures for Supervisory and Management Board members, the periodical assessment of the size, composition and functioning of the Supervisory and Management Boards, proposals for (re-)appointments, and the review of the corporate governance policies in addition to the annual self-evaluation of the Supervisory Board. It is empowered to decide the tasks assigned to it and regularly informs the full Supervisory Board on matters discussed in its meetings and submits proposals for Supervisory Board decision in accordance with the applicable rules.

In the reporting period, the Compensation and Nomination & Corporate Governance Committee has held three formal meetings in addition to several communications via email. It dealt in particular with the review of the profile, size and composition of the Supervisory and Management Boards, the re-appointments of their members, and reviewed the amendments of the Management Board members and. In addition, it discussed and reviewed the corporate goals 2022 and 2023 and made corresponding recommendations to the Supervisory Board. It also conducted and reviewed the annual self-evaluation of the Supervisory Board, the details of which are disclosed in the section "Performance Assessment" (page 65) below. Attendance rate at two meetings in the reporting period was 100%, attendance rate at one meeting was 50%.

Research & Development Committee

In the reporting period, the Research & Development Committee assisted the Supervisory Board in reviewing and assessing the Group's research and development ("R&D") programs and overseeing its strategy and investment in R&D programs, and to perform such other functions as may be deemed necessary or appropriate in carrying out the foregoing. The Research & Development Committee acts in an advisory capacity to the Supervisory Board in such endeavors and undertake such other duties and responsibilities as the Supervisory Board shall prescribe from time to time.

In the reporting period, the R&D Committee has held three formal meetings in addition to several communications via email and videoconference. It has performed an in-depth scientific review of the Group's pipeline programs, NOX-A12 and NOX-E36, and reviewed and commented on the Group's research and development strategy. It has also reviewed and commented on patenting, licensing, publication and business development plans as well as performing an analysis of needed resources for current and likely future R&D plans. Attendance rate at the three meetings was 100%.

Activities, meetings and discussed topics

During 2022, the Supervisory Board convened formally thirteen times, thereof ten meetings held by telephone conference. All meetings were attended by the Management Board. At the end of each meeting a closed session was held without the Management Board being present to discuss performance of the Management Board. Attendance rate at eight meetings was 100%, attendance rate at five meetings was 80%.

During the reporting period, the Supervisory Board regularly monitored the Management Board and acted in an advisory capacity. For this purpose, the Management Board informed the Supervisory Board at regular intervals, both orally and in writing, of the

Group's situation and essential business transactions. These consultations ensure that the Supervisory Board remains well-informed about the Group's operations.

The Supervisory Board is in charge of advising and overseeing the strategy and business of the Group. The Supervisory Board discussed the Management Board's reports during its meetings. The Supervisory Board and in particular its Chairman also discussed the Group's development with the Management Board on an ongoing basis.

During the reporting period, the Management Board asked the Supervisory Board for approval of transactions requiring Supervisory Board approval. The Supervisory Board granted all necessary approvals.

Furthermore, the Supervisory Board discussed with the Management Board the Group's further strategic development, the status and progress of its clinical programs, the main risks of the business, the financial situation and further financing of the Group as well as matters of the Management and Supervisory Boards. The discussions especially focused on

(a) the strategic goals of the Group and its clinical development strategy,
(b) the financing from several sources, including equity financing via private placements and convertible bond financing,
(c) the discussion and approval of the Annual Report 2021 and the Half-Year 2022 Financial Report,
(d) the composition and the remuneration of the Management and Supervisory Boards and corporate governance matters,
(e) the preparation and recommendations of the resolutions to be proposed for adoption at the EGM on 16 May 2022, at the AGM on 29 June 2022 and the EGM on 30 January 2023,
(f) and the maintenance of the Company as strategic management holding company.

As part of the meetings, the Supervisory Board also discussed the corporate strategy and the main risks of the business. All these risks were discussed with the Management Board and where possible actions were undertaken to minimize the Company's exposure. The Management Board reports regularly to and discusses with the Supervisory Board on the Group's risk management and internal control system and the compliance therewith.

The Supervisory Board established that all of its members are committed to allocating sufficient time and attention to the Supervisory Board's duties of supervising and advising the Management Board.

Remuneration

Remuneration policy for the Management Board

The remuneration policy for the Management Board was adopted by the General Meeting on 22 September 2016 which was lastly amended by the general meeting held on 29 June 2022. In 2022 and 2021 the remuneration was applied in accordance with the remuneration policy. The full text of the remuneration policy can be found on the Company's corporate website.

Management Board Remuneration for the Fiscal Years 2022 and 2021

With respect to the number of issued and outstanding stock options which were adjusted for the share consolidation consummated in July 2022, this section should be read in conjunction with Note 8 and 9 of the consolidated financial statements.

The table below shows the remuneration for the members of the Management Board of TME Pharma N.V., for the Fiscal Years 2022 and 2021, respectively.

2022	**Base salary**	**Cash bonus**(3)	**Share-based compen-sation**	**Others/ Pension contri-butions**(5)	**Fringe benefits** (4)	**Total**
Aram Mangasarian, Ph.D. (1)	€250,000	€151,250	€169,500	€113,671	€5,203	€689,624
Bryan Jennings (2)	€380,170	€115,002	€52,900	€21,256	€29,837	€599,165
Total	**€630,170**	**€266,252**	**€222,400**	**€134,927**	**€35,040**	**€1,288,789**

(1) Aram Mangasarian is member of the Management Board and of the Board of Directors of TME Pharma N.V., TME Pharma AG and TME Pharma Inc. Aram Mangasarian is one of the two statutory directors of TME Pharma N.V. until 31 December 2022. He is remunerated by TME Pharma N.V.

(2) Bryan Jennings was member of the Management Board and of the Board of Directors of both, TME Pharma N.V. and TME Pharma Inc. Bryan Jennings was one of the two statutory directors of TME Pharma N.V. until 31 December 2022. He is remunerated by TME Pharma Inc., except for share-based compensation granted by TME Pharma N.V.

(3) Cash bonuses relate to goal achievements during 2022, not paid yet.

(4) Without contribution to directors and officer's insurance and other insurances and expenses (such as mobile phones etc.).

(5) Mandatory social security contributions to the French and US social security systems, actually utilized and including reimbursement of € 21,856.

2021	Base salary	Cash bonus(3)	Share-based compen-sation	Others/ Pension contri-butions(7)	Fringe benefits (4)	Total(5)
Aram Mangasarian, Ph.D. (1)	€250,000	€200,000	€133,700	€124,313	€2,164	€710,177
Bryan Jennings (2)	€58,792(6)	€28,265	€17,300	€7,185	€8,560	€120,102
Total	**€308,792**	**€228,265**	**€151,000**	**€131,498**	**€10,724**	**€830,279**

(1) Aram Mangasarian is member of the Management Board and of the Board of Directors of TME Pharma N.V., TME Pharma AG and TME Pharma Inc.. Aram Mangasarian is one of the two statutory directors of TME Pharma N.V. He is remunerated by TME Pharma N.V.
(2) Bryan Jennings is member of the Management Board and of the Board of Directors of both, TME Pharma N.V. and TME Pharma Inc. Bryan Jennings is one of the two statutory directors of TME Pharma N.V. He is remunerated by TME Pharma Inc., except for share-based compensation granted by TME Pharma N.V. Remuneration covers the period from 1 November 2021 until 31 December 2021.
(3) Cash bonuses relate to goal achievements during 2021, which have been paid out during the fiscal year 2022.
(4) Without contribution to directors and officer’s insurance and other insurances and expenses (such as mobile phones etc.).
(5) Without social security contributions to the French and US social security systems.
(6) Base salary was adjusted for additional payments of € 2,261 in accordance with Connecticut labor laws.
(7) Correction of prior period omission: Mandatory social security contributions to the French and US social security systems, including accrued expenses actually utilized in relation to cash bonus payments for goal achievements during 2021 of € 49,685 (in 2021 no disclosures were presented).

The cash bonus relates mainly to corporate goals for advancing the development pipeline of TME Pharma as well as securing the respective funding.

In 2022, corporate goals have been agreed for securing financing by investors, including industrial partnerships and raising profile of the Company (45%), advancing the development pipeline (45%) and staffing 10%). Goal achievement has been assessed at a level of 60.5%.

In 2021, corporate goals have been agreed for securing financing by investors, including industrial partnerships and non-dilutive financing opportunities (40%), advancing the development pipeline (45%), share performance / investor and public relations (10%) and staffing (5%). Goal achievement has been assessed at a level of 80%.

Members of the Management Board are eligible participants in the 2016 Stock Option and Incentive Plan as approved by the General Meeting on 22 September 2016 and amended from time to time by shareholders meetings.

Pursuant to and in accordance with the terms of 2016 Stock Option and Incentive Plan, the following option issuances and cancellations (adjusted for the share capital consolidation effective 27 July 2022) took place:

Aram Mangasarian:

- in 2017, 461 options with an exercise price of €1,170.00 were issued,
- in 2019, 1,816 options with an exercise price of €65.00 were issued,
- in 2020, 1,317 options with an exercise price of €65.00 were issued,
- in 2021, 11,542 options with an exercise price of €37.80 were issued,
- in 2022, the above mentioned 15,196 options were cancelled,
- in 2022, 45,597 options with an exercise price of €5.07 were issued.

Bryan Jennings:

- in 2021, 10,591 options with an exercise price of €28.50 were issued,
- in 2022, the above mentioned 10,591 options were cancelled,
- in 2022, 25,861 options with an exercise price of €5.07 were issued, which forfeited in full due to resignation effective as of 31 December 2022.

The total share-based compensation resulting from these issuances and cancellations amounting to K€ 222 and K€ 151 in the fiscal years 2022 and 2021, respectively.

Relating the terms and conditions governing this grant we refer to Note 9 “Share-based compensation” of the consolidated financial statements.

In 2022 and 2021, no stock options or shares from Share Participation Model that the Group has had in place since 2008 were granted to the members of the Management Board of TME Pharma AG. Under the Share Participation Model, the share-based payment transactions recognized as an expense in the Fiscal Years 2022 and 2021 according to IFRS amounted to none for the members of the Management Board of TME Pharma AG.

At the date of this Report, there are no amounts reserved or accrued by the Group to provide pension, benefit, retirement or similar benefits for the members of the Management Board of TME Pharma N.V.

Remuneration for the Supervisory Board

The remuneration policy for the Supervisory Board was adopted by the General Meeting on 22 September 2016. In 2022 and 2021 the remuneration was applied in accordance with the remuneration policy and the shareholders resolution adopted on 27 June 2017, on 30 June 2020, on 24 June 2021, and on 29 June 2022 respectively. The full text of the current remuneration policy can be found on the Company’s corporate website.

Supervisory Board Remuneration

In connection with the Corporate Reorganization, the General Meeting has resolved to determine the remuneration of the Supervisory Board Directors.

Remuneration Components Supervisory Board Directors

In order to motivate the right balance of short-term and long-term practices and pursuant to the remuneration policy, the remuneration of the Supervisory Board Directors consists of the following fixed and variable components:

- a fixed annual cash compensation;
- an additional cash compensation for members of the Audit Committee, the Compensation Committee and/or the Nomination and Corporate Governance Committee; and
- a long-term incentive plan in the form of stock options.

Fixed fee

Following the resolutions adopted at the General Meeting held on 30 June 2020, the Supervisory Board Directors are entitled to an annual cash compensation retainer of EUR 20,000 subject to attending or participating in at least 75% of the duly convened board meetings. There will be no separate meeting fees. Supervisory Board Directors attending or participating in less than 75% of the convened board meetings will be eligible to receive an annual cash compensation pro rata temporis.

The chairman of the Supervisory Board will be eligible to receive twice the aforementioned cash compensation.

Committee Members Compensation

Following the resolutions adopted at the General Meeting held on 24 June 2021, committee members are entitled to additional cash compensation as follows:

(i) Audit Committee members shall receive an annual compensation of €4,000; the chairman of the Audit Committee shall receive an annual compensation of €8,000.
(ii) any other committee if established by the Board each committee member shall receive an annual compensation of €3,000; the chairman of such committee shall receive an annual compensation of €6,000.

Long-term incentive plan

Following the resolutions adopted at the General Meeting held on 29 June 2022 according to the amended remuneration policy, the equity compensation will be structured as (i) upon appointment as well as upon each re-appointment after a regular two-year appointment term a grant of approximately 0.2% of the Company's outstanding shares at the relevant time with a vesting period of three years (1/3 for each period between one AGM to the next AGM) from the date of appointment or re-appointment as applicable; and (ii) should at the time of annual vesting of a certain number of options the Company's issued share capital have been increased compared to the day of grant of such options, the Company shall issue as many options as needed to compensate for the relative increase in issued share capital, which additional options shall be considered vested as of the grant.

Adjustments to variable remuneration

Pursuant to Dutch law and the Dutch Corporate Governance Code the remuneration of Management Board Directors may be reduced or Management Board Directors may be obliged to repay (part of) their variable remuneration to the Company if certain circumstances apply. Pursuant to the Dutch Corporate Governance Code, any variable remuneration component conditionally awarded to a Management Board Director in a previous fiscal year which would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been applied, the Supervisory Board will have the power to adjust the value downwards or upwards. In addition, the Supervisory Board will have the authority under the Dutch Corporate Governance Code and Dutch law to recover from a Management Board Director any variable remuneration awarded on the basis of incorrect financial or other data (claw back).

Pursuant to Dutch law, the Supervisory Board may furthermore adjust the variable remuneration (to the extent that it is subject to reaching certain targets and the occurrence of certain events) to an appropriate level if payment of the variable remuneration were to be unacceptable according to requirements of reasonableness and fairness.

In fiscal year 2022, no variable remuneration was clawed back, and no variable remuneration was adjusted (retroactively).

Other arrangements

In fiscal year 2022, no severance payments were granted to (former) Management Board members and Supervisory Board members.

In fiscal year 2022, no (personal) loans were granted to Management Board members and Supervisory Board members and no guarantees, or the like have been granted in favor of any of our Management Board members and Supervisory Board members.

Supervisory Board Remuneration for the Fiscal Years 2022 and 2021

The table below shows the remuneration for the Supervisory Board Directors of the TME Pharma N.V. for the Fiscal Year 2022 and 2021:

2022	**Fixed fee(2)**	**Share-based compensation**	**Total**
Dr. Maurizio PetitBon(1)	N/A	N/A	N/A
Susan Coles	€30,000	€16,400	€46,400
Dr. Cornelis Alexander Izeboud(3)	€29,000	€14,800	€43,800
Dr. Martine van Vugt(4)	€29,000	€16,400	€45,400
Gregory Weaver(5)	€17,250	€2,500	€19,750
Total	**€105,250**	**€50,100**	**€155,350**

(1) Supervisory Board Director of the Company has waived his right for a fee.
(2) Fixed fees have not yet been paid, except for Dr. Cornelis Alexander Izeboud and Gregory Weaver. Without contribution to directors and officer's insurance and other insurances and expenses (such as mobile phones etc.).
(3) via Izalco Management B.V.
(4) via LifeSci Consultancy B.V.
(5) Remuneration covers the period until 30 September 2022.

2021	**Fixed fee(2)**	**Share-based compensation**	**Total**
Dr. Maurizio PetitBon(1)	N/A	N/A	N/A
Dr. J. Donald deBethizy	€10,000	€(4,900)	€5,100
Susan Coles	€15,000	€10,600	€25,600
Dr. Cornelis Alexander Izeboud(3)	€23,500	€18,500	€42,000
Bertram Köhler(1)	N/A	N/A	N/A
Dr. Martine van Vugt(4)	€14,500	€10,600	€25,100
Gregory Weaver	€15,500	€10,600	€26,100
Total	**€78,500**	**€45,400**	**€123,900**

(1) Supervisory Board Director of the Company has waived his right for a fee.
(2) Fixed fees have not been paid during 2021, except for Dr. Cornelis Alexander Izeboud. All remaining payments have been made during 2022. Without contribution to directors and officer's insurance and other insurances and expenses (such as mobile phones etc.).
(3) via Izalco Management B.V.
(4) via LifeSci Consultancy B.V.

Long-term incentive plan

Members of the Supervisory Board are eligible participants in the 2016 Stock Option and Incentive Plan as approved by the General Meeting on 22 September 2016 and amended from time to time by shareholders meetings. Pursuant to and in accordance with the terms of the 2016 Stock Option and Incentive Plan (adjusted for the share capital consolidation effective 27 July 2022), the following transactions took place:

- in 2017, 82 options with an exercise price of €1,170.00 to Donald deBethizy and 123 options with an exercise price of €680.00 to Donald deBethizy, partly via Whitecity Consulting ApS, a company under his control, were issued, which expired during the fiscal year 2022,
- in 2019, 484 options with an exercise price of €65.00 were issued to Donald deBethizy, via Whitecity Consulting ApS, of which 323 options forfeited which had not been vested when the consulting agreement with Whitecity Consulting ApS ended on 30 June 2021, the remaining 161 options expired during the fiscal year 2022,
- in 2020, 798 options upon appointment as Supervisory Board Director for a regular two-year appointment term with an exercise price of €65.00 were issued to Dr. Cornelis Alexander Izeboud,
- in 2021, 1,345 options upon appointment as Supervisory Board Director for a regular two-year appointment term with an exercise price of €37.80 were issued to Susan Coles,
- in 2021, 1,345 options upon appointment as Supervisory Board Director for a regular two-year appointment term with an exercise price of €37.80 were issued to Gregory Weaver,
- in 2021, 1,345 options upon appointment as Supervisory Board Director for a regular two-year appointment term with an exercise price of €37.80 were issued to Dr. Martine van Vugt, via LifeSci Consultancy B.V.,
- in 2022, 459 fully vested options to compensate for the increase of the Company's outstanding shares at the date of the time of the annual vesting of granted options compared to outstanding shares the day of grant of such options with an exercise price of €4.90 were issued to Susan Coles,
- in 2022, 459 fully vested options to compensate for the increase of the Company's outstanding shares at the date of the time of the annual vesting of granted options compared to outstanding shares the day of grant of such options with an exercise price of €4.90 were issued to Gregory Weaver; due to the resignation as a supervisory board member as of 30 September 2022 896 options forfeited,
- in 2022, 459 fully vested options to compensate for the increase of the Company's outstanding shares at the date of the time of the annual vesting of granted options compared to outstanding shares the day of grant of such options with an exercise price of €4.90 were issued Dr. Martine van Vugt, via LifeSci Consultancy B.V., and
- in 2022, 3,363 options (thereof 2,722 options upon re-appointment for a regular two-year appointment term and 642 fully vested options to compensate for the increase of the Company's outstanding shares at the date of the time of the annual vesting of granted options compared to outstanding shares the day of grant of such options) with an exercise price of €4.90 were issued Dr. Cornelis Alexander Izeboud, via Izalco Management B.V.

The total share-based compensation resulting from these issuances amounting to K€ 50 and K€ 45 in the for the fiscal years 2022 and 2021, respectively.

Relating the terms and conditions governing this grant we refer to Note 9 “Share-based compensation” of the consolidated financial statements.

Apart from Dr. J. Donald deBethizy, whose agreement ended in 2021, no Supervisory Board Director has a service or severance contract with the Company.

Independence of the Supervisory Board and its members

The Supervisory Board is a separate corporate body that is independent of the Management Board of the Company. Members of the Supervisory Board can neither be a member of the Management Board nor an employee of TME Pharma.

The Company’s shareholder base is currently to a certain extent still made up of the investors that were shareholders in TME Pharma AG prior to the first listing on the Alternext (now Euronext Growth) stock exchange in Paris. One of the Supervisory Board members, Dr. Maurizio PetitBon has ties with a certain former investor (Kreos) and on the basis that at the time of his initial appointment that investor was a shareholder he is considered by the Company as non-independent (with reference to the criteria of the Dutch Corporate Governance Code).

Performance assessment

The Supervisory Board is responsible for the quality of its own performance. It discusses, once a year, without the presence of the members of the Management Board, its own performance, as well as the performance of its individual members, its committees, if any, the Management Board and its individual members. For the reporting period 2022, the Supervisory Board conducted an evaluation through a self-assessment which resulted in a positive assessment of the Supervisory Board and its individual members, and towards the performance of the audit, compensation and nomination & corporate governance committee and the research & development committee and also the performance of the Management Board. Further the Supervisory Board was satisfied with the performance of the Supervisory Board and determined that it works well together, with all members fully contributing to discussions.

Appreciation

The members of the Supervisory Board would like to express their gratitude and appreciation to the Management Board and employees of TME Pharma for their efforts and performance in 2022. In particular, the Supervisory Board would very much like to thank the shareholders for their continued support.

20 April 2023

On behalf of the Supervisory Board

Dr. Maurizio Petitbon,

Chairman of the Supervisory Board

Consolidated financial statements as of 31 December 2022

TME Pharma N.V., Amsterdam, Netherlands
Consolidated Statements of Financial Position as of 31 December 2022

(in thousands of €)

Assets	Note	31 Dec. 2022	31 Dec. 2021
Non-current assets			
Intangible assets	(3)	4	4
Equipment	(4)	47	47
Right-of-use assets	(4)	174	19
Financial assets		5	5
		230	**75**
Current assets			
Other assets	(5)	377	209
Financial assets	(6)	0	28
Cash and cash equivalents	(7)	4,634	9,456
		5,011	**9,693**
		5,241	**9,768**

Equity and liabilities	Note	31 Dec. 2022	31 Dec. 2021
Equity			
Subscribed capital	(8)	1,739	746
Additional paid-in capital	(8)	184,839	176,461
Accumulated deficit	(8)	-187,635	-172,503
Cumulative translation adjustment	(8)	8	5
Treasury shares	(8)	-223	-194
Equity attributable to owners of the Company		**- 1,272**	**4,515**
Non controlling interest		0	-13
Total equity		**- 1,272**	**4,502**
Non-current liabilities			
Lease liabilities		67	0
		67	**0**
Current liabilities			
Financial liabilities	(10)	4,141	2,505
Lease liabilities		112	21
Trade accounts payable		1,695	2,235
Other liabilities	(11)	498	505
		6,446	**5,266**
		5,241	**9,768**

TME Pharma N.V., Amsterdam, Netherlands
Consolidated Statements of Comprehensive Loss for the Year Ended 31 December 2022

(in thousands of €)	Note	For the years 2022	2021
Other operating income	(13)	34	82
Research and development expenses	(13)	-8,148	-10,657
General and administrative expenses	(13)	-3,882	-2,876
Foreign exchange result (net)		-33	184
Loss from operations		**-12,029**	**-13,267**
Finance income	(10)	303	319
Finance cost	(10)	-3,400	-1,504
Loss before income tax		**-15,126**	**-14,452**
Income tax	(12)	-7	-1
Net loss		**-15,133**	**-14,453**
Items that may be reclassified subsequently to profit or loss:			
Foreign operations - foreign currency translation differences	(8)	3	5
Total comprehensive loss		**-15,130**	**-14,448**
Net loss attributable to:			
Owners of the Company		-15,132	-14,452
Non-controlling interests		-1	-1
		-15,133	**-14,453**
Total comprehensive loss attributable to:			
Owners of the Company		-15,129	-14,447
Non-controlling interests		-1	-1
		-15,130	**-14,448**
Loss per share in EUR per share * (basic and diluted)	(15)	-12.86	-21.90

* Number of ordinary shares was adjusted for the share consolidation consummated, refer to Note 8 and 15.

TME Pharma N.V., Amsterdam, Netherlands
Consolidated Cash-Flow Statements for the Year Ended 31 December 2022

(in thousands of €)

	Note	For the years ended 2022	2021
Operating activities			
Net loss before income tax		-15,126	-14,452
Income taxes paid		0	0
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amorization expense	(3, 4)	92	66
Finance income	(10)	-303	-319
Finance cost	(10)	3,400	1,504
Share-based compensation	(9)	589	475
Other non-cash transactions	(16)	-75	-62
Changes in operating assets and liabilities:			
Other current assets and other financial assets		-140	-14
Trade accounts payable and other liabilities		-580	421
Net cash used in operating activities		**-12,143**	**-12,381**
Investing activities			
Purchase of equipment		-21	-14
Net cash used in investing activities		**-21**	**-14**
Financing activities			
Proceeds from issuance of shares and excercise of warrants	(8)	85	7,219
Transaction costs for issuance of shares and exercise of warrants		-12	-17
Sale and purchase of treasury shares		-29	-1
Proceeds from issuance of convertible bonds	(10)	7,431	4,371
Transaction costs for issuance of convertible bonds		-122	-47
Payment of lease liabilities		-57	-25
Interest paid		-11	-2
Net cash provided by financing activities		**7,285**	**11,498**
Net change in cash and cash equivalents		-4,879	-897
Cash at the beginning of period		9,456	10,304
Effect of movements in exchange rates on cash held		57	49
Cash at the end of the period		4,634	9,456

TME Pharma N.V., Amsterdam, Netherlands

Consolidated Statements of Changes in Shareholders' Equity for the Year Ended 31 December 2022

(in thousands of €)	Note	Ordinary shares		Cumulative translation adjustment	Treasury Shares	Additional Paid-In Capital	Accumulated Deficit	Total	Non-controlling interests	Total equity
		Number of shares	Subscribed capital							
1 January 2021		471,783	472	0	-193	165,481	-158,050	**7,710**	**-12**	**7,698**
Net loss							-14,453	-14,453	-1	-14,454
Foreign operations - foreign currency translation differences	(8)			5				5		5
Total comprehensive loss				5			-14,453	-14,448	-1	-14,449
Share-based compensation	(9)					475		475		475
Capital increases (private placements)	(8)	142,772	143			6,282		6,425		6,425
Issuance costs of capital increases (private placements)						-413		-413		-413
Capital increases as a result of warrant exercises (Kreos and certain other investors)	(8, 10)	37,684	38			1,617		1,655		1,655
Capital increases as a result of bond conversions	(8, 10)	93,776	93			3,027		3,120		3,120
Issuance costs of capital increases resulting from warrant exercises and bond conversions						-8		-8		-8
Purchase of treasury shares	(8)				-1			-1		-1
31 December 2021		746,015	746	5	-194	176,461	**-172,503**	**4,515**	**-13**	**4,502**
1 January 2022		746,015	746	5	-194	176,461	-172,503	**4,515**	**-13**	**4,502**
Net loss							-15,132	-15,132	-1	-15,133
Foreign operations - foreign currency translation differences	(8)			3				3		3
Total comprehensive loss				3			-15,132	-15,129	-1	-15,130
Share-based compensation	(9)					589		589		589
Capital increases as a result of warrant exercises (Yorkville)	(8, 10)	11,054	11			113		124		124
Capital increases as a result of bond conversions	(8, 10)	982,266	982			7,704		8,686		8,686
Issuance costs of capital increases resulting from warrant exercises and bond conversions						-14		-14		-14
Sale and purchase of treasury shares	(8)				-29			-29		-29
Changes in ownership interests while retaining control	(8)					-14		-14	14	0
31 December 2022		1,739,335	1,739	8	-223	184,839	**-187,635**	**-1,272**	**0**	**-1,272**

1. Corporate information

TME Pharma N.V. (NOXXON Pharma N.V. changed its name to TME Pharma N.V. on 11 July 2022, in the following also the Company) is a Dutch public company with limited liability (naamloze vennootschap) and has its corporate seat in Amsterdam, the Netherlands and its headquarters in Berlin, Germany. The Company's ordinary shares are listed under the symbol "ALTME" with ISIN NL0015000YE1 on the public offering compartment of the Euronext Growth stock exchange Paris, France. In connection with the corporate name change the ticker symbol was changed from "ALNOX" to "ALTME". In addition, the ticker symbol was changed from NL0012044762 to NL0015000YE1 on the share consolidation execution date on July 28, 2022. TME Pharma N.V. is a management holding company providing corporate and administrative services, financial and business advice and asset management to its German subsidiary TME Pharma AG (formerly NOXXON Pharma AG).

The Company's business address is in Berlin, Germany, with the address of Max-Dohrn-Str. 8-10, 10589 Berlin.

The consolidated financial statements of TME Pharma N.V. as of and for the year ended 31 December 2022 comprise the Company and its wholly owned and / or controlled subsidiaries, TME Pharma AG, Berlin, Germany and TME Pharma Inc., Norwalk, CT, United States (all entities hereinafter also the Group or TME).

TME Pharma N.V. is a clinical-stage biopharmaceutical company that has generated a proprietary product pipeline which is designed to act on the tumor microenvironment (TME) and the cancer immunity cycle by breaking tumor protection barriers against the immune system and blocking tumor repair. TME Pharma's approach works in combination with other forms of treatment and focuses on the significant improvement in the effectiveness in cancer therapies. Its product candidates – NOX-A12 and NOX-E36 – are based on a new class of drug called "Spiegelmers®".

The consolidated financial statements for the years ended 31 December 2022 of TME were authorized by the Management Board for issuance on 20 April 2023.

2. Summary of significant accounting policies

Basis of preparation

Going concern

The accompanying consolidated financial statements have been prepared on the basis that the Group will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. The Group's ability to continue as a going concern is dependent on its ability to raise additional funds to continue its research and development programs and meet its obligations.

As a clinical stage biopharmaceutical company, the Group has incurred operating losses since inception. For the 12 months ended 31 December 2022 the Group incurred a net loss of € 15.0 million (thereof loss from operations amounting to € 11.9 million, resulting in an operating cash outflow of € 12.1 million). As of 31 December 2022, the Group had generated an accumulated deficit of € 188 million. The equity position of the Group is negative and amounts to € 1 million.

To finance its research and development activities through 31 December 2022, the Group raised in prior periods funds from several sources including its shareholders through the issuance of equity, venture loans, equity line financing, convertible bonds and government grants. Considering cash and cash equivalents as of 31 December 2022 of € 4.6 million, in addition cash resources from an equity financing of € 1.00 million (gross) and € 1.08 million convertible bond financing (nominal) in April 2023 (see Notes 10 and 20), cash reach of TME will be into December 2023.

The Group expects it will incur operating losses for the foreseeable future due to, among other things, costs related to research funding, development of its product candidates and its preclinical programs, strategic alliances and its administrative organization.

According to its most recent business planning, current cash resources are projected to finance the Group into December 2023. The Group will be required to raise further funds in addition to the abovementioned financing by alternative means of financial support or conduct of a partnering deal for one of its product candidates prior to the fourth quarter of 2023 in order to execute on its plans. Management is pursuing various financing alternatives to meet the Group's future cash requirements, including seeking additional investors, pursuing industrial partnerships, or obtaining further funding from existing investors through additional funding rounds, pursuing a merger or an acquisition. The management of TME is pursuing all of these avenues in parallel with the assistance of experienced external support.

Management has given consideration to the ability of the Group to continue as a going concern and acknowledges the need for additional funds. Based on management's going concern assessment, the consolidated financial statements do not include any adjustments that may result from the outcome of these uncertainties. While management is confident of raising funds, if the Group is not successful in obtaining the additional funds required in order to fully execute on its plans, there is a substantial doubt that the Group will be able to continue as a going concern.

Statement of compliance

The consolidated financial statements of TME Pharma N.V. and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and title 9 of Book 2 of the Dutch Civil Code.

The Group has adopted all of the International Financial Reporting Standards that became effective for accounting periods beginning on or after 1 January 2022, and that are relevant to its operations. Additionally, the Group takes into consideration all Interpretations of the IFRS Interpretations Committee.

New standards and interpretations applied for the first time

The following new and amended standards were effective for annual periods beginning on or after 1 January 2022 and have been applied in preparing these consolidated financial statements.

STANDARD/INTERPRETATION	EFFECTIVE DATE
IFRS 3 Amendments Reference to the Conceptual Framework	1 January 2022
IAS 37 Amendments Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Improvements to IFRS 2018 – 2020 (IFRS 1, IFRS 9, IAS 41, IFRS 16)	1 January 2022
IAS 16 Amendments Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
Improvements to IFRS 2018 – 2020 (IFRS 1, IFRS 9, IAS 41, IFRS 16)	1 January 2022

The above mentioned new standards, amendments to standards and new or amended interpretations had no significant effect on the consolidated financial statements of the Group.

New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretations are effective and will be applied in annual periods beginning on or after 1 January 2023, respectively.

STANDARD/INTERPRETATION	EFFECTIVE DATE
IAS 1 Amendments Classification of Liabilities as Current or Non-current	1 January 2023
IAS 1 Practice Statement 2 Amendments Disclosure of Accounting Policies	1 January 2023
IAS 12 Amendment Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
IAS 8 Amendment Definition of Accounting Estimates	1 January 2023
IFRS 17 Insurance Contracts	1 January 2023
IFRS 17 Amendments Insurance Contracts	1 January 2023
Initial Application of IFRS 17 and IFRS 9 – Comparative Information (Amendment to IFRS)	
Amendments to IAS 1 Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to IFRS 16 Requirements for sale and leaseback transactions*	1 January 2024
Amendments to IFRS 10, IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	undetermined

*not yet endorsed

The abovementioned new standards, amendments to standards and interpretations not yet effective, will not have a material impact on the group’s consolidated financial statements.

Financial statement presentation

The consolidated financial statements have been prepared on a historical cost basis except for derivative financial instruments, which are carried at fair value. The consolidated financial statements are presented in thousands of Euro. Rounding differences may occur in the consolidated financial statements and the notes thereto.

The Group presents current and non-current assets, and current and non-current liabilities as separate classifications in the statement of financial position. The Group 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.

Basis of consolidation

The consolidated financial statements are comprised of the financial statements of TME Pharma N.V. and its wholly owned and/ or controlled subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Generally, there is a presumption that a majority of voting rights results in control. The financial statements of the subsidiary are prepared for the same reporting year as the Company, using consistent accounting policies.

All intra-group balances, transactions, income, expenses, and profits and losses resulting from intra-group transactions that are recognized in assets are eliminated on consolidation.

The Group's subsidiary, TME Pharma Inc., and the parent company TME Pharma N.V. have been consolidated from the date of incorporation. TME Pharma Inc. has no significant operations as at 31 December 2022.

The consolidated Group is comprised of the following entities:

Name	Registered seat	Shareholding (%)
TME Pharma N.V.	Amsterdam, Netherlands	Parent company
TME Pharma AG	Berlin, Germany	100.0 %
TME Pharma Inc.	Norwalk, CT, USA	100.0 %

Summary of significant accounting policies

Foreign currency transactions

The consolidated financial statements are presented in Euros, which is the Group presentation currency and is the currency of the primary economic environment in which TME operates. Each entity in the Group determines its own functional currency, and items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency exchange rate ruling at the balance sheet date. All differences are recorded in profit and loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Intangible assets

Intangible assets acquired

Intangible assets acquired are measured on initial recognition at cost and primarily include intellectual property rights consisting of patents and license agreements purchased from other companies. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed, at a minimum, at each year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the statement of comprehensive loss in the expense category consistent with the function of the intangible asset.

The Group-wide useful lives are as follows:

- Others (primarily software): 3 to 5 years.

All of TME's intangible assets have finite lives.

Equipment

Equipment is stated at cost less accumulated depreciation and accumulated impairment. Such cost includes the cost of replacing part of such equipment when that cost is incurred if the recognition criteria are met. Maintenance and repair costs are expensed as incurred.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

- Equipment: 5 to 11 years
- Furniture and Fixtures: 2 to 14 years.

The carrying values of equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The asset's residual values, useful lives, and methods are reviewed and adjusted, if appropriate, at each year-end.

Impairment of non-financial assets

Assets that are subject to depreciation/amortization are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss is recognized as the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. Non-financial assets that were previously impaired are reviewed for possible reversal of the impairment at each reporting date. Any reversal of impairment is limited to the carrying value of the asset based on the depreciated historical cost had the initial impairment loss not been recognized.

Financial instruments

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 Group classifies non-derivative financial assets into the following category: amortised cost. The Group classifies non-derivative financial liabilities into the following categories: financial liabilities at FVTPL and other financial liabilities.

Non-derivative financial assets

The Group’s only classes of non-derivative financial assets are short-term invested interest-bearing rental deposits, fixed-term bank deposits with original terms of three to twelve months that are held-to-maturity, other receivables and cash and cash equivalents.

Other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently carried at carrying value less allowances for uncollectable amounts.

Cash and cash equivalents include cash balances and call deposits with original maturities of three months or less. For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

These assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

Non-derivative financial liabilities

The Group's classes of financial liabilities are trade payables and other liabilities. The Group initially recognizes non-derivative financial liabilities on the date that they are originated and measures them initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these liabilities are measured at amortised cost using the effective interest method. The carrying amount of trade payables is a reasonable approximation of fair value.

Hybrid instrument

In 2022 and 2021, the Company has issued a hybrid instrument consisting of a series of convertible loan agreements with embedded conversion options (for further information refer to Note 10).

The carrying amount of the host contract on initial recognition is in general the difference between the transaction price received upon issuance of the hybrid instrument and embedded derivatives to be bifurcated. However, due to the features of the convertible loan agreements, the financial liability is repayable on demand at any time and accordingly recognized at its amount payable. Subsequent to initial recognition, the liability component is continued to be measured at the amount payable. The difference between the transaction price less amounts to be recognized for the derivative instruments upon issuance and the amount payable of the loan is recognized as day-one loss.

The convertible loan agreements are classified as financial liabilities in their entirety due to their terms and conditions. The carrying amount of the host contract is measured at the amount payable plus accrued interest, if any.

The liability component is derecognized, if payment is made to the lender, the Group is legally released from its responsibilities for the liability or the terms and conditions have been substantially modified. In case of a non-substantial modification of the terms and conditions the difference between the carrying amount of the existing liability is adjusted in profit or loss to the new carrying amount resulting from the modified terms and conditions. The separately accounted derivative financial instruments are measured subsequently at fair value and changes therein, including any interest expense, are recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position only if there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

Derivative financial instruments

The Group holds derivative financial instruments in connection with its financing activities. Embedded derivatives are separated from the host contract and accounted for separately if certain criteria are met.

Derivatives are initially measured at fair value; any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

Impairment of financial assets

At each reporting date, the Group assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. No impairments or reversals of impairments were recognised in 2022 and 2021.

Treasury shares

Own equity instruments which are reacquired (treasury shares) are recognized at cost and deducted from equity. Any gains or losses on the purchase, sale, issue or cancellation of the Company's treasury shares are recognized in equity. Since the treasury shares are not held for trading purposes, no gains or losses are recognised in profit or loss on any purchase, sale, issue or cancellation of own equity instruments, or in respect of any changes in the value of treasury shares.

Loss per share

The Group presents loss per share data for its only class of ordinary shares. Loss per share is calculated by dividing the loss of the period by the weighted average number of ordinary shares outstanding during the period.

Share-based payments

Employees (including management) of the Group receive remuneration from share-based payment transactions in the form of share awards and options ("equity-settled transactions").

Equity-settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted. With respect to option awards granted by TME Pharma N.V. under the 2016 Stock Option and Incentive Plan (SOIP), the fair value is determined by using a Black-Scholes model. The fair value of share awards granted under share participation models is determined by the Group using also a Black- Scholes model (see Note 9 for further details).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ("vesting date"). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the Group's best estimate of the number of equity instruments that will ultimately vest.

No expense is recognized for awards that do not ultimately vest, except for equity-settled transactions where vesting is conditional upon a market or non-vesting condition, which are treated as vesting irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

A modification of the abovementioned equity-settled transactions is beneficial, if it increases the fair value of the option awards granted - e.g. by reducing the exercise price of an option award granted. In such cases, the incremental fair value is recognised over the remaining modified vesting period, whereas the balance of the grant-date fair value is recognised over the remaining original vesting period.

Leases - Group as lessee

A lessee applies a single lease accounting model under which it recognizes all leases on-balance sheet at the commencement date, unless it elects to apply the recognition exemptions. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

At the commencement date, a lessee measures the lease liability at the present value of the future lease payments using the interest rate implicit in the lease if it is readily determinable. If the lessee cannot readily determine the interest rate implicit in the lease, then it uses its incremental borrowing rate at the commencement date. After initial recognition, the lease liability is measured at amortised cost using the effective interest method.

Income taxes

Income taxes include current and deferred taxes. Current tax and deferred taxes are recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive loss.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to taxes payable related to previous years.

Deferred tax is recognized for temporary differences in the carrying amounts of assets and liabilities for financial reporting purposes and taxation purposes. Deferred tax is not recognized for temporary differences associated with assets and liabilities if the transaction which led to their initial recognition is a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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

Deferred tax assets and liabilities are presented net if there is a legally enforceable right to offset.

A deferred tax asset is recognized for unused tax losses, 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 utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is not probable that the related tax benefit will be realized.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding VAT.

Research and development costs

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

- service fees and other costs related to the performance of clinical trials and preclinical testing;
- costs for production of drug substances by contract manufacturers;
- salaries for research and development staff and related expenses, including management benefits and expenses for share-based compensation;
- costs associated with obtaining and maintaining patents and other intellectual property;

- costs of related facilities, materials and equipment;
- amortization and depreciation of intangible and tangible fixed assets used to discover and develop the Group's clinical compounds and pipeline candidates;
- other expenses directly attributable to the development of the Group's product candidates and pre-clinical pipeline.

Research costs are expensed as incurred. Development expenditures on an individual project are recognized as an intangible asset when the Group can demonstrate:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete and its ability to use or sell the asset;
- how the asset will generate future economic benefits;
- the availability of resources to complete the asset; and
- the ability to reliably measure the expenditure during development.

In the opinion of management, due to the regulatory and other uncertainties inherent in the development of TME's new products, the criteria for development costs to be recognized as an asset, as prescribed by IAS 38, Intangible Assets, are not met until the product has received regulatory approval and when it is probable that future economic benefits will flow to the Group. Accordingly, the Group has not capitalized any development costs.

General and administrative expenses

General and administrative expenses consist principally of salaries and related costs for personnel in executive and finance functions, such as salaries, social security contribution, benefits, and share-based compensation. Other general and administrative expenses include legal and consulting expenses related to the preparation of financing transactions, facility costs not otherwise included in research and development expenses, professional fees for legal services, patent portfolio maintenance, consulting, cost associated with maintaining compliance with listing rules and compliance requirements as a result of being a publicly traded company, auditing and accounting services, remuneration for the Supervisory Board, restructuring costs, benefits settled in cash and equity and travel expenses.

Finance income

Finance income includes gains from the derecognition of derivative financial liabilities and fair value adjustments of derivative financial instruments in connection with the Group's financing activities.

Finance cost

Finance cost includes effects from the recognition of hybrid instruments and derivative financial liabilities in connection with the financing of the Group, effects from warrants exercised, fair value adjustments of warrants issued and outstanding, derecognition of financial liabilities and recognition of equity resulting from contractually agreed conversions of convertible notes into ordinary shares of the Company and interest expense on lease liabilities of the Group. Interest expense is recognized using the effective interest method.

Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making management judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are reviewed on an on-going basis. Actual results may differ from those estimates. The key assumptions with estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Determining probability of achievement of performance conditions of stock options

For the performance-based stock options that are based on the non-market performance condition of an effective raise of additional capital for TME, management assessed probabilities and points in time for a successful capital raise, which impacts the fair value of the options granted. For the performance-based stock options that are based on the non-market performance condition of a successful licensing or collaboration agreement the probability of a transaction depends both on the success of completed studies and on the success to initiate and close the transaction. As the initiation and closing of a respective transaction takes some additional time, management assessed the probability and point in time for such a transaction to occur and assessed further the uncertainty and the discretion of TME's compensation committee to ultimately issue these options (refer to Note 9).

Treatment of internally developed intangible assets

Research and development costs from internal drug development projects are expensed as incurred. Management considers that due to regulatory and other uncertainties inherent in the development of pharmaceutical products, the development expenses incurred for its product candidates do not meet all of the criteria for capitalization as required in IAS 38, Intangible Assets.

TME's product candidates must undergo extensive preclinical and clinical testing to demonstrate the product's safety and efficacy. The results of such trials are unpredictable and uncertain and may be substantially delayed or may prevent the Group from bringing these products to market.

New drugs are subject to significant regulatory approval requirements, which could prevent or limit the Group's ability to market its product candidates. A delay or denial or regulatory approval could significantly delay the Group's ability to generate product revenues and to achieve profitability. Additionally, changes in regulatory approval policies during the development period of any of its product candidates, or changes in regulatory review practices for a submitted product application, may cause a delay in obtaining approval or may result in the rejection of an application for regulatory approval.

Measurement of compound derivative financial instruments

Compound derivative financial instruments bifurcated from host instruments result from the hybrid instruments issued in the course of the financing activities of the Group. Compound derivative financial instruments comprise generally of two interdependent derivative financial instruments measured separately with a Black-Scholes valuation model, because their underlying is the share price of TME's ordinary shares. The fair value of the compound derivative financial instrument is derived by multiplying the fair value of each of the individual derivative instruments with the estimated probability of their settlement.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized.

Given the amount of operating losses accumulated and the significant uncertainty of future taxable income, deferred tax assets were recognized only to the extent that deferred tax liabilities were recognized.

Disclosures regarding capitalized deferred tax assets resulting from loss carry-forwards can be found in Note 12.

3. Intangible assets

During the fiscal years 2022 and 2021, intangible assets developed as follows:

in thousands of € **31 December 2022**	**Licenses**	**Other**	**Total**
Cost			
Balance at 1 January 2022	4	54	58
Disposals	0	35	35
Balance at 31 December 2022	4	19	23
Amortization			
Balance at 1 January 2022	0	54	54
Disposals	-	35	35
Balance at 31 December 2022	0	19	19
Carrying amounts			
At 1 January 2022	4	0	4
At 31 December 2022	4	0	4

in thousands of € **31 December 2021**	**Licenses**	**Other**	**Total**
Cost			
Balance at 1 January 2021	4	54	58
Disposals	-	-	-
Balance at 31 December 2021	4	54	58
Amortization			
Balance at 1 January 2021	0	54	54
Amortization expense	-	0	0
Disposals	-	-	-
Balance at 31 December 2021	0	54	54
Carrying amounts			
At 1 January 2021	4	0	4
At 31 December 2021	4	0	4

4. Equipment, right-of-use assets

During the fiscal years 2022 and 2021 the equipment developed as follows:

in thousands of €

31 December 2022	**Other Equipment**	**Furniture and Fixtures**	**Other**	**Total**
Cost				
Balance at 1 January 2022	143	214	4	361
Additions	0	21	0	21
Disposals	1	33	0	34
Balance at 31 December 2022	142	202	4	348
Depreciation				
Balance at 1 January 2022	118	192	4	314
Depreciation expense	7	14	0	21
Disposals	1	33	0	34
Balance at 31 December 2022	124	173	4	301
Carrying amounts				
At 1 January 2022	25	22	0	47
At 31 December 2022	18	29	0	47

in thousands of €

31 December 2021	**Other Equipment**	**Furniture and Fixtures**	**Other**	**Total**
Cost				
Balance at 1 January 2021	136	209	4	349
Additions	7	7	0	14
Disposals	0	2	0	2
Balance at 31 December 2021	143	214	4	361
Depreciation				
Balance at 1 January 2021	109	183	4	296
Depreciation expense	9	11	0	20
Disposals	0	2	0	2
Balance at 31 December 2021	118	192	4	314
Carrying amounts				
At 1 January 2021	27	26	0	53
At 31 December 2021	25	22	0	47

Right-of-use assets relate to leased office premises and developed as follows:

in thousands of €	**Leased office premises**
Carrying amount	
Balance at 1 January 2022	19
Additions	226
Depreciation charge of the year	71
Balance at 31 December 2022	174
Balance at 1 January 2021	66
Depreciation charge of the year	47
Balance at 31 December 2021	19

The related amounts recognized in profit or loss and cash flows are as follows:

	31 December	
in thousands of €	**2022**	**2021**
Interest on lease liabilities	11	2
Expenses relating to leases of low-value assets	3	2
Payment of lease liabilities	57	25
Total cash outflow for leases	71	29

5. Other assets

Other current assets consist of the following:

	31 December	
in thousands of €	**2022**	**2021**
Prepaid expenses	62	98
Liquidity account	12	26
Value added tax	279	81
Other	24	4
Total	**377**	**209**

Prepaid expenses consist of prepaid and other expenses, annual fees for insurance and service contracts, which are deferred over the term of respective agreements.

VAT ("Value added tax") reflects claims of the Group against local tax authorities for VAT on supplies and services received. The net amount of VAT receivable and VAT payable is non-interest bearing and is remitted to the appropriate taxation authorities on a monthly basis.

The carrying amount of other receivables is a reasonable approximation of their fair value.

6. Financial assets

Current financial assets as of 31 December 2021 consist of rental deposits. In 2022, the lease agreement to which the rental deposits relate expired. The rental deposits of K€ 28 were paid back without any retentions by the landlord.

The carrying amount of all financial assets is a reasonable approximation of their fair value.

7. Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and on hand. As of 31 December 2022, 76.5 % of cash and cash equivalents are denominated in euro and 23.5 % in dollars. As of 31 December 2021, 85.5 % of cash and cash equivalents are denominated in euro and 14.5 % in dollars.

During 2022 and 2021 the Group placed its available funds in current accounts. The net book value represents the maximum amount that is at risk.

The carrying amount of cash and cash equivalents is a reasonable approximation of their fair value.

8. Equity

The following table serves as a summary for transactions as described in Note 8 and 10.

	No. of shares	Share capital	Additional paid-in capital	Accumul. deficit	No. of notes	No. of warrants	Financial liabilities Non-current	Financial liabilities Current	Finance income	Finance cost	Financing cash flow
31 December 2020	**471,783**	**472**	**165,481**	**-158,050**	**546**	**177,049**	**38**	**581**	**0**	**0**	**0**
Capital increases:											
- Private Placements	142,772	143	6,282	-	-	-	-	-	-	-	6,019
- as a result of warrant exercises (Kreos and certain other investors)	37,684	38	1,617	-	-	-64,515	-	-	-	-455	1,200
- as a result of bond conversions (ASO)	93,776	93	3,027	-	-2,914	-	-	-2,914	-	-207	-
Issuance costs of capital increases			-421								-17
Purchase of treasury shares											-1
Share-based compensation	-	-	475	-	-	-	-	-	-	-	-
Issuance of convertible bonds to ASO	-	-	-	-	4,787	-	-	4,787	-	-417	4,371
Transaction costs for issuance of convertible bonds	-	-	-	-	-	-	-	-	-	-91	-47
Conversion right ASO	-	-	-	-	-	-	-	51	281	-332	-
Fair value adjustment of detachable warrants	-	-	-	-	-	-	-38	-	38	-	-
Interest paid (leases)										-2	-2
Net loss	-	-	-	-14,453	-	-	-	-	-	-	-
Warrants lapsed	-	-	-	-	-	-70,756	-	-	-	-	-
31 December 2021	**746,015**	**746**	**176,461**	**-172,503**	**2,419**	**41,778**	**0**	**2,505**	**319**	**-1,504**	**11,523**

	No. of shares	Share capital	Additional paid-in capital	Accumul. deficit	No. of notes	No. of warrants	Financial liabilities		Finance income	Finance cost	Financing cash flow
							Non-current	Current			
31 December 2021	**746,015**	**746**	**176,461**	**-172,503**	**2,419**	**41,778**	**0**	**2,505**	**0**	**0**	**0**
Capital increases:											
- as a result of warrant exercises (Yorkville)	11,054	11	113			-41,778				-39	85
- as a result of bond conversions (ASO)	982,266	982	7,704		-6,650			-6,650		-2,036	-
Issuance costs of capital increases			-14								-12
Sale and purchase of treasury shares											-29
Share-based compensation			589								-
Issuance of convertible bonds to ASO					8,138			8,138		-708	7,431
Transaction costs for issuance of convertible bonds										-155	-122
Conversion right ASO								148	303	-451	-
Interest paid (leases)										-11	-11
Changes in ownership interest while retaining control			(14)								
Net loss				-15,132							
Warrants lapsed											
31 December 2022	**1,739,335**	**1,739**	**184,839**	**-187,635**	**3,907**	**0**	**0**	**4,141**	**303**	**-3,400**	**7,342**

Share consolidation and other capital measures

On 27 July 2022, the amendment of the Articles of Association, as resolved by the Annual General Meeting on 29 June 2022, effecting the share consolidation was consummated, such that every 100 ordinary shares with a nominal value of € 0.01 each were consolidated and converted into 1 new ordinary share with a nominal value of € 1.00. The share consolidation has taken effect on 27 July 2022. Trading of the new shares with ISIN NL0015000YE1 on the Euronext Growth Paris market commenced on 28 July 2022, and reverse stock split settlement took place on 1 August 2022. All numbers of ordinary shares, equity-settled share-based payment awards and earnings per share numbers have been retrospectively adjusted for all periods presented reflecting the capital consolidation.

Subscribed capital

As of 31 December 2022, the subscribed capital of the Company amounts to K€ 1,739 (prior year: K€ 746) and is divided into 1,739,335 ordinary shares (prior year: 746,015), each with a nominal value of € 1.00.

The annual general meeting on 29 June 2022 approved resolutions increasing the authorized share capital of the Company from € 2,500,000 divided into 250,000,000 ordinary shares, each with a nominal value of € 0.01 (as of 29 June 2022 prior to the share consolidation becoming effective) to € 4,850,000, divided into 3,500,000 ordinary shares and 1,350,000 preference shares, each with a nominal value of € 1.00 (after the share consolidation becoming effective on 27 July 2022). If the Company's issued and paid-up preference share capital amounts to € 1,250,000, comprised of 1,250,000 preference shares, the authorized capital automatically increases to € 11,000,000, divided into 6,750,000 ordinary shares and 4,250,000 preference shares, each with a nominal value of € 1.00. If the Company's issued and paid-up ordinary share capital amounts to € 3,250,000, comprised of 3,250,000 ordinary shares, the authorized capital automatically increases to € 16,000,000, divided into 11,500,000 ordinary shares and 4,500,000 preference shares, each with a nominal value of € 1.00.

In 2022, the Company issued an aggregate of 993,320 ordinary shares and raised € 7.5 million (excluding transaction costs incurred of € 0.1 million) in connection with the following financing transactions:

- Issuance of 11,054 ordinary shares to Yorkville through the exercise of 41,778 warrants (cash inflow of K€ 85 as consideration received for ordinary shares), and
- Issuance of 982,266 ordinary shares against conversion of 6,650 convertible bonds (comprising of 2,419 convertible bonds outstanding on 31 December 2021 and 4,231 convertible bonds out of 8,138 convertible bonds issued in 2022) against net cash inflow in 2022 of K€ 7,431) with a nominal amount of € 1,000 per each convertible bond.

As a result, additional subscribed capital of K€ 993 and additional paid-in capital of K€ 7,817 were recognized less issuance costs of K€ 14.

In 2021, the Company issued an aggregate of 274,232 ordinary shares and raised € 11.6 million (excluding transaction costs incurred of € 0.1 million) in connection with the following financing transactions:

- Issuance of 142,772 ordinary shares in a private placement at a price of € 0.45 against contribution in cash (cash inflow of K€ 6,019 as consideration received for ordinary shares),

- Issuance of 37,684 ordinary shares to Kreos and certain other investors through the exercise of 64,515 warrants (cash inflow of K€ 1,200 as consideration received for ordinary shares), and
- Issuance of 93,776 ordinary shares against conversion of 2,914 convertible bonds (comprising of 546 convertible bonds outstanding on 31 December 2020 and 2,368 convertible bonds out of 4,787 convertible bonds issued in 2021) against net cash inflow in 2021 of K€ 4,371) with a nominal amount of € 1,000 per each convertible bond.

As a result, additional subscribed capital of K€ 274 and additional paid-in capital of K€ 10,926 were recognized less issuance costs of K€ 421.

No share certificates shall be issued.

Additional paid-in capital

As of 31 December 2022, the additional paid-in capital of the Company amounts to K€ 184,839 (prior year: K€ 176,461).

In 2022, additional paid-in capital increased by K€ 7,817 less issuance costs of K€ 14 as a result of the capital increases described above. In 2021, additional paid-in capital increased by K€ 10,926 less issuance costs of K€ 421 as a result of the capital increases described above. Further, share-based compensation of K€ 589 in 2022 and K€ 475 in 2021 were recorded in additional paid-in capital, respectively.

Thus, the total increase of additional paid-in capital in 2022 amounts to K€ 8,392 and 2021 amounts to K€ 10,980, respectively.

In accordance with Dutch law and in absence of any reserves TME Pharma N.V. is required to maintain its shareholders' equity pursuant to Dutch law. The Company may make distributions insofar the shareholders' equity exceeds the sum of paid-in and called-up share capital.

Due to a capital reduction and concurrent capital increase of TME Pharma AG, resolved in November 2022, TME Pharma N.V. holds 100.0% of the shares of TME Pharma AG as of 31 December 2022. Non-controlling interest of K€ 14, after an increase of K€ 1 reflecting net losses attributable to such non-controlling interest in 2022 prior to the capital reduction and concurrent capital increase, was recognized in additional paid-in capital, as no non-controlling interest was reacquired or paid for.

Additional paid-in capital of the subsidiary TME Pharma AG may only be released and distributed to shareholders to the extent that the additional paid-in capital as reported in that subsidiary's statutory financial statements is available for release and exceeds the accumulated deficit, including current year losses, as reported in those statutory financial statements.

Foreign currency translation adjustment

Foreign currency translation adjustments comprise all foreign currency differences arising from the translation of the financial statements of foreign operations with a functional currency other than the Euro.

Treasury shares

As of 31 December 2022, the Company held 14,341 (prior year: 950) ordinary shares as treasury shares.

9. Share-based compensation

Note 9 Share-based compensation should be read in conjunction with Note 8 with respect to the number of issued and outstanding stock options adjusted for the share consolidation consummated in July 2022.

2016 Stock option and incentive plan (“SOIP”)

The 2016 Stock Option and Incentive Plan allows the Management Board, with the approval of the Supervisory Board, to make equity-based incentive awards to directors (including Management Board Directors provided that the Supervisory Board will decide when it concerns a person elected to the Management Board), officers, employees and consultants. In 2022 and 2021 the Company granted time-based stock options and performance-based stock options based on this SOIP.

The time-based stock options vest in equal installments over three years following the grant date. The options granted to each beneficiary are hence split into three annual instalments of one-third of the options granted. This results in a graded vesting of the options granted.

The performance-based stock options include non-market performance conditions, which are required to be achieved. Upon achievement of the non-market performance condition the stock options will formally be granted and fully vest. Hence any expense related to these performance-based options is recognized over the variable period when the event is expected to occur.

Under the terms and conditions of the plan, the exercise price per ordinary share covered by a stock option granted shall be determined by the Board at the time of grant but shall not be less than 100 percent of the fair market value on the date of grant (not be less than 110 percent of the fair market value on the date of grant of incentive stock options to a Ten percent Owner of the Company). Stock options may be exercised in whole or in part, by giving written or electronic notice of exercise to the Company, specifying the number of ordinary shares to be acquired and payment of the exercise price or, upon the Company’s consent, by a net exercise arrangement resulting in net settlement in shares.

The plan allows the Company further to issue restricted stock awards, restricted stock units, unrestricted stock awards, cash-based awards or performance-based awards, none of which was granted to date.

Accelerated vesting will occur upon the following events (i) the sale of all or substantially all of the assets of the Company on a consolidated basis to an unrelated person, entity or group of unrelated persons and/or entities acting in concert, (ii) a (statutory) merger, reorganization or consolidation pursuant to which the holders of the Company’s outstanding voting power and outstanding shares immediately prior to such transaction do not own a majority of the outstanding voting power and outstanding shares or other equity interests of the resulting or successor entity (or its ultimate parent, if applicable) immediately upon completion of such transaction, (iii) the sale of all of the Shares of the Company to an unrelated person, entity or group thereof acting in concert, or (iv) any other transaction in which the owners of the Company’s outstanding voting power immediately prior to such transaction do not own at least a majority of the outstanding voting power of the Company or any successor entity immediately upon completion of the transaction other than as a result of the acquisition of securities directly from the Company.

The term of each stock option shall be fixed by the Board, but no stock option shall be exercisable more than ten years after the date the stock option is granted. In the case of a stock option that is granted to a Ten Percent Owner of the Company, the term of such stock option shall be no more than five years from the date of grant. To the extent that a stock option is not exercised within the applicable option term, the stock option shall lapse.

Based on this plan, in 2022 the Company:

- granted 4,740 time-based stock options to members of the Supervisory Board in June 2022, thereof 2,019 fully vested on the date of issuance
- modified existing time-based stock options outstanding and held by employees and members of the Management Board by cancelling 54,535 time-based stock options; and granted 149,648 time-based stock options to members of the Management Board, employees and consultants of the Group in July 2022.

In 2021, the Company granted 50,631 time-based stock options to members of the Management Board, Supervisory Board and employees. Furthermore, the Company granted 234 performance-based stock-options in prior years. For those performance-based stock options no share-based payment expense was required to be recognized in 2021 as a result of not meeting the performance condition.

The movements in the number of time-based stock options outstanding and their related weighted average exercise prices (in €) are as follows:

	2022		2021	
	Weighted average exercise price	Number of stock options	Weighted average exercise price	Number of stock options
Outstanding at 1 January	€ 59.70	61,075	€ 169.10	10,767
Cancelled during the year	€ 59.70	54,535	-	-
Granted during the year	€ 5.09	154,388	€ 36.50	50,631
Forfeited and expired during the year	€ 7.16	28,021	€ 65.00	323
Outstanding at 31 December	**€ 7.32**	**132,907**	**€ 59.70**	**61,075**

In the table above, time-based stock options are presented as granted in the period that the service commencement and expense recognition have started. As of 31 December 2022, 4,343 stock options are exercisable with exercise prices between € 4.90 and € 65.00 (prior year: 572 with exercise prices between € 38.00 and € 117.00). No stock options have been exercised during the period.

The total number of time-based options outstanding of 132,907 (prior year: 61,075) have a range of exercise prices between € 5.07 and € 65.00 (prior year: between € 28.50 and € 117.00) and expire between 30 September 2026 and 15 July 2032 (prior year: 30 September 2026 and 1 November 2031).

As a result of the cancellation and grant of time-based option that were treated as a modification, an incremental share-based payment expense for fully vested options of K€ 25 was immediately recognized in profit or loss (prior year: nil).

In determining the fair values of its listed ordinary shares as of each grant date, the published share price at closing for TME's ordinary shares at the Euronext Growth stock exchange was used. The fair value of the stock options issued was calculated using a Black Scholes option valuation model.

Options at the dates of grant or modification in 2022 and comparative information for 2021 are summarized below. Share prices and exercise prices were also adjusted retrospectively to reflect prices at the time of the grant to take into account the share consolidation:

	29 June 2022	13 July 2022
Share price (in €)	0.0490	0.0507
Share price after share consolidation (in €)	4.90	5.07
Option exercise price (in €)	0.0490	0.0507
Option exercise price after share consolidation (in €)	4.90	5.07
Volatility	101%	102%
Expected life	10.00 years	10.00 years
Dividend yield	0.00%	0.00%
Risk-free rate	1.61%	1.14%
Fair value per option (in €)	0.04	0.05

	1 February 2021	24 June 2021	1 November 2021
Share price (in €)	0.426	0.378	0.285
Share price after share consolidation (in €)	4.26	37.80	28.50
Option exercise price (in €)	0.650	0.378	0.285
Option exercise price after share consolidation (in €)	65.00	37.80	28.50
Volatility	109%	59%	49%
Expected life	10.00 years	10.00 years	10.0 years
Dividend yield	0.00%	0.00%	0.00%
Risk-free rate	-0.53%	-0.21%	-0.14%
Fair value per option (in €)	0.38	0.24	0.16

The fair value of the time-based stock options granted is expensed based on a graded vesting schedule. During the years ended 31 December 2022 and 2021, the total share-based payment expense recognized for the stock options issued under the SOIP amounted to K€ 589 and K€ 475, respectively.

Other share-based compensation

As of 31 December 2022 and 2021, the number of outstanding and vested shares of the Company under the share participation model for employees, members of the Management and Supervisory Board (held by a trustee) was unchanged at 724. Upon payment of the share premium by the beneficiaries, the shares become available to the beneficiaries. For the share participation model, no share-based payment expense was recognised in 2022 and 2021, respectively.

10. Financial liabilities

Note 10 Financial liabilities should be read in conjunction with Note 20 with respect to the Amendment to the convertible bonds financing with Atlas Special Opportunities, LLC (ASO) concluded in April 2023.

In April 2020, further amended in October 2020, in December 2021, in May 2022 and subsequently in April 2023, the Company entered into a convertible bonds financing with Atlas Special Opportunities, LLC (ASO). Under this amended agreement the Company had access to cash for a total amount of € 19.95 million (nominal), drawable at the Company's discretion and subject to customary conditions (including certain thresholds regarding market liquidity and market capitalization conditions) being met. As of 31 December 2022, the remaining available cash amounted to € 1.08 million (nominal), drawn by the Company in April 2023.

The conversion price for conversion of outstanding convertible bonds to shares shall be calculated by the average of any three daily volume weighted average prices ("VWAP") of the Company's shares selected from any of the 10 consecutive trading days preceding the receipt of the conversion notice. The terms of the convertible bonds are identical for all tranches. The convertible bonds have a nominal amount of € 1,000 each and are issued at a subscription price of € 930. They are freely transferable and do not bear interest. Upon the issuance of each tranche, the Company is obliged to pay a transaction fee of 2% of the cash actually received of the respective tranche. The convertible bonds are convertible into ordinary shares at any time at the holder's request and accordingly, represent a financial instrument payable on demand. The Company has a choice to settle in cash or in shares, or a combination thereof. The number of ordinary shares that the Company can issue to the holder upon such conversion is equal to the nominal amount of the convertible bonds converted divided by the conversion price. As a result, the number of shares to be issued is variable and the conversion right embedded in the convertible bonds is considered a derivative financial liability to be bifurcated. Further embedded derivative instruments relate to TME's redemption right and the commitment of ASO to provide tranches of convertible bonds at predetermined terms. Because the conversion right and redemption right depend on the variability of TME's share price and are interdependent, they are bifurcated, recognized and measured as one compound derivate financial instrument. The commitment of ASO is bifurcated, recognized and measured as a separate derivate financial instrument.

In the financial year ended 31 December 2022, 8,138 convertible bonds were issued (as compared to 4,787 convertible bonds issued in the financial year ended 31 December 2021), totaling drawn tranches of convertible bonds in the nominal amount of € 8.1 million (€ 4.8 million in the financial year ended 31 December 2021). In 2022, ASO converted 6,650 bonds (1,914 bonds in 2021) against issuance of 982,266 ordinary shares (93,776 ordinary shares in 2021) of the Company. On 31 December 2022 and 31 December 2021, 3,907 and 2,419 convertible bonds were issued and outstanding, respectively.

As of 31 December 2022, the fair value of the convertible bonds outstanding (current financial liabilities) amounted to K€ 3,907 (prior year: K€ 2,419), reflecting the amount repayable on demand. The fair value of the bifurcated compound embedded derivative (current derivative financial liability) as of 31 December 2022 amounted to K€ 234 (prior year: K€ 86), measured at level 3. In connection with the convertible bonds financing, total finance income (all non-cash) of K€ 303 and K€ 281 as well as total finance cost of K€ 3,350 and K€ 1,047 (all non-cash, except for transaction costs of K€ 122 and K€ 47 borne by the Company in conjunction with the issuance of convertible bonds) was recognized in 2022 and 2021, respectively.

In prior years, the Group entered into various financing arrangements in the form of venture loans, equity lines and equity financing which also included the issuance of certain types of warrants.

As of 31 December 2022 and 31 December 2021, nil and 41,778 detachable warrants issued to Yorkville were outstanding. Based on an option pricing model, the fair value of these warrants outstanding (non-current derivative financial liability) as of 31 December 2022 and 31 December 2021 amounted to nil and K€ 0, respectively. For the 12 months ended 31 December 2022 and 2021, non-cash finance income relating to fair value adjustments of warrants outstanding of nil and K€ 38, and non-cash finance costs of nil were recognized, respectively. For the 12 months ended 31 December 2022 and 2021, non-cash finance costs relating to the conversion into equity of 41,778 and 64,515 warrants exercised of K€ 39 and K€ 455 were recognized, respectively. During the 12 months ended 31 December 2021, 70,756 warrants issued to Kreos and certain other investors have lapsed.

As of 31 December 2022 and 2021, 136 bonds are outstanding that resulted from the issuance concurrently with entering into venture loan arrangements in 2014 and 2015. All bonds outstanding lapsed in March 2023.

For the 12 months ended 31 December 2022 and 2021, total finance income (all non-cash) of K€ 303 and K€ 319, respectively as well as total finance cost (all non-cash, except for transaction costs and interest paid for lease liabilities of K€ 145 and K€ 66 of K€ 3,400 and K€ 1,504, respectively, was recognized for the financial instruments of the Group.

The following tables summarize quantitative disclosures of the Group's financial liabilities measured at their fair value.

	Mandatorily at FVTPL - others	Level 1	Level 2	Level 3
31 December 2022 in thousands of €				
ASO convertible bonds	3,907	-	3,907	-
Compound derivative (ASO)	234	-	-	234
Total	**4,141**	**-**	**3,907**	**234**

	Mandatorily at FVTPL - others	Level 1	Level 2	Level 3
31 December 2021 in thousands of €				
ASO convertible bonds	2,419	-	2,419	-
Compound derivative (ASO)	86	-	-	86
Detachable warrants	0	-	-	0
Total	**2,505**	**-**	**2,419**	**86**

11. Other liabilities

Current other liabilities are comprised of the following:

	31 December	
in thousands of €	**2022**	**2021**
Employee benefits	482	478
Other	16	27
Total	**498**	**505**

12. Income taxes

Netherlands

In 2022, in general the applicable tax rates employed for Dutch companies is 15.0 % corporate income tax up to a taxable profit of € 395,000 (prior year: 15.0 % for a taxable profit of up to € 245,000) and 25.8 % corporate tax for taxable profits exceeding € 395,000 (prior year: € 245,000). However, the Dutch parent TME Pharma N.V. is fully taxable in Germany and hence the German tax regulations and tax rates for corporations apply as described in the following paragraph.

Germany

Deferred taxes of the German TME Pharma AG and TME Pharma N.V. were calculated with a combined income tax rate charge of 30.18 % for the years ended 31 December 2022 and 2021. The corporation income tax applicable to domestic companies is 15.00 % plus solidarity surcharge thereon of 5.5 %. The average trade tax rate is 14.35 %.

In general, the net operating loss (NOL) of TME Pharma AG and TME Pharma N.V. carry forwards do not expire. They are subject to review and possible adjustment by the German tax authorities. Furthermore, under current German tax laws, certain substantial changes in the Company's ownership and business may further limit the amount of net operating loss carry forwards, which could be utilized annually to offset future taxable income.

According to German tax provisions, in years of tax profits, any tax loss carry-forward can fully be used up to an amount of € 1 million. Any excess tax profit will be reduced with remaining tax loss carry forwards by 60 %. Thus, 40 % of all tax profits exceeding € 1 million will be subject to taxation.

United States

In 2022 and 2021, the applicable tax rates employed for the US subsidiary are 26.93 % and 26.93 % respectively, comprising the state corporate income tax of 7.5 % and 7.5 % respectively and the federal corporate income tax of 21.00 % for both years.

The below table shows a breakdown of income tax expense and deferred income tax income:

in thousands of €	**2022**	**2021**
Current income tax expense	7	1
Deferred income tax expense / (income)	0	0
Income tax expense	**7**	**1**

With respect to the Group, neither the parent nor the subsidiaries paid income taxes in the years ended 31 December 2022 and 2021. Deferred tax assets arising from unused tax losses of TME Pharma AG and temporary differences of TME Pharma Inc., were not recognized in the year ended 31 December 2022 and 2021, since it was not probable that future taxable profit or a reversal of the temporary difference would be available against which they can be utilized.

Deferred tax assets and liabilities are comprised of the following:

	31 December	
in thousands of €	**2022**	**2021**
Deferred tax assets		
1. Derivative financial liabilities on warrants and conversion feature and financial liability at amortized cost (Germany)	71	26
2. Deferred payments for accrued expenses (United States)	31	9
3. Deferred tax asset relating to Right-of-Use asset (Germany)	52	6
4. Allowance on deferred tax assets relating to temporary differences (Germany, United States)	(100)	(35)
Deferred tax liabilities		
4. Lease liabilities (Germany)	(54)	(6)
Deferred tax assets	**0**	**0**

Deferred tax assets have not been recognized i) in respect of temporary differences on derivative financial instruments and a conversion feature and on financial liabilities at amortized cost and ii) other temporary differences. The non-recognized deferred tax asset amounts to K€ 100 in 2022 and K€ 35 in 2021, respectively.

Unused net operating loss carry-forwards

The amount of net operation loss (NOL) carry-forwards for German corporate and trade tax for the years ended 31 December amount to:

in thousands of €	2022			2021		
	Gross amount	Tax rate	Tax amount	Gross amount	Tax rate	Tax amount
Trade tax	207,287	14.35%	29,746	195,321	14.35%	28,029
Corporate income tax / solidarity surcharge	209,250	15.83%	33,124	197,149	15.83%	31,209
Unused tax losses for which no deferred tax asset is recognized			**62,870**			**59,283**

In January 2015, TME Pharma N.V. was incorporated with the purpose to consummate a corporate reorganization, whereby substantially all of the equity interests in TME Pharma AG were exchanged for newly issued equity interests in TME Pharma N.V. with TME Pharma AG becoming an almost wholly-owned subsidiary of TME Pharma N.V. There is a risk that the tax loss carry-forwards of TME Pharma AG would be forfeited due to the reorganization. However, provisions in German tax law permit the carry-forward of these tax losses after such reorganization, if and to the extent that TME Pharma AG has continued its business without changes of the business purpose. As of 31 December 2022, TME Pharma N.V. has unused corporate income tax losses of K€ 9,930 and trade tax losses of K€ 9,416 (prior year: for corporate income taxes K€ 7,684, for trade taxes K€ 7,305) for which no deferred tax assets were recognized. As of 31 December 2022, TME Pharma AG, has unused corporate income tax losses of K€ 199,320 and trade tax losses of K€ 197,871 (prior year: for corporate income taxes K€ 195,321 and for trade taxes K€ 197,149) for which no deferred tax assets were recognized.

The reconciliation of income tax computed at the statutory rate applicable to the Company's income tax expense (income) for the years ended 31 December is as follows:

in thousands of €	2022	2021
Loss before income tax	(15,126)	(14,452)
Group tax rate in % (p/y: %)	30.18	30.18
Theoretical tax benefit	(4,565)	(4,362)
Non-deductible expenses	82	16
Share-based payments	175	142
Additions to / reductions in trade tax	20	8
Financial instrument related effects	671	204
Changes in tax loss carry forwards in prior years	0	(14)
Change in deferred tax assets not recognized for loss carry forwards	3,632	4,007
Other	(9)	0
Income tax expense	**7**	**1**
Effective tax rate	**(0.04%)**	**0.01%**

13. Income and expenses

Other operating income

in thousands of €	2022	2021
Sale of raw materials and services provided	0	33
Derecognition of benefits waived and derecognition of liability	18	10
Other income	16	39
Total	**34**	**82**

For the derecognition of benefits waived we refer to Note 19.

Research and development expenses

in thousands of €	2022	2021
Costs for drug manufacturing, service fees and other costs related to clinical trials and preclinical testing	6,182	9,054
Personnel expenses	1,098	1,004
Patent costs and consulting services	726	481
Other	142	118
Total	**8,148**	**10,657**

The decrease in research and development expenses in 2022 compared to 2021 is mainly driven by lower costs associated with clinical trials, including costs for drug manufacturing, service fees and other costs related to clinical trials and preclinical testing, partly offset by increased patent costs and consulting services, personnel expenses and other expenses. Personnel expenses include non-cash share-based payment expenses amounting to K€ 201 in 2022 and K€ 166 in 2021. Adjusting for these non-cash share-based payment expenses, the personnel expenses reached K€ 897 in 2022 and K€ 838 in 2021.

General and administrative expenses

in thousands of €	2022	2021
Personnel expenses	1,955	1,611
Legal, consulting and audit fees	1,102	680
Public and investor relations and related expenses	355	270
Other	470	315
Total	**3,882**	**2,876**

The increase in general and administrative expenses in 2022 is mainly driven by higher personnel expenses as well as higher legal, consulting and audit fees. In addition, public and investor relations expenses and other expenses increased compared to 2021. Personnel expenses include non-cash share-based payment expenses amounting to K€ 388 in 2022 and K€ 309 in 2021. When such non-cash share-based payment expenses are not taken into account, the personnel expenses are K€ 1,567 in 2022 and K€ 1,302 in 2021.

Personnel expenses

in thousands of €	2022	2021
Regular Salary	1,748	1,324
Benefits	394	338
Share-based compensation	589	475
Social security contribution	306	308
Increase/Release of accrued holidays	3	-16
Other	13	186
Total	**3,053**	**2,616**

Social security contributions include contributions for statutory pension insurance in the amount of K€ 182 in 2022 and K€ 195 in 2021.

14. Segment reporting

Information about reportable segment

The Group has one Segment. The Group is active in pioneering the development of a new class of proprietary therapeutics called Spiegelmers. These activities are conducted as own project development. The Management Board is the chief operating decision maker. Management of resources and reporting to the decision maker is based on the Group as a whole.

Geographic information

All operational activities are conducted in Berlin. No revenues are generated in 2022 and 2021.

15. Loss per share

The loss per share is calculated by dividing the loss attributable to shareholders of the Company by the weighted average number of outstanding ordinary shares.

in thousands of €	2022	2021
Net loss	(15,133)	(14,453)
Weighted number of ordinary shares outstanding	1,176,367	659,850
Loss per share, basic and diluted in € per share	**(12.86)**	**(21.90)**

In accordance with IAS 33.64, the number of ordinary shares was adjusted for the share consolidation consummated in July 2022, such that every 100 ordinary shares with a nominal value of € 0.01 each were consolidated and converted into one new ordinary share with a nominal value of € 1.00, as if this event had occurred at the beginning of the earliest period presented.

For the purposes of the loss per share calculation no dilutive instruments are taken into account. Share options under the share-based payment plans as well as warrants issued for an equity financing and detachable warrants were excluded because the effect would be anti-dilutive.

16. Notes to the cash flow statement

Non-cash transactions

K€ 18 in 2022 and K€ 4 in 2021, respectively, result from the derecognition of liabilities due to statutory limitation. In 2021, certain related parties partly waived Supervisory Board benefits payable to those parties in an amount of K€ 9.

Other non-cash transactions of K€ 57 (prior year: K€ 49) relate to unrealized gains resulting from movements in exchange rates on cash held, which are presented separately in the consolidated statements of cash flows.

The following tables reconcile the financial liabilities for the years ended 31 December 2022 and 2021, respectively:

in thousands of €	**1 January 2022**	**Cash flows**	**Non-cash movements**	**31 December 2022**
Financial liabilities				
Non-current	0	-	-	0
Current	2,505	7,431	(5,795)	4,141
Total	**2,505**	**7,431**	**(5,795)**	**4,141**

in thousands of €	**1 January 2021**	**Cash flows**	**Non-cash movements**	**31 December 2021**
Financial liabilities				
Non-current	38	-	(38)	0
Current	581	4,371	(2,447)	2,505
Total	**619**	**4,371**	**(2,485)**	**2,505**

Non-cash movements in 2022 include the fair value adjustment for the non-cash debt for equity swap related to the conversion of bonds by ASO of K€ 5,795 (for details refer to Note 10).

Non-cash changes in 2021 include the fair value true-up adjustment for the warrants issued of K€ 38 and the non-cash debt for equity swap related to the conversion of bonds by ASO of K€ 2,447 (for details refer to Note 10).

17. Commitments and contingencies

German Law pertaining to inventions (*Arbeitnehmererfindungsgesetz*)

The Group has patents and has filed for various patent applications which also result from inventions made by its employees. In case of use or other circumstances specified in German Law pertaining to inventions (*Arbeitnehmererfindungsgesetz*), the Group is obliged to allow the respective inventor a fee in accordance with German Law pertaining to inventions by employees (*Arbeitnehmererfindungsgesetz*).

Commitments

During the years ended 31 December 2022 and 2021 the Group entered into several research, development and service agreements for its business operations. The Group has entered into such agreements with third parties for services which amounted to K€ 4,082 and K€ 6,883 on 31 December 2022 and 2021, respectively.

Contingencies

There are no current claims or litigation against the Group. However, due to the inherent nature of intellectual property rights, there remains the possibility of unasserted claims related to intellectual property that the Group is not yet aware of.

18. Financial risk management objectives and policies

Financial instruments

The Group's principal financial instruments comprise bank balances, and financial liabilities. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial instruments, such as trade debtors and trade creditors, as well as other current non-interest bearing assets, which arise directly from its operations.

The Group places its available funds during the year in cash at banks to ensure both liquidity and security of principal in accordance with Group policy. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. Management reviews and agrees policies for managing each of these risks, as summarized below.

Credit risk

Financial instruments that potentially expose TME to credit risk consist primarily of cash at banks. The maximum exposure to credit risk is equal to the carrying amount of these instruments. The credit risk is minimized by the investment policy, which limits investments to those that have relatively short maturities and that are placed with highly rated issuers.

The Group's accounts receivables are unsecured and the Group is at risk to the extent such amounts become uncollectible. The Group has historically not experienced substantial losses related to individual customers or groups of customers.

Foreign currency risk

TME conducts business in countries outside the Euro-zone and is therefore subjected to foreign exchange risks. Future business may be conducted to a higher extent in other currencies, namely the dollar and pound sterling. TME is aware of the foreign exchange risks and investigates with every foreign exchange related transaction if a corresponding hedge is favorable and necessary.

As a result of purchases denominated in dollars and pound sterling, the Group's balance sheet can be affected by movements in the dollar/euro and pound sterling/euro exchange rates. These transactions are generally short term in nature, however based on purchase transactions cash held in foreign currencies the Group is exposed to currency risks.

The following table demonstrates the sensitivity to a reasonably possible change in the dollar exchange rate, with all other variables held constant, of the Group's loss before tax.

	Increase/decrease in USD/EUR rate (in %)	Effect on loss before tax (in thousands €)
2022	(10)	(647)
	+ 10	529
2021	(10)	(670)
	+ 10	548

The following table demonstrates the sensitivity to a reasonably possible change in the pound sterling exchange rate, with all other variables held constant, of the Group's loss before tax.

	Increase/decrease in GBP/EUR rate (in %)	Effect on loss before tax (in thousands €)
2022	(10)	(33)
	+ 10	27
2021	(10)	(67)
	+ 10	55

Liquidity risk

The Group monitors its risk to a shortage of funds using a cash forecast. This tool considers the maturity of both, the Group's financial investments, i.e. financial assets (e.g. accounts receivable, other financial assets) and financial liabilities (e.g. accounts payable as well as other payable) and projected cash flows from operations. Due to the inherent nature of the Group being a biopharmaceutical company, the operations of the business are cash intensive. The Group maintains detailed budgets to accurately predict the timing of cash flows, to ensure that sufficient funding can be made available or appropriate measures to minimize expenditures are implemented to avoid any anticipated cash shortfalls. To achieve this objective, the Group would pursue various alternatives, including entering into collaboration or licensing agreements, seeking additional investors, obtaining further funding from existing investors through an additional funding round and/or delaying, reducing the scope of, eliminating or divesting clinical programs and considering other cost reduction initiatives, such as reducing the amount of space being rented by the Group, postponing hiring new personnel and/or reducing the size of the current workforce.

COVID-19 and Russia-Ukraine conflict

The COVID-19 outbreak and the Russia-Ukraine conflict had no impact on the consolidated financial statements as of 31 December 2022 and 2021, respectively. For details concerning the impact of the COVID-19 outbreak and the Russia-Ukraine conflict on the operations of the Group we refer to the Management report of the Annual Report 2022.

Maturity profile of financial liabilities

The table below summarizes the maturity profile of the Group's financial liabilities at 31 December 2022 and 2021 based on contractual undiscounted payments.

in thousands of € Year ended 31 December 2022	**Total**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Financial liabilities	4,141	4,141	0	0	0	0
Lease liabilities	179	0	28	84	67	0
Trade accounts payable	1,695	0	1,695	0	0	0

in thousands of € Year ended 31 December 2021	**Total**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Financial liabilities	2,505	2,505	2,505	0	0	0
Lease liabilities	20	0	12	8	0	0
Trade accounts payable	2,235	0	2,235	0	0	0

Capital management

The Group regards its total equity as capital. The primary objective of the Group's capital management is to obtain sufficient funds to support its research and development activities, cover the cash burn and maximize the shareholder's value while minimizing the financial risks. Historically, the Group financed its operations primarily through the issuance of equity securities to third parties. To assist management in undertaking strategic activities, capital increases and to service the share option plans, bond conversions and warrant exercises, the shareholders of the Company have authorized the future issuance of shares in specific circumstances with approval of the Supervisory Board. The Group has never declared or paid dividends on any of its common and preferred shares and does not expect to do so in the foreseeable future.

No changes were made in the objective, policies or processes for managing capital during the year ending 31 December 2022 and 2021.

Fair value hierarchy

The Group held financial liabilities for which fair values are disclosed in Note 10. These fair value measurements would be classified as level 2 in the fair value hierarchy. No changes to the measurement method for calculating the fair value have occurred since initial recognition.

The carrying amount, reflecting the fair value of the derivative financial liabilities (refer to Note 10) was calculated using a level 3 valuation and a Black Sholes model using the following main input parameters: time equivalent risk-free rate of interest published by the European Central Bank, historic share volatility of 105% (31 December 2021: 59%).

19. Related party relationships

Shareholder with significant influence

As of 31 December 2022 and 2021, the Company is not aware of a direct shareholder with significant influence. As of 31 December 2022, ASO holds nil of the ordinary shares of the Company. Taking into account 3,907 unconverted convertible bonds outstanding as of 31 December 2022 from ASO financing, ASO could hold 65.2 % of the ordinary shares of the Company, if all such convertible bonds were converted at once assuming a conversion price of € 1.1971 representing the VWAP on the last trading day of the fiscal year 2022.

Management Board

The members of the Management Board (Board of Directors of the Company) of TME Pharma N.V. are:

Dr. Aram Mangasarian
Chief Executive Officer

Bryan Jennings (since 15 December 2021 until 31 December 2022)
Chief Financial Officer

Supervisory Board

The members of the Supervisory Board of TME Pharma N.V. are:

Dr. Maurizio PetitBon
Chairman of the Supervisory Board
General Partner of Kreos Capital, London, Great Britain

Dr. Martine J. van Vugt (since 24 June 2021)
Deputy chair
Senior Vice President Corporate Strategy and Planning of Genmab, Utrecht, the Netherlands

Dr. C.A. (Oscar) Izeboud
CEO of Scenic Biotech BV, Amsterdam

Susan Coles (since 24 June 2021)
General Counsel and Head of Finance at Vivet Therapeutics, Paris, France

Gregory Weaver (since 24 June 2021 until 30 September 2022)
Interim CFO at BioIntelliSense Inc., Golden, CO, USA

Dr. J. Donald deBethizy (until 24 June 2021)
Consultant, Fredericksberg, Denmark

Mr. Bertram Köhler (until 24 June 2021)
Member of the Management Board of the DEWB AG, Jena

Other transactions

In December 2017, TME Pharma N.V. signed a consulting agreement with Whitecity Consulting ApS, a company owned by Dr. J. Donald deBethizy. According to this agreement the Group was entitled to request advice in the field of TME's business, in particular with regard to the interactions with potential new investors, other investor relations activities or activities regarding strategic alliances. In addition to a remuneration in cash Whitecity Consulting ApS was granted 123 stock options under the SOIP in 2017 and 484 stock options in 2019 (refer to Note 9). This agreement was terminated in June 2021. As a result, 323 stock options forfeited in 2021 and 284 options expired in 2022.

Remuneration

Remuneration paid to TME's Management Board members is set by the Supervisory Board. The current remuneration system provides for fixed basic annual remuneration, due in equal, monthly installments, as well as a variable annual bonus set by the Supervisory Board at the end of each fiscal year. The bonus constitutes a variable annual remuneration component which is related to Group wide and individual goals.

There are long-term incentives, such as share option plans and share participation models for members of the Management Board.

The members of the Supervisory Board received remuneration as approved by the shareholders' meeting (including long-term incentives / share participation model) as well as reimbursements for travel expenses.

In the fiscal years 2022 and 2021, no loans or advances were granted to the members of the Management and Supervisory Boards, nor were any such repaid. There are no postemployment benefits and no contingent liabilities in respect of members of the Management Board or the Supervisory Board.

Prior to 31 December 2021, a Supervisory Board member partially waived its receivable with respect to Supervisory Board remuneration due from the Company totaling K€ 9. In 2021, accrued bonuses for Management (K€ 188) and Supervisory Board remuneration (K€ 38) were paid-out for the year 2020. In 2022, accrued bonuses for Management (K€228) and Supervisory Board remuneration (K€ 43) were paid-out for the year 2021.

The Group did not enter into any significant transactions with members of the supervisory and Management Boards except for the transactions described above.

In 2022 and 2021, the short-term employee benefits for the key management personnel (Management Board and senior medical advisor on consultancy basis) comprise fixed and variable compensation, excluding mandatory employer's social security contributions of K€ 1,039 (thereof accrued expenses K€ 280) and K€ 678, respectively.

As of 31 December 2022, the number of issued and outstanding options for key management personnel under the SOIP was 53,764, with a weighted average exercise price of € 5.07. As of 31 December 2021, the number of issued and outstanding options for key management personnel under the SOIP was 29,325 with a weighted average exercise price of € 58.00. Under the SOIP, the share-based payment transactions recognized as an expense during the reporting period amounted to K€ 258 and K€ 176, respectively. Under the other share participation model, the share-based payment transactions recognized as an expense during the reporting period amounted to nil in both periods. For further details we refer to Note 9.

Thus, the total compensation for the key management personnel for the twelve months ended 31 December 2022 and 2021 was K€ 1,297 and K€ 854, respectively.

In 2022 and 2021, the remuneration for the Supervisory Board amounted to K€ 105 (thereof accrued expenses K€ 59), and K€ 79, respectively. As of 31 December 2022, the number of issued and outstanding options for the Supervisory Board under the SOIP was 9,570 with a weighted average exercise price of € 23.77. As of 31 December 2021, the number of issued and outstanding options for the Supervisory Board under the SOIP was 5,201 with a weighted average exercise price of € 75.90. Under the SOIP, the share- based payment transactions recognized as an expense during the reporting period amounted to K€ 50 and K€ 45, respectively. Under the other share participation model, the share-based payment transactions recognized as an expense during the reporting period amounted to nil in both periods. For further details we refer to Note 9.

Thus, the total compensation for the Supervisory Board members for the twelve months ended 31 December 2022 and 2021, was K€ 155 and K€ 124, respectively.

20. Events after the balance sheet date

Subsequent to 31 December 2022, the following financing and other subsequent events occurred:

During the period January to March 2023, ASO converted 800 of the 3,907 convertible bonds issued and outstanding on 31 December 2022 into 697,773 ordinary shares.

In April 2023, the Company concluded a € 2 million financing transaction with the following components:

- A capital increase of € 1.00 million (gross) through a private placement at a subscription price of € 1.0416 (rounded from the average of the 3 lowest daily VWAPs from the 10 consecutive trading days preceding the transaction) per share representing the issuance of up to 960,030 ordinary shares,
- Conversion of € 2.00 million of convertible bonds into 1,920,060 ordinary shares at a price of € 1.0416 (rounded from the average of the 3 lowest daily VWAPs from the 10 consecutive trading days preceding the transaction) per share in two tranches of € 1.00 million each under the ASO financing agreement,
- Soft lock-up for all up to 2,880,090 ordinary shares issued in this transaction for a 6-month period after the transaction,
- Drawdown of a € 1.08 million tranche (nominal) under the ASO agreement by issuing 1,100 convertible bonds (including 20 convertible bonds issued in relation to the transaction fee) with a nominal amount of € 1,000 per each convertible bond,
- The 2,207 ASO convertible bonds issued and outstanding after the transaction are subject to a lock-up for a 6-month period in exchange for interest for this period, this restriction shall only cease to apply if all of the up to 2,880,090 ordinary shares issued in this transaction will have been sold during the 6-month period,
- The Company will not draw any further tranches from the ASO convertible bond financing; the Company terminated the agreement other than with regard to the convertible bonds held by ASO following the transaction,
- Except for certain conditions, the Company will not issue shares during the 3 months after the transaction (Standstill).

As a result of the conversion of the first tranche (1,000 convertible bonds for € 1.00 million nominal) as part of the financing steps described above, the number of ordinary shares increased subsequent to 31 December 2022 by 960,030 ordinary shares. With this share issuance the transitional provision as described in Note 8 has become effective, according to which the authorized capital of the Company amounts to € 16,000,000, divided into 11,500,000 ordinary shares, each share with a nominal value of € 1.00; and 4,500,000 preference shares, each share with a nominal value of € 1.00.

As a result of the capital increases described above, the number of ordinary shares increased subsequent to 31 December 2022 from 1,739,335 by 1,657,803 to 3,397,138 ordinary shares to date. The number of convertible bonds issued and outstanding amounts to 2,107 to date.

When all steps of the financing as described above are consummated, the number of ordinary shares issued will increase to a maximum of 5,317,198 and the number of convertible bonds issued and outstanding will amount to 2,207.

The EGM held on 30 January 2023 resolved to reduce the nominal value of each share from € 1.00 to € 0.01. The difference between the aggregate nominal value of all issued and fully paid-up shares and the aggregate nominal value of all issued and fully paid-up shares shall not be repaid to the shareholders but shall be added to the Company's share additional paid-in capital (premium reserve). As a matter of Dutch statutory law, the effectiveness of such capital reduction was subject to observing a statutory creditor opposition period of two months and conditional upon the execution of a partial amendment of the articles of association of the Company to reflect the reduced nominal value of each share. The reduction of share capital will become effective after the date of this report.

The EGM held on 30 January 2023 also approved resolutions to change the Articles of Association reducing the authorized share capital of the Company to € 85,000, divided into 8,000,000 ordinary shares and 500,000 preference shares, each with a nominal value of € 0.01 (after the reduction of the nominal value becoming effective). If the Company's issued and paid-up ordinary share capital amounts to € 70,000, comprised of 7,000,000 ordinary shares each with a nominal value of € 0.01, the authorized capital automatically increases to € 325,000, divided into 30,500,000 ordinary shares and 2,000,000 preference shares, each with a nominal value of € 0.01.

Amsterdam, 20 April 2023

Signing of the financial statements on 20 April 2023

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

Supervisory Board

Dr. Maurizio Petitbon, Chairman

Dr. Martine J. van Vugt, Deputy chair

Dr. C.A. (Oscar) Izeboud

Susan Coles

Company financial statements as of 31 December 2022

Company balance sheet as at 31 December 2022

(before profit appropriation)

In thousands of €	Note	2022	2021
Fixed assets			
Equipment		24	21
Right-of-use assets	*3*	174	0
Financial fixed assets	*4*	266	0
Total fixed assets		**464**	**21**
Current assets	*5*		
Receivables due from group companies	*9*	474	156
Other receivables		123	186
Cash at bank and in hand	*6*	2,740	8,850
Total current assets		**3,337**	**9,192**
Total assets		**3,801**	**9,213**
Shareholders' equity	*7*		
Issued capital		1,739	746
Share premium		68,629	60,266
Retained earnings		(56,502)	(42,050)
Undistributed result		(15,134)	(14,452)
Total equity		**(1,268)**	**4,510**
Lease liabilities	*3*	67	0
Non-current liabilities		**67**	**0**
Financial liabilities	*8*	4,141	2,505
Lease liabilities	*3*	112	0
Trade payables		399	410
Liabilities due to group companies	*9*	65	72
Provision for constructive obligation due to group companies	*4*	0	1,332
Other liabilities		285	384
Current liabilities		**5,002**	**4,703**
Total equity and liabilities		**3,801**	**9,213**

Company income statement for the year ended 31 December 2022

In thousands of €	Note	2022	2021
Share in results from participating interests, after taxation	*4*	(10,196)	(12,128)
Other result after taxation		(4,938)	(2,324)
Net result		**(15,134)**	**(14,452)**

Notes to the company financial statements for the year ended 31 December 2022

1 General

The company financial statements are part of the 2022 statutory financial statements of TME Pharma N.V. (NOXXON Pharma N.V. changed its name to TME Pharma N.V. on 11 July 2022), Amsterdam, The Netherlands (the 'Company').

With reference to the income statement of the company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

The Company is registered under number 62425781 in the Business Register with corporate seat in Amsterdam, the Netherlands and has its headquarters in Berlin, Germany. TME Pharma N.V. is a management holding providing corporate, legal and administrative services, financial and business advice and asset management to its German subsidiary TME Pharma AG (formerly NOXXON Pharma AG).

The company financial statements for the year ended 31 December 2022 were authorized by the Board of Directors on 20 April 2023 and the Supervisory Board on 20 April 2023.

2 Basis of preparation

The company financial statements have been prepared in accordance with Title 9, Book 2 of the Netherlands Civil Code. For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company financial statements, the Company makes use of the option provided in section 2:362(8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the company financial statements of the Company are the same as those applied for the consolidated EU-IFRS financial statements. See Note 2 of the consolidated financial statements for a description of these principles. Rounding differences may occur in the company financial statements and the notes thereto.

Going Concern

For a detailed explanation of the Going Concern of the Company and the Group we refer to Note 2 of the consolidated financial statements.

Participating interests in group companies

Participating interests in group companies are accounted for in the Company financial statements according to the net asset method. Net asset value is based on the measurement of assets, provisions and liabilities and determination of net result based on the principles applied in the consolidated financial statements. Participations with a negative net asset value are valued at nil. A share of the profits from the participation, in later years, will only be processed if and insofar as the cumulative unrecognized share has compensated the loss. However, if the Company wholly or partly guarantees the debts of a participation, or has the constructive obligation to allow the participation (for its share) to pay its debts, a provision is recognized in the amount of the expected payments by the Company on behalf of the participation. The provision is formed primarily at the expense of long-term unsecured receivables that should actually be seen as part of net investment, and the remainder presented under provisions.

Result of participating interests

The share in the result of participating interests consists of the share of the Company in the result of these participating interests. Results on transactions involving the transfer of assets and liabilities between the Company and its participating interests and mutually between participating interests themselves, are eliminated to the extent that they can be considered as not realised.

The financial information of the Company is included in the consolidated financial statements. For this reason, in accordance with Section 402, Book 2 Netherlands Civil Code, the income statement of the Company exclusively states the share in the result of participating interests after taxation and the other result after taxation.

3 Right-of-use assets

Right-of-use assets relate to leased office premises with a commencement in July 2022 and developed as follows:

in thousands of €	**Leased office premises**
Carrying amount	
Balance at 1 January 2022	0
Additions	226
Depreciation charge of the year	52
Balance at 31 December 2022	174
Balance at 1 January 2021	-
Depreciation charge of the year	-
Balance at 31 December 2021	-

The table below summarizes the maturity profile of the Company's lease liabilities at 31 December 2022 based on contractual undiscounted payments.

in thousands of €

Year ended 31 December 2022	**Total**	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years
Lease liabilities	179	0	28	84	67	0

4 Financial fixed assets

Financial assets solely include the investment of the Company in its almost fully owned subsidiary TME Pharma AG, with statutory seat in Berlin, Germany.

In thousands of €	2022	2021
Participating interests in group companies	**266**	**0**
	266	**0**

Movements in financial fixed assets were as follows:

In thousands of €	Participating interests in group companies
Balance at 1 January 2021:	**(1,215)**
Changes during the financial year:	
1 Capital contributions to TME Pharma AG	11,851
2 Share in results from participating interests, excluding impairment, after taxation	(12,128)
3 Equity-based incentive awards issued to officers and employees of the subsidiaries TME Pharma AG and TME Pharma Inc.	160
Total changes	**(117)**
Carrying amount at 31 December 2021	**(1,332)**
Balance at 1 January 2022:	**(1,332)**
Changes during the financial year:	
1 Capital contributions to TME Pharma AG	11,567
2 Share in results from participating interests, excluding impairment, after taxation	(10,196)
3 Equity-based incentive awards issued to officers and employees of the subsidiaries TME Pharma AG and TME Pharma Inc.	227
Total changes	**1,598**
Carrying amount at 31 December 2022	**266**

In 2022 and 2021, the Company contributed K€ 11,567 and K€ 11,851 in cash to TME Pharma AG, respectively. Equity-based incentive awards issued to officers and employees of the subsidiaries TME Pharma AG and TME Pharma Inc. increased the participation further by K€ 227 and K€ 160, respectively. An impairment loss of K€ 11,527 and K€ 12,011, respectively was recognized resulting in a financial fixed asset of K€ 266 and K€ 0, respectively.

A provision was recognized, because TME Pharma N.V. had, as of 31 December 2021, a constructive obligation to allow the participation (for its share) to pay its debts in an amount of the negative equity of the participation as of 31 December 2021 of K€ 1,332.

The consolidated loss of TME Pharma AG and its subsidiary TME Pharma Inc. for the fiscal year 2022 was K€ 10,196 (prior year: K€ 12,128).

The Company, with its statutory seat in Amsterdam, is the holding company and has the following financial interests:

Name	Location	Share in issued capital %
Consolidated participating interests		
TME Pharma AG	Berlin, Germany	**100.0**
TME Pharma Inc. (indirectly held by TME Pharma AG)	Norwalk, CT, USA	**100.0**

5 Current assets

Other receivables include as of 31 December 2022 the cash balance of the liquidity account with the liquidity provider amounting to K€ 12 (prior year: K€ 26) and prepaid expenses of K€ 48 (prior year: K€ 79). All amounts are due within one year. The cash balance of the liquidity account with the liquidity provider is not withdrawable on demand into cash at bank or in hand, because the cash amounts are transferred to the liquidity provider to enable him to increase the liquidity of the TME Pharma N.V. shares by increasing the trading volume.

6 Cash at bank and in hand

Cash consist only of cash at bank and in hand. Deposits included under cash at bank and in hand are withdrawable on demand. The net book value represents the maximum amount that is at risk. The carrying amount of cash at bank and in hand is a reasonable approximation of the fair value.

7 Shareholders' equity

Reconciliation of movements in capital and reserves

In thousands of €	Issued share capital	Share premium	Retained earnings	Undistributed result	Total
Balance at 1 January 2021	**472**	**49,288**	**(31,645)**	**(10,405)**	**7,710**
Result appropriation to retained earnings	--	--	(10,405)	10,405	--
Changes in financial year 2021:					
• Share-based compensation	--	314	--	--	314
• Group share-based compensation	--	160	--	--	160
• Capital increase	274	10,926	--	--	11,200
• Issuance costs for capital increases	--	(421)	--	--	(421)
• Purchase of own shares	--	(1)	--	--	(1)
• Result for the year	--	--	--	(14,452)	(14,452)
Balance at 31 December	**746**	**60,266**	**(42,050)**	**(14,452)**	**4,510**
Balance at 1 January 2022	746	60,266	(42,050)	(14,452)	4,510
Result appropriation to retained earnings	--	--	(14,452)	14,452	--
Changes in financial year 2022:					
• Share-based compensation	--	362	--	--	362
• Group share-based compensation	--	227	--	--	227
• Capital increases	993	7,817	--	--	8,810
• Issuance costs for capital increases	--	(14)	--	--	(14)
• Sale and purchase of own shares	--	(29)	--	--	(29)
• Result for the year	--	--	--	(15,134)	(15,134)
Balance at 31 December	**1,739**	**68,629**	**(56,502)**	**(15,134)**	**(1,268)**

Issued capital, Share premium, Own shares

Share consolidation and other capital measures

On 27 July 2022, the amendment of the Articles of Association, as resolved by the Annual General Meeting on 29 June 2022, effecting the share consolidation was consummated, such that every 100 ordinary shares with a nominal value of € 0.01 each were consolidated and converted into 1 new ordinary share with a nominal value of € 1.00. The share consolidation has taken effect on 27 July 2022. Trading of the new shares with ISIN NL0015000YE1 on the Euronext Growth Paris market commenced on 28 July 2022, and reverse stock split settlement took place on 1 August 2022. All numbers of ordinary shares, equity-settled share-based payment awards and earnings per share numbers have been retrospectively adjusted for all periods presented reflecting the capital consolidation.

Issued capital

As of 31 December 2022, the issued capital of the Company amounts to K€ 1,739 (prior year: K€ 746) and is divided into 1,739,335 ordinary shares (prior year: 746,015), each with a nominal value of € 1.00.

The annual general meeting on 29 June 2022 approved resolutions increasing the authorized share capital of the Company from € 2,500,000 divided into 250,000,000 ordinary shares, each with a nominal value of € 0.01 (as of 29 June 2022 prior to the share consolidation becoming effective) to € 4,850,000, divided into 3,500,000 ordinary shares and 1,350,000 preference shares, each with a nominal value of € 1.00 (after the share consolidation becoming effective on 27 July 2022). If the Company's issued and paid-up preference share capital amounts to € 1,250,000, comprised of 1,250,000 preference shares, the authorized capital automatically increases to € 11,000,000, divided into 6,750,000 ordinary shares and 4,250,000 preference shares, each with a nominal value of € 1.00. If the Company's issued and paid-up ordinary share capital amounts to € 3,250,000, comprised of 3,250,000 ordinary shares, the authorized capital automatically increases to € 16,000,000, divided into 11,500,000 ordinary shares and 4,500,000 preference shares, each with a nominal value of € 1.00.

In 2022, the Company issued an aggregate of 993,320 ordinary shares and raised € 7.5 million (excluding transaction costs incurred of € 0.1 million) in connection with the following financing transactions:

- Issuance of 11,054 ordinary shares to Yorkville through the exercise of 41,778 warrants (cash inflow of K€ 85 as consideration received for ordinary shares), and
- Issuance of 982,266 ordinary shares against conversion of 6,650 convertible bonds (comprising of 2,419 convertible bonds outstanding on 31 December 2021 and 4,231 convertible bonds out of 8,138 convertible bonds issued in 2022) against net cash inflow in 2022 of K€ 7,431) with a nominal amount of € 1,000 per each convertible bond.

As a result, additional subscribed capital of K€ 993 and additional paid-in capital of K€ 7,817 were recognized less issuance costs of K€ 14.

In 2021, the Company issued an aggregate of 274,232 ordinary shares and raised € 11.6 million (excluding transaction costs incurred of € 0.1 million) in connection with the following financing transactions:

- Issuance of 142,772 ordinary shares in a private placement at a price of € 0.45 against contribution in cash (cash inflow of K€ 6,019 as consideration received for ordinary shares),
- Issuance of 37,684 ordinary shares to Kreos and certain other investors through the exercise of 64,515 warrants (cash inflow of K€ 1,200 as consideration received for ordinary shares), and
- Issuance of 93,776 ordinary shares against conversion of 2,914 convertible bonds (comprising of 546 convertible bonds outstanding on 31 December 2020 and 2,368 convertible bonds out of 4,787 convertible bonds issued in 2021) against net cash inflow in 2021 of K€ 4,371) with a nominal amount of € 1,000 per each convertible bond.

As a result, additional subscribed capital of K€ 274 and additional paid-in capital of K€ 10,926 were recognized less issuance costs of K€ 421.

No share certificates shall be issued.

Share premium

As of 31 December 2022, the share premium of the Company amounts to K€ 68,629 (prior year K€ 60,266).

In 2022, share premium increased by K€ 7,774 as a result of capital increases described above.

In 2021, share premium increased by K€ 10,504 as a result of capital increases described above.

Further, share-based compensation of K€ 362 and group share-based compensation of K€ 227 in 2022 and share-based compensation of K€ 314 and group share-based compensation of K€ 160 in 2021 were recorded, respectively.

In accordance with Dutch law and in absence of any reserves TME Pharma N.V. is required to maintain its shareholders’ equity pursuant to Dutch law. The Company may make distributions insofar the shareholders’ equity exceeds the sum of paid-in and called-up share capital.

Own shares

At 31 December 2022, the Company held 14,341 own shares (prior year 950 own shares).

Share-based compensation

For details of the 2016 Stock Option and Incentive Plan (“SOIP”) we refer to Note 9 of the consolidated financial statements. The share-based payments for each individual member of the Board of Directors and the Supervisory Board are disclosed in the remuneration report in the supervisory board report.

TME Pharma N.V. issued equity-based incentive awards to directors (including Management Board Directors provided that the Supervisory Board will decide when it concerns a person elected to the Management Board), officers, employees and consultants.

However, some of those beneficiaries provide services only to the subsidiary TME Pharma AG and not directly to TME Pharma N.V. Accordingly, the Company receives services indirectly through the subsidiary TME Pharma AG in the form of an increased investment in the subsidiary - i.e. the subsidiary receives services from officers and employees that are paid for by the Company - thereby increasing the value of the subsidiary. Therefore, the Company recognizes in share premium the equity-based incentive awards, with a corresponding increase in its investment in TME Pharma AG in its separate financial statements.

The amount recognized as an additional investment for the financial year 2022 of K€ 227 (prior year: K€ 160) is based on the grant-date fair value of the share-based payment. We refer to Note 4.

For beneficiaries that directly provide services to the Company, the equity-based incentive awards are recognized in other result after taxation, with a corresponding increase in share premium. In the financial year 2022, an amount of K€ 362 (prior year: K€ 314) was recognized.

Reconciliation of shareholders' equity to the consolidated financial statements

The difference between share premium of the Company as of 31 December 2022 of K€ 68,629 and the additional paid-in capital of the Group of K€ 184,839 results mainly from the corporate reorganization consummated on 23 September 2016, whereby substantially all of the shareholders of TME Pharma AG subscribed for 1,504,452 ordinary shares in TME Pharma N.V. and agreed to transfer their common and preferred shares in TME Pharma AG to TME Pharma N.V. in consideration therefore. The share premium of the Company reflects this share contribution and subsequent financing, whereas the consolidated financial statements reflect all financing transactions since inception of the Group. In addition, non-controlling interest of K€ 14, after an increase of K€ 1 reflecting net losses attributable to such non-controlling interest in 2022 prior to the capital reduction and concurrent capital increase, was recognized in additional paid-in capital, as no non-controlling interest was reacquired or paid for. This is due to a capital reduction and concurrent capital increase of TME Pharma AG, resolved in November 2022, TME Pharma N.V. holds 100.0% of the shares of TME Pharma AG as of 31 December 2022.

Proposal for result appropriation for the financial year 2022

The General Meeting of Shareholders will be asked to approve the following appropriation of the 2022 loss for the period amounting to K€ 15,134 to be added to the accumulated losses in retained earnings.

8 Financial liabilities

For a detailed explanation of the Company's financial liabilities, we refer to Note 10 of the consolidated financial statements.

The financial liability resulting from the ASO financing amounts to K€ 4,141. The fair value of the warrants (derivative financial liability) as of 31 December 2022 and 2021 amounted to nil, respectively.

9 Receivables due from and liabilities due to group companies

In thousands of €	2022	2021
Accounts receivable from group companies	474	156
Receivables due from group companies	**474**	**156**
Accounts payable to group companies	10	2
Value added tax payables to group companies (tax group)	55	70
Liabilities due to group companies	**65**	**72**

10 Financial instruments

General

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk.
- Liquidity risk.

In the notes to the consolidated financial statements information is included about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital.

These risks, objectives, policies and processes for measuring and managing risk, and the management of capital apply also to the company financial statements of the Company.

Fair value

The fair values of the financial instruments stated on the balance sheet, including accounts receivable, cash at bank and in hand and current liabilities, are close to their carrying amounts.

The fair value of the derivative financial liabilities (see Note 8) is calculated based on level 3 input factors using a Black Scholes option model. The fair value of the warrants amounts to nil as at 31 December 2022 and 2021, respectively.

11 Employee benefits and number of employees

As of balance sheet date, the Board of Directors of the Company consists of one member. Further, the Company employs seven employees. The member of the Board of Directors and all employees work outside of the Netherlands.

As of balance sheet date, the Group has one member of the Board of Directors and thirteen employees, all working outside of the Netherlands.

12 Share in results from participating interests

A loss of K€ 10,196 (prior year: K€ 12,128) of share in results from participating interests relates to group companies.

13 Fees of the auditor

With reference to Section 2:382a(1) and (2) of the Netherlands Civil Code, the following fees (excluding surcharges, expenses and VAT) for the financial year have been charged by Baker Tilly (Netherlands) or have been accrued for the audit of the financial statements 2022 and 2021 to the Company, its subsidiaries and other consolidated entities, and were expensed in the Company's and consolidated financial statements in the respective years:

In thousands of €	Baker Tilly (Netherlands) 2022	Other BT network 2022	Total Baker Tilly 2022
Audit of the financial statements	94	--	94
Other audit engagements	--	119	119
	94	**119**	**213**

In thousands of €	Baker Tilly (Netherlands) 2021	Other BT network 2021	Total Baker Tilly 2021
Audit of the financial statements	53	--	53
Other audit engagements	--	--	
	53	**--**	**53**

14 Remuneration of managing and supervisory directors

The tables below show remuneration for the managing directors in the fiscal years 2022 and 2021:

2022	Base salary	Cash bonus(3)	Share-based compen-sation	Others/ Pension contri-butions(5)	Fringe benefits (4)	Total
Aram Mangasarian, Ph.D. (1)	€250,000	€151,250	€169,500	€113,671	€5,203	€689,624
Bryan Jennings (2)	€380,170	€115,002	€52,900	€21,256	€29,837	€599,165
Total	**€630,170**	**€266,252**	**€222,400**	**€134,927**	**€35,040**	**€1,288,789**

(1) Aram Mangasarian is member of the Management Board and of the Board of Directors of TME Pharma N.V., TME Pharma AG and TME Pharma Inc. Aram Mangasarian is one of the two statutory directors of TME Pharma N.V. until 31 December 2022. He is remunerated by TME Pharma N.V.

(2) Bryan Jennings was member of the Management Board and of the Board of Directors of both, TME Pharma N.V. and TME Pharma Inc. Bryan Jennings was one of the two statutory directors of TME Pharma N.V. until 31 December 2022. He is remunerated by TME Pharma Inc., except for share-based compensation granted by TME Pharma N.V.

(3) Cash bonuses relate to goal achievements during 2022, not paid yet.

(4) Without contribution to directors and officer’s insurance and other insurances and expenses (such as mobile phones etc.).

(5) Mandatory social security contributions to the French and US social security systems, actually utilized and including of reimbursements of € 21,856.

2021	Base salary	Cash bonus(3)	Share-based compen-sation	Others/ Pension contri-butions(7)	Fringe benefits (4)	Total(5)
Aram Mangasarian, Ph.D. (1)	€250,000	€200,000	€133,700	€124,313	€2,164	€710,177
Bryan Jennings (2)	€58,792(6)	€28,265	€17,300	€7,185	€8,560	€120,102
Total	**€308,792**	**€228,265**	**€151,000**	**€131,498**	**€10,724**	**€830,279**

(1) Aram Mangasarian is member of the Management Board and of the Board of Directors of TME Pharma N.V., TME Pharma AG and TME Pharma Inc.. Aram Mangasarian is one of the two statutory directors of TME Pharma N.V. He is remunerated by TME Pharma N.V.

(2) Bryan Jennings is member of the Management Board and of the Board of Directors of both, TME Pharma N.V. and TME Pharma Inc. Bryan Jennings is one of the two statutory directors of TME Pharma N.V. He is remunerated by TME Pharma Inc., except for share-based compensation granted by TME Pharma N.V. Remuneration covers the period from 1 November 2021 until 31 December 2021.

(3) Cash bonuses relate to goal achievements during 2021, which have been paid out during the fiscal year 2022.

(4) Without contribution to directors and officer’s insurance and other insurances and expenses (such as mobile phones etc.).

(5) Without social security contributions to the French and US social security systems.

(6) Base salary was adjusted for additional payments of € 2,261 in accordance with Connecticut labor law.

(7) Correction of a prior period omission: Mandatory social security contributions to the French and US social security systems, including accrued expenses actually utilized in relation to cash bonus payments for goal achievements during 2021 of € 49,685 (in 2021 no disclosures were presented).

The tables below show the remuneration for the supervisory board directors of the TME Pharma N.V. for the fiscal years 2022 and 2021:

2022	Fixed fee(2)	Share-based compensation	Total
Dr. Maurizio PetitBon(1)	N/A	N/A	N/A
Susan Coles	€30,000	€16,400	€46,400
Dr. Cornelis Alexander Izeboud(3)	€29,000	€14,800	€43,800
Dr. Martine van Vugt(4)	€29,000	€16,400	€45,400
Gregory Weaver(5)	€17,250	€2,500	€19,750
Total	**€105,250**	**€50,100**	**€155,350**

(1) Supervisory Board Director of the Company has waived his right for a fee.
(2) Fixed fees have not yet been paid, except for Dr. Cornelis Alexander Izeboud and Gregory Weaver. Without contribution to directors and officer's insurance and other insurances and expenses (such as mobile phones etc.).
(3) via Izalco Management B.V.
(4) via LifeSci Consultancy B.V.
(5) Remuneration covers the period until 30 September 2022.

2021	Fixed fee(2)	Share-based compensation	Total
Dr. Maurizio PetitBon(1)	N/A	N/A	N/A
Dr. J. Donald deBethizy	€10,000	€(4,900)	€5,100
Susan Coles	€15,000	€10,600	€25,600
Dr. Cornelis Alexander Izeboud(3)	€23,500	€18,500	€42,000
Bertram Köhler(1)	N/A	N/A	N/A
Dr. Martine van Vugt(4)	€14,500	€10,600	€25,100
Gregory Weaver	€15,500	€10,600	€26,100
Total	**€78,500**	**€45,400**	**€123,900**

(1) Supervisory Board Director of the Company has waived his right for a fee.
(2) Fixed fees have not been paid during 2021, except for Dr. Cornelis Alexander Izeboud. All remaining payments have been made during 2022. Without contribution to directors and officer's insurance and other insurances and expenses (such as mobile phones etc.).
(3) via Izalco Management B.V.
(4) via LifeSci Consultancy B.V.

For remuneration policies and further information concerning the members of the Management Board and the Supervisory Board of TME Pharma N.V. see also section "Remuneration" of the Supervisory Board report of the Annual Report 2022.

15 Related party transactions

For related party transactions we refer to Note 19 of the consolidated financial statements. For transactions between the Company and its subsidiaries we refer to Notes 4 and 9 of the Company's financial statements.

16 Commitments and contingencies

Commitments of K€ 87 (prior year: K€ 85) exist in relation to the listing agent agreement, the sponsor bank and agent agreement and other services. There are no further commitments or contingencies.

The Company is part of a tax group for value added tax and is therefore jointly and severally liable for the tax payable by the tax group as a whole.

17 Events after the balance sheet date

Subsequent to 31 December 2022, the following financing and other subsequent events occurred:

During the period January to March 2023, ASO converted 800 of the 3,907 convertible bonds issued and outstanding on 31 December 2022 into 697,773 ordinary shares.

In April 2023, the Company concluded a € 2 million financing transaction with the following components:

- A capital increase of € 1.00 million (gross) through a private placement at a subscription price of € 1.0416 (rounded from the average of the 3 lowest daily VWAPs from the 10 consecutive trading days preceding the transaction) per share representing the issuance of up to 960,030 ordinary shares,
- Conversion of € 2.00 million of convertible bonds into 1,920,060 ordinary shares at a price of € 1.0416 (rounded from the average of the 3 lowest daily VWAPs from the 10 consecutive trading days preceding the transaction) per share in two tranches of € 1.00 million each under the ASO financing agreement,
- Soft lock-up for all up to 2,880,090 ordinary shares issued in this transaction for a 6-month period after the transaction,
- Drawdown of a € 1.08 million tranche (nominal) under the ASO agreement by issuing 1,100 convertible bonds (including 20 convertible bonds issued in relation to the transaction fee) with a nominal amount of € 1,000 per each convertible bond,
- The 2,207 ASO convertible bonds issued and outstanding after the transaction are subject to a lock-up for a 6-month period in exchange for interest for this period, this restriction shall only cease to apply if all of the up to 2,880,090 ordinary shares issued in this transaction will have been sold during the 6-month period,
- The Company will not draw any further tranches from the ASO convertible bond financing; the Company terminated the agreement other than with regard to the convertible bonds held by ASO following the transaction,
- Except for certain conditions, the Company will not issue shares during the 3 months after the transaction (Standstill).

As a result of the conversion of the first tranche (1,000 convertible bonds for € 1.00 million nominal) as part of the financing steps described above, the number of ordinary shares increased subsequent to 31 December 2022 by 960,030 ordinary shares. With this share issuance the transitional provision as described in Note 7 has become effective, according to which the authorized capital of the Company amounts to €

16,000,000, divided into 11,500,000 ordinary shares, each share with a nominal value of € 1.00; and 4,500,000 preference shares, each share with a nominal value of € 1.00.

As a result of the capital increases described above, the number of ordinary shares increased subsequent to 31 December 2022 from 1,739,335 by 1,657,803 to 3,397,138 ordinary shares to date. The number of convertible bonds issued and outstanding amounts to 2,107 to date.

When all steps of the financing as described above are consummated, the number of ordinary shares issued will increase to a maximum of 5,317,198 and the number of convertible bonds issued and outstanding will amount to 2,207.

The EGM held on 30 January 2023 resolved to reduce the nominal value of each share from € 1.00 to € 0.01. The difference between the aggregate nominal value of all issued and fully paid-up shares and the aggregate nominal value of all issued and fully paid-up shares shall not be repaid to the shareholders but shall be added to the Company's share additional paid-in capital (premium reserve). As a matter of Dutch statutory law, the effectiveness of such capital reduction was subject to observing a statutory creditor opposition period of two months and conditional upon the execution of a partial amendment of the articles of association of the Company to reflect the reduced nominal value of each share. Therefore, the reduction of share capital became effective after the date of this report.

The EGM held on 30 January 2023 also approved resolutions to change the Articles of Association reducing the authorized share capital of the Company to € 85,000, divided into 8,000,000 ordinary shares and 500,000 preference shares, each with a nominal value of € 0.01 (after the reduction of the nominal value becoming effective). If the Company's issued and paid-up ordinary share capital amounts to € 70,000, comprised of 7,000,000 ordinary shares each with a nominal value of € 0.01, the authorized capital automatically increases to € 325,000, divided into 30,500,000 ordinary shares and 2,000,000 preference shares, each with a nominal value of € 0.01.

Amsterdam, 20 April 2023

TME Pharma N.V.

Signing of the financial statements on 20 April 2023

Originally signed by:

Board of Directors

Dr. Aram Mangasarian, CEO

Supervisory Board

Dr. Maurizio Petitbon, Chairman

Dr. Martine J. van Vugt, Deputy chair

Dr. C.A. (Oscar) Izeboud

Susan Coles

Other information

Provisions in the Articles of Association governing the appropriation of profit

As of 31 December 2022, the issued capital of the Company amounts to K€ 1,739 and is divided into 1,739,335 ordinary shares. As of balance sheet date, no preference shares were issued.

The Company's Articles of Association provide under chapter X, Article 29 provisions about the appropriation of profits, distributions and losses as follows:

CHAPTER X. Financial year and annual accounts. Profits and distributions.

Article 29. Profits, distributions and losses.

1. The company shall have a policy on reserves and dividends, which shall be determined and may be amended by the board of directors. The adoption and thereafter each material change of the policy on reserves and dividends shall be discussed at the general meeting under a separate agenda item.
2. The company shall maintain a share premium exclusively attached to the class of preference shares and a share premium reserve exclusively attached to the class of ordinary shares. If upon a conversion of preference shares into ordinary shares a holder of to be converted preference shares is entitled to receive more than one ordinary share for each to be converted preference share, the board of directors shall be authorized to resolve upon any distribution out of the preference shares share premium reserve to pay up the additional ordinary shares from the pro rata parte part of the entitlement to the preference shares share premium reserve of the relevant shareholder. Upon a conversion of preference shares into ordinary shares, the board of directors shall further be authorized to re-allocate any remaining balance of the pro rata parte part of the entitlement to the preference shares share premium reserve of the relevant shareholder in favour of the share premium reserve exclusively attached to the class of ordinary shares.
3. The company shall maintain a separate dividend reserve for the preference shares. The preference shares shall not carry any entitlement to any other reserve of the company. Any distribution out of the preference shares dividend reserve or the partial or full release of such reserve will require a prior proposal from the board of directors and a subsequent resolution of the general meeting of holders of preference shares.
4. From the profits, if any, shown in the annual accounts, as adopted, the board of directors shall determine which part shall be reserved. The profits remaining thereafter shall first be applied to allocate and add to the preference shares dividend reserve an amount equal to one percent (1%) of the aggregate nominal amount of all outstanding preference share shares. The calculation of the amount to be allocated and added to the preference share shares dividend reserve shall occur on a time-proportionate basis. If preference share shares are issued during the financial year to which the allocation and addition pertains, then the amount to be allocated and added to the preference share shares dividend reserve in respect of these newly issued preference share shares shall be calculated as from the date on which such preference share shares were issued until the last day of the

financial year concerned. The preference share shares shall not carry any other entitlement to the profits.

5. Any profits remaining thereafter shall be at the disposal of the general meeting for distribution of dividend on the ordinary shares only.
6. Distribution of dividends on the shares shall be made in proportion to the nominal value of each relevant share.
7. Distributions may be made only insofar as the company's equity exceeds the amount of the paid in and called up part of the issued capital, increased by the reserves which must be kept by virtue of the law.
8. If a loss was suffered during any one year, the board of directors may resolve to offset such loss by writing it off against a reserve which the company is not required to keep by virtue of the law.
9. The distribution of profits shall be made after the adoption of the annual accounts, from which it appears that the same is permitted.
10. The board of directors may, subject to due observance of the policy of the company on reserves and dividends, resolve to make an interim distribution on the ordinary shares, provided the requirement of paragraph 6 of this article has been complied with, as shown by interim accounts. Such interim accounts shall show the financial position of the company not earlier than on the first day of the third month before the month in which the resolution to make the interim distribution is announced. Such interim accounts shall be signed by all members of the board of directors. If the signature of one or more of them is missing, this shall be stated and reasons for this omission shall be given. The interim accounts shall be deposited in the offices of the trade register within eight days after the day on which the resolution to make the interim distribution has been announced.
11. At the proposal of the board of directors, the general meeting may resolve to make a distribution on shares wholly or partly not in cash but in shares. At the proposal of the board of directors, the general meeting may resolve that distributions are made in another currency than Euro.
12. The board of directors may, subject to due observance of the policy of the company on reserves and dividends and the provisions of paragraph 4 of this article, resolve that distributions shall be made to holders of shares out of one or more reserves.
13. Dividends and other distributions of profit shall be made payable in the manner and at such date(s) - within four (4) weeks after declaration thereof - and notice thereof shall be given, as the board of directors shall determine. The board of directors may determine that entitled to dividends and other distributions of profits shall be, the shareholders, usufructuaries and pledgees, as the case may be, at a record date within four (4) weeks after notification thereof. A claim of a shareholder for payment of a distribution shall be barred after five (5) years have elapsed.

Profit-sharing certificates and similar rights

The Company has no preference shares, which give priority over part of the distributable profit.

Branch offices

TME Pharma N.V. operates through the following branch offices (direct or indirect owned subsidiaries:

Name	Registered seat	Shareholding (%)
TME Pharma N.V.	Amsterdam, Netherlands	parent company
TME Pharma AG	Berlin, Germany	100.0 %
--- TME Pharma Inc.	Norwalk, CT, USA	100.0 %

The Company has its headquarters in Berlin, Germany.

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To the shareholders, supervisory board and management of
TME Pharma N.V.

INDEPENDENT AUDITOR'S REPORT

Report on the audit of the financial statements 2022 included in the annual report

Our opinion

We have audited the financial statements 2022 of TME Pharma N.V. (the company) based in Amsterdam, the Netherlands. The financial statements comprise the consolidated and company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of TME Pharma N.V. as at 31 December 2022 and of its result and its cash flows for 2022 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.
- the accompanying company financial statements give a true and fair view of the financial position of TME Pharma N.V. as at 31 December 2022 and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2022;
- the following statements for 2022: consolidated statement of comprehensive loss, consolidated cash-flow statement and the consolidated statement of changes in shareholder’s equity; and
- the notes comprising material accounting policy information.

The company financial statements comprise:

- the company balance sheet as at 31 December 2022;
- the company income statement for the year ended 31 December 2022;
- the notes comprising a summary of the 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 TME Pharma N.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), 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.

Material uncertainty related to going concern

We draw attention to the going concern paragraph included in note 2 of the notes to the consolidated financial statements which indicates that the company is dependent upon raising additional finance in order to continue operations. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Audit approach going concern

Each year, management makes an assessment of the possibility of continuing the company as a going concern for at least the next 12 months after preparation of the financial statements. This estimation is also explained in the accounting policies of the financial statements. As disclosed in note 2 of the notes to the consolidated financial statements the Group will need to raise additional funding in the future, which may not be available on acceptable terms, or at all, or which may restrict the Group’s operations or require it to relinquish substantial rights. Failure to obtain this necessary capital when needed may force the Group to delay, limit or terminate its product development efforts or other operations and may affect the Group’s ability to continue as a going concern. Given the impact of the going concern assumption on the financial statements as a whole we have identified the going concern assumption as a key audit matter.

With the resources from available, secured financing, the current cash resources are projected to finance the Group into December 2023. Based on its present requirements resulting from the Group’s updated business plan focusing on clinical development and testing of its lead product candidate NOX-A12 for the treatment of advanced solid tumors, the Group will require additional cash resources of approximately € 4.0 million, to provide the Group with sufficient working capital for the twelve months following the date of these financial statements.

The Group’s current financing agreements contain operating covenants that may restrict its business and financing activities as disclosed in the paragraph Risks Relating to the Group’s Financial Position and Capital Requirements in the Management report.

Management is pursuing various financing alternatives to meet the Group’s future cash requirements, including seeking additional investors, pursuing industrial partnerships, or obtaining further funding from existing investors through additional funding rounds, pursuing a merger or an acquisition.

Our procedures in relation to the evaluation of the going concern included:

- obtaining and reviewing management’s going concern assessment;
- obtaining an understanding of the Group's position with respect to the assumptions used in preparing the going concern assessment;
- discussing the going concern assessment with management. In this evaluation, we have included information that is known up to the time of issuing this auditor's report, including internal figures up to and including February 2023 and the budget for until April 2024;
- obtaining and inspecting the business plans, budgets, term sheets, documentation concerning the secured financing and other available supporting information.

Based on our knowledge and understanding obtained from the audit of the financial statements, we believe that the use of the going concern assumption is justifiable. However, future events or conditions may affect the going concern assumption.

Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 240.000. The materiality is based on 2% of total expenses. We consider this basis to be appropriate as TME Pharma N.V. is a biotechnology company in a research and development phase, not generating any revenues and only incurring costs.

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 Directors that misstatements in excess of EUR 12.000, 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.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the companies within the scope of consolidation and their environment and the components of the system of internal control, including the risk assessment process and management’s process for responding to the risks of fraud and monitoring the system of internal control and how the members of the Supervisory Board exercises oversight, as well as the outcomes. We evaluated TME Pharma N.V.’s fraud risk assessment and made inquiries with the Board of Directors, those charged with governance and others within the group. We evaluated several fraud risk factors to consider whether those factors indicate a risk of material misstatement due to fraud.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as, among others, the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation of internal controls designed to mitigate fraud risks.

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 evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

Following these procedures, and the presumed risks under the prevailing auditing standards, we considered the fraud risks in relation to management override of controls, including evaluating whether there was evidence of bias by the Board of Directors and the Supervisory Board, which may represent a risk of material misstatement due to fraud. Because the company has not yet launched any products on the market, it does not yet generate income. Therefore, we have not identified a risk of fraud in revenue recognition.

As part of our audit procedures to respond to these risks, we evaluated whether the selection and application of accounting policies by the group, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements. For significant transactions, we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 2 of the financial statements.

We performed a retrospective review of management judgments and assumptions related to significant accounting estimates reflected in prior year financial statements. To evaluate the reasonableness of management's estimates and assumptions required a high degree of auditor judgment and an increased extent of effort. Reference is made to the section "Our key audit matters". This all did not lead to indications for fraud potentially resulting in material misstatements.

Our Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

In addition to the matters described in the 'Material uncertainty related to going concern' section we identified the following key audit matter.

1. Complexity of financial instruments

Description of key audit matter	How did our audit approach address the matter
During 2022 the Company amended financing agreements with other financers. These financing agreements have been disclosed in note 10 to the consolidated financial statements. We identified the risk that due to the technical and/or contractual complexity of the financing agreements and conversions these financial instruments and transactions may not be accounted for in accordance with the applicable accounting framework.	We have read the terms and conditions in the financing agreements and have taken notice of the accounting treatment of these agreements as proposed by management. We have assessed the characteristics of a sample of financial instruments and tested whether the classification of these instruments as financial liability or equity is in accordance with EU-IFRS. Furthermore, we assessed the key inputs and assumptions as well as sensitivities to key factors in determining the value of these instruments. We assessed whether the disclosures in the financial statements appropriately reflects the Group's exposure to financial instrument valuation risk resulting from the financing agreements, with reference to the requirements of the prevailing accounting standards. We are satisfied that the financial instruments and relevant transactions resulting from the agreements, amendments, and conversions are accounted for in accordance with the applicable accounting framework. Furthermore we are satisfied that the disclosure on financial instruments is in line with the requirements under EU-IFRS.

Report on the other information included in the annual report

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

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 all the information regarding the management report and the other 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 substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement
We were engaged by the supervisory board as auditor of TME Pharma N.V. on March 19, 2019, as of the audit for the year 2018 and have operated as statutory auditor ever since that financial year.

Description of responsibilities regarding the financial statements

Responsibilities of management and the supervisory board for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, 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 fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting, unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management 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 supervisory board is responsible for overseeing the company’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.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

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

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

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

From the matters communicated with the supervisory board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Rotterdam, April 21, 2023

Baker Tilly (Netherlands) N.V.

was signed

drs. H.J. van den Burg RA

Declaration by the Person Responsible for Annual Report 2022

“I declare that, to the best of my knowledge, the Consolidated and Company’s financial statements as of 31 December 2022 have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets and liabilities, financial position and profit and loss of the Group and the Company and all the other companies included in the scope of consolidation, and that this Annual Report includes a fair view of the important events which occurred during the Fiscal Year 2022, their impact on the financial statements and the main transactions between related parties, together with a description of the principal risks and uncertainties that they face in the upcoming twelve months.”

Amsterdam, 20 April 2023

TME Pharma N.V.

Dr. Aram Mangasarian, CEO