Philogen

innovating targeting



Half Year Report 2022

as of 30.06.2022

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Group data and information for Shareholders

Philogen S.p.A.

Registered office:	Piazza La Lizza #7, 53100 Siena
Secondary locations:	
Local unit no.SI/2	Via Montarioso n.11, Loc. Monteriggioni, 53035 Siena
Local Unit No. SI/5	Loc. Bellaria n.35, Sovicille, 53018 Siena
Arezzo-Siena Business Register:	
VAT/C.F. No.	00893990523
REA	SI-98772
Share Capital:	Euro 5,731,226.64 i.v.
Italian Stock Exchange Symbol:	PHIL
Ordinary ISIN:	IT0005373789
ISIN multiple vote:	IT0005373821
LEI Code:	81560009EA1577917768
Shares:	n. 40.611.111

Philochem AG

Registered Office:	Libernstrasse 3, 8112 Otelfingen, Switzerland
Register of Companies:	No. CH-020.3.030.226-7
VAT-Nr:	MWST-Nr/VAT-REG: CHE-113181.443
Capital stock:	CHF 5,051,000

Investor relations

E-mail: IR@philogen.com - Dr. Emanuele Puca, PhD

Website

https://www.philogen.com/

Corporate bodies

Board of Directors

The Board of Directors, appointed by the Shareholders' Meeting on April 27, 2022, will serve for the three-year period 2022-2024, until the approval of the annual financial statements as of December 31, 2024.

• Executive chairman(*)	Dr. Duccio Neri
• CEO(*)	Prof. Dario Neri
• Managing director(*)	Dr. Giovanni Neri
• Director	Dr. Sergio Gianfranco Dompé
• Director	Dr. Nathalie Dompé
• Director	Dr. Leopoldo Zambeletti
• Director(**)	Dr. Roberto Ferraresi
• Director	Dr. Guido Guidi
• Director	Dr. Maria Giovanna Calloni
• Director(**)/(***)	Avv. Marta Bavasso

(*) Executive director.
(**) Independent director pursuant to Article 147-ter paragraph 4 of the TUF and Article 2 of the Corporate Governance Code.
(***) Lead independent director.

Board of Auditors

• President	Dr. Stefano Mecacci
• Standing auditor	Dr. Pierluigi Matteoni
• Standing auditor	Dr. Alessandra Pinzuti
• Alternate auditor	Dr. Roberto Bonini
• Alternate Auditor	Dr. Maria Angela Fantini

Auditing Company

KPMG S.p.A.

Manager in charge of preparing corporate accounting documents

Dr. Laura Baldi, chief financial officer.

Supervisory Board

The single-member Supervisory Board (SB), appointed by resolution of the Board of Directors on April 27, 2022, for the three-year period 2022-2024, consists of Dr. Marco Tanini. The SB will remain in office until the expiration of the current Board of Directors and will be appointed by the incoming one.

Audit, Risk and Sustainability Committee (*)

- Marta Bavasso (President)
- Roberto Ferraresi
- Mary John Calloni

(*) This committee also serves as the Related Party Transactions Committee.

Nominating and Compensation Committee

- Marta Bavasso (President)
- Roberto Ferraresi
- Maria Giovanna Calloni

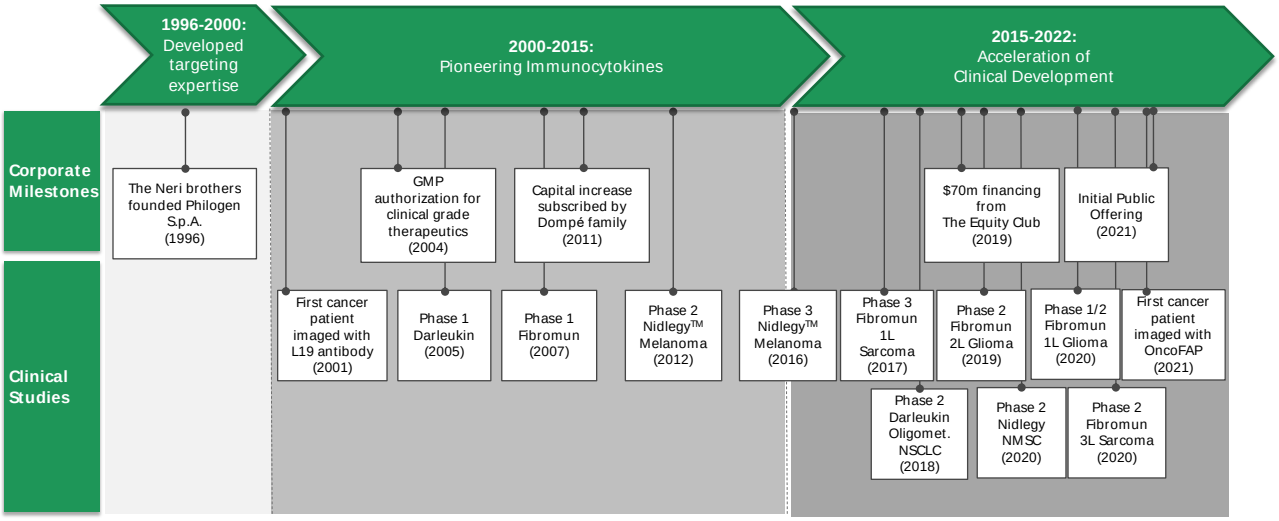
Philogen: introduction to the Group

History

Philogen ("the Group" or "the Company"), listed on the Mercato Telematico Azionario ("MTA") managed by Borsa Italiana (Reuters: PHIL) on March 3, 2021, is an Italian-Swiss company established in 1996, active in the biotechnology sector, specializing in the research and development of drugs for the treatment of high-lethality pathologies. In particular, the Group is a leader in the identification of ligands (human monoclonal antibodies and small organic molecules) with high affinity for tumor antigens (i.e., proteins expressed in tumors, but not in healthy tissues). These ligands are mainly used for the purpose of delivering an active ingredient (e.g., cytokines, radionuclides, cytotoxics) selectively to the diseased area. The Group's focus is primarily related to oncology drug development, although the company has also brought products for the treatment of chronic inflammatory diseases to the clinic.

In recent years, Philogen has consolidated and expanded its Pipeline, both by bringing new drugs into the clinic and by initiating investigational studies in new indications with products already in development. As of the date of this Report, the Group has a diversified Pipeline due to the execution of numerous Phase II and III registration studies. In particular, Nidlegy™ and Fibromun are the subject of international Phase III clinical trials.

The Group leases a research and development facility in Zurich (through its subsidiary "Philochem"), where new drugs are generated. The most promising prototypes (i.e., in terms of biochemical characteristics, safety and efficacy based on preclinical tumor models) are subsequently transferred to Siena where they are produced at the Company's GMP (Good Manufacturing Practice) facilities. Philogen has a GMP plant in Montarioso (Siena) approved by the Italian Medicines Agency (AIFA) for the production of drugs, experimental, antibody in mammalian cells. Structural work on the second GMP production facility at the Rosia (Siena) site has been completed on schedule in line with the industrial plan. This will enable the Group's industrial structure to be strengthened and ready for the transition from Biotech Company (i.e., a company that develops experimental drugs but has not yet reached the commercialization stage) to Product Company (or Branded Company, i.e., a company that sells its drugs on the market). The figure below illustrates the three phases of Philogen's history from 1996 to June 30, 2022, with their respective industrial achievements.



Note: 1L first-line treatment (i.e., newly diagnosed patients); 3L third-line treatment (i.e., patients who have failed 2 lines of therapies); Oligomet. NSCLC: oligometastatic non-small cell lung cancer; NMSC: non-melanoma skin cancer

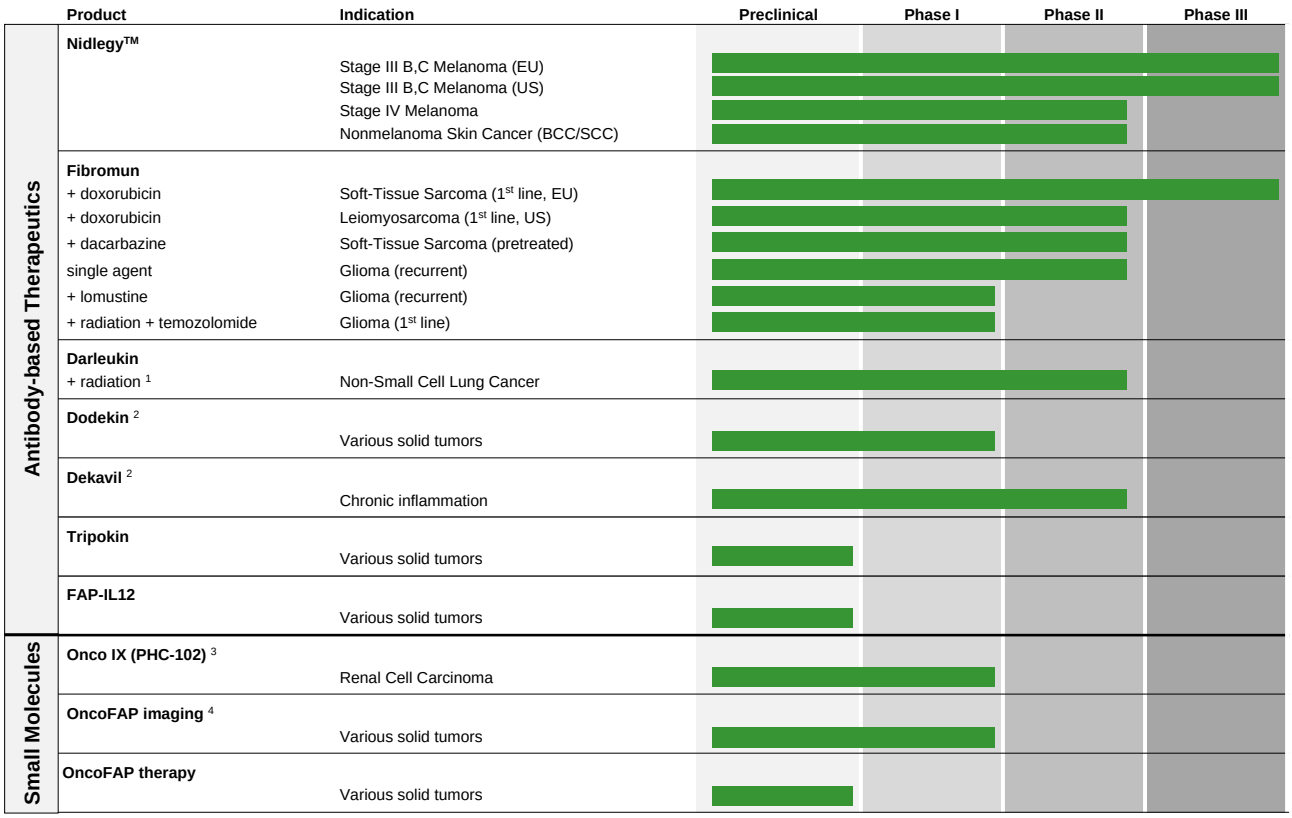
Group Strategy

Philogen is a Biotech company with strong vertical integration, as it covers all phases of drug development, including research, GMP manufacturing, and clinical development. In addition to the research site in Zurich, and the GMP site based in Montarioso (SI), the Group completed in the first half of 2022 the construction of a new GMP facility in Rosia (SI) that will allow inter alia manufacturing to serve the possible future commercialization of products.

The Group Pipeline

The Group's product portfolio consists of (i) antibody-based products and small organic molecules that are in various stages of clinical development, and (ii) various preclinical programs critical to the Group's continued innovation in the future.

With the exception of Dodekin and Dekavil for which certain rights have been granted to third parties, all other products are in the full disposal of the Group.



1 EU project: ImmunoSABR (Multi-center study); 2 Partnered Program; 3 Partly sponsored by Eurostars (Project: !9669 - ATRI; Partner: Medical University of Vienna, Austria); 4 The product is currently being used for compassionate treatment in patients before moving to a sponsored study

Intellectual property

The Group protects the results of research and development activities by making use of a large international portfolio of patents for inventions for industrial use and pending patent applications, consolidating a patent position in the field of vascular *targeting.*

The function of patents and patent applications is to protect market exclusivity for product candidates, the technical processes required for their production, or related protocols for medical treatment.

The duration of individual patents depends on the legal duration of patents in the countries in which they were obtained. In most countries, including Italy, the patent term is 20 years from the first asserted filing date of a non-provisional patent application or its foreign equivalent in that country.

The Group owns or exclusively licenses more than one hundred national patents filed in different countries.

Our patents mainly include (i) patents on "vascular targets," relating to certain ligands with affinity for *markers of* angiogenesis in certain indications; (ii) "technology" patents relating to key enabling technologies used in the Group's activities; (iii) "product" patents, that is, patents relating to product candidates for preclinical and clinical development and

their constituent elements; and (iv) "combination" patents relating to the combination of patented product candidates with off-patent therapeutic agents.

Patent Portfolio

For the purpose of a better understanding of the intellectual properties held by the Company, an outline of patents or patent applications, which are in the name of the Parent Company or of which the Parent Company holds an exclusive license as of June 30, 2022, is shown below.

Philogen S.p.A. :

Country	Patents Granted/Accepted Applications	Patent Applications
Algeria	1	-
Argentina	-	1
Australia	11	6
Brazil	3	2
Canada	11	3
Chile	-	1
China	4	2
Colombia	-	1
Costa Rica	-	1
Cuba	-	1
Ecuador	-	1
Egypt	-	1
United Arab Emirates	-	1
Eurasia	4	1
Europe	20	7
Guatemala	-	1
Hong Kong	9	5
India	3	1
Indonesia	1	1
Iran	-	1
Iraq	1	-
Israel	1	1
Japan	13	1
Jordan	-	1
Lebanon	-	1
Malaysia	1	1
Mexico	7	1
New Zealand	2	2
Gulf Countries (GCC)	1	-
Pakistan	1	-
Panama	-	1
Peru	1	1
Philippines	-	1
Russia	6	1
Singapore	1	1
South Africa	4	-
South Korea	8	1
Taiwan	1	1
Thailand	-	1
United States of America	37	5
Uruguay	-	1
Venezuela	-	1
Vietnam	-	1
Patent Cooperation Treaty (PCT)	-	5

Philochem AG:

Country	Patents Granted/Accepted Applications	Patent Applications
Australia	4	1
Canada	4	1
Europe	6	3
Hong Kong	2	1

Mexico	1	-
United States of America	8	2
Patent Cooperation Treaty (PCT)	-	2

Macroeconomic background and performance of Philogen stock

Economic Context

The first half of 2022 was marked by bottlenecks in supply chains and high inflation, with major central banks announcing and implementing restrictive policies to counter rising prices. The outbreak of the Russian-Ukrainian conflict, in addition to forcing a revision of the world growth forecast for 2022, has increased upward pressure on prices, especially of energy inputs. In the first half of 2022, the Coronavirus had the greatest impact on the Chinese economy, which, due to a zero-contamination policy, repeatedly forced the population into strict lockdowns (in the rest of the world, although the circulation of the virus did not stop, the policies adopted were less restrictive).

According to the OECD's revised June estimates, globally, growth for 2022 and 2023 is set to weaken sharply. It is estimated to be +3 percent and +2.75 percent for 2022 and 2023, respectively, against the previous forecasts of 4.5 percent and 3.2 percent in the last December update. Inflation projections now stand at nearly 9% in OECD countries in 2022, double the previous forecast.

The latest OECD estimates regarding 2022, incorporating the effects of conflict on economic growth, see China growing the most, followed by the Eurozone and the United States. The Chinese economy will see significant expansion, considering the zero-conflict policy, with 2022 GDP projected to grow by 4.4 percent. The Eurozone, despite cutting growth estimates, will see 2022 GDP rise by 2.6 percent. Italy is expected to be in line with the European average with growth projected at 2.5 percent for 2022. Finally, the United States, which, despite a very strong economy, as advocated by the Federal Reserve Chairman, is expected to see 2022 Gross Domestic Product rise only 2.5 percent.

Downside risks such as a possible restriction of natural gas supplies, which could further weaken the expansion and increase inflation, or higher interest rates, which could lower growth and increase government debt levels, prevail on growth.

Rising global inflation has prompted major central banks to adopt restrictive monetary policies to contain it, facing the possibility that such moves could harm economic growth.

The European Central Bank, at its September *meeting*, formally decided to raise interest rates by 75 basis points following a 50 basis point hike set in July, the first increase since 2011. Future rate hikes will be decided on a case-by-case basis, based on macro data and inflation *targets.* To mitigate the rise in the cost of money following its monetary policy announcements, the ECB also announced a new monetary policy tool, the anti-spread shield, which will intervene against the risks of financial fragmentation in the Eurozone. According to the latest estimates prepared by the ECB, annual inflation in the eurozone will be 6.8 percent in 2022, driven mainly by the economic effects of the Russian invasion of Ukraine and slowdowns in manufacturing supply chains.

Looking at the United States, the Federal Reserve since the beginning of the year has also opted for a series of rate hikes to counter inflation. Following the latest three-quarter-point tightening, the benchmark on Fed Funds rate rose to 2.25-2.50 percent. For the first time since November 1994, U.S. monetary policy has decided on such aggressive hikes. Forecasts indicate monetary tightening will continue through 2022. The median of individual indications for year-end leads to 3.25-3.50 percent from 1.75-2 percent in March. In addition, inflation projections see it rising 5.2 percent this year from 4.3 percent indicated in March, 2.6 percent next year (from 2.7 percent) and 2.2 percent (from 2.3 percent) in 2024. Fed Chairman Jerome Powell reiterated how the institution is determined to bring down inflation and restore price stability around the 2 percent target. In this context, Russia's invasion of Ukraine puts additional upward pressure on inflation.

The second half of the year opened with the aforementioned interventions by major central banks and confirmation that monetary tightening cycles will continue until inflation stabilizes. In the meantime, the Russian-Ukrainian conflict continues even though an agreement was signed in Istanbul in July that unblocked the export of grain, fertilizer and other commodities from Ukraine and should go a long way toward alleviating food crises in the world's poorest countries. Complicated by sanctions imposed on Moscow after the invasion of Ukraine, the energy crisis has also deepened with Russia reducing gas exports to Europe in the first 8 months of the year by 36.2 percent, to 78.5 billion cubic meters to the current total halt in supplies via the Nord Stream 1 pipeline.

STOCK PERFORMANCE

Philogen's (Ticker: PHIL) stock closed the first half of 2022 with a price per share of €13.90 compared to an IPO price per share of €17.00 as of March 3, 2021, registering a decrease of €3.10 (-18.24%). As of June 30, 2022, the market capitalization was €564.49 million.

Philogen	
Prezzo @ 30 giugno 2022 (Eu)	13,90
N. azioni (n. mn)	40,61
Mkt Cap (Eu mn)	564,49
Prezzo di IPO @ 3 marzo 2021 (Eu)	17,00
Variazione di prezzo (Eu)	-3,10
Variazione di prezzo (%)	-18,24%

The minimum closing price in the first half of 2022, recorded on April 1, was €13.06, while the maximum closing price in the reporting period, recorded on February 17, was €15.12. During the first 6 months of 2022, trading of Philogen shares on the market managed by Borsa Italiana S.p.A. reached an average daily value of 123,232.72 euros, equivalent to an average daily volume of 8,792.01 shares.

Since the listing, the Company has not distributed any dividends, but on November 24, 2021, it initiated a Share Buyback Program up to a maximum of 300,000 ordinary shares with a total outlay of no more than EUR 5,100,000.00 (since the beginning of the Program and until June 30, 2022, Philogen has purchased 151,470 ordinary shares equal to 0.37% of the share capital, with a total outlay of EUR 2,132,000).

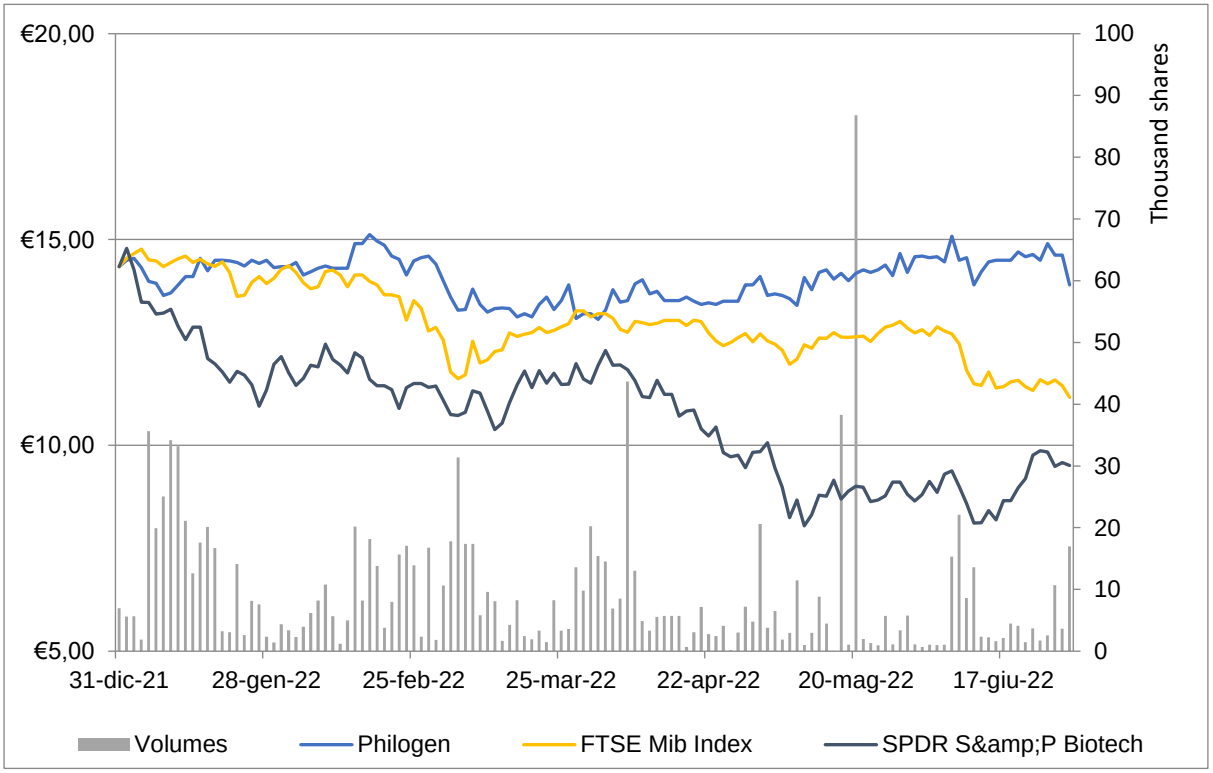
Periodo	Volumi medi Borsa Italiana	Controvalore medio Borsa Italiana	Giorni su Borsa Italiana
mar-21	84.044	1.365.674	21
apr-21	19.241	297.186	20
mag-21	19.614	290.014	21
giu-21	15.192	221.401	22
lug-21	25.044	345.163	22
ago-21	13.709	200.180	22
set-21	19.977	287.286	22
ott-21	15.817	221.544	21
nov-21	18.917	270.596	22
dic-21	10.021	144.890	21
gen-22	13.895	196.643	21
feb-22	8.614	125.241	20
mar-22	9.514	128.921	23
apr-22	8.011	108.927	19
mag-22	9.797	136.871	22
giu-22	5.546	80.172	22
lug-22	10.346	144.427	21
ago-22	1.397	20.017	12
Media 2022	**8.792**	**123.233**	**160**
Media 2021	**24.050**	**362.383**	**214**
Media da IPO a 17/08/2022	**17.522**	**260.073**	**374**

Prezzo di chiusura				
	1 mese	3 mesi	6 mesi	12 mesi
Media Semplice (EU)	14,51	14,05	14,06	14,14
Media Poderata per i volumi (EU)	14,53	14,06	14,08	14,16
Max (EU)	15,08	15,08	15,12	15,52
min (EU)	13,90	13,06	13,06	12,60

In the first six months of 2022 the FTSE MIB index posted a negative performance of 22.13 percent, while the *SPDR S&P Biotech* dropped 33.66 percent. In an extremely negative and volatile market environment, where macroeconomic issues

have emerged as the main *driver of* global investors' portfolio choices, Philogen's stock performed slightly negatively in the first six months of 2022, largely outperforming its reference market.

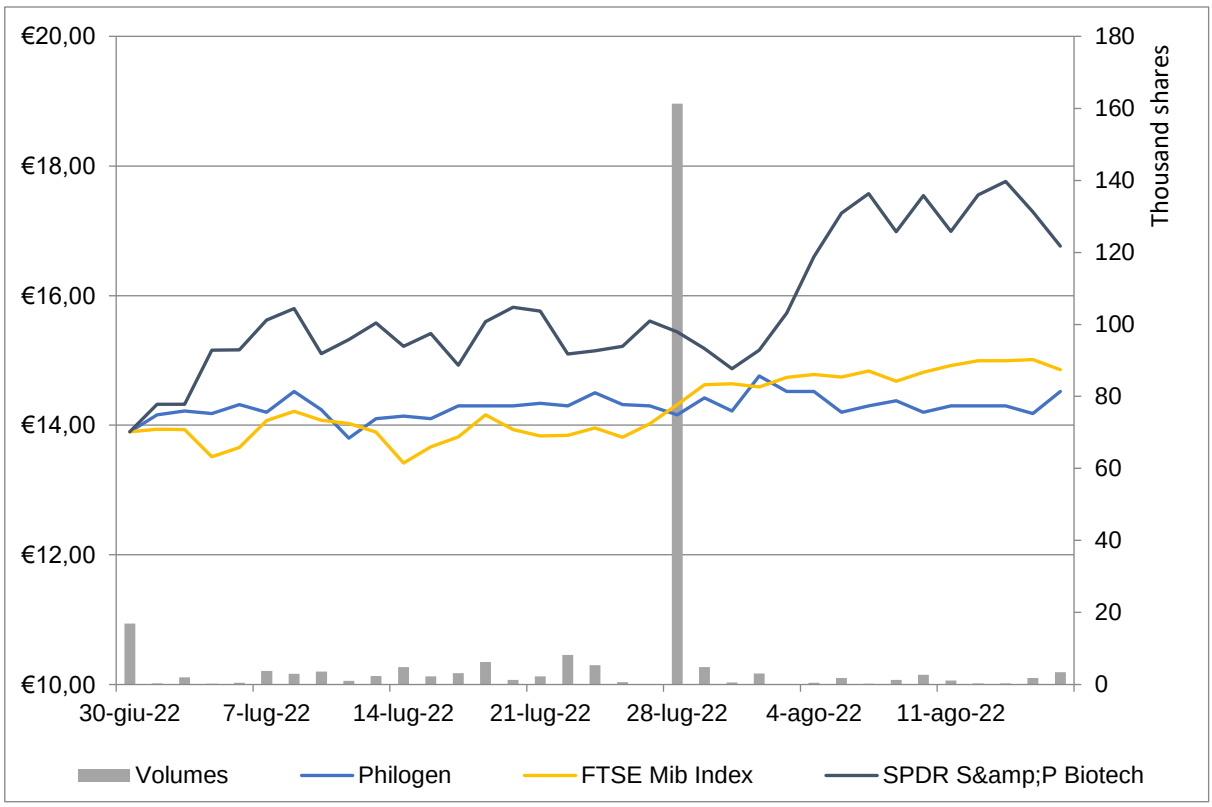
Comparison of Philogen's performance against key benchmark indices
(December 31, 2021 - June 30, 2022)



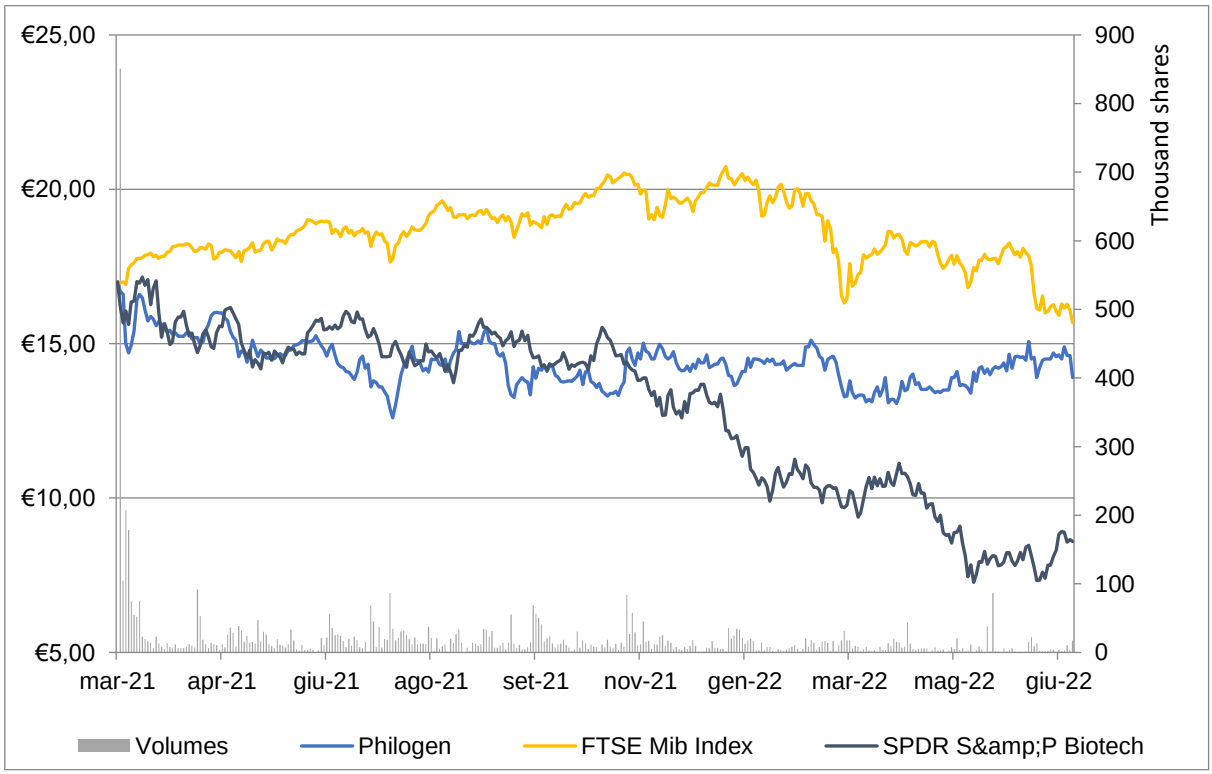
During the first half of 2022, Investor *Relations* activities included regular contact with analysts and investors through *conference calls* and bilateral sessions. In addition, Philogen and its management continue to attend scientific and specialized investor conferences to increase opportunities for interaction with interested stakeholders.

Finally, in July and August 2022, Philogen's stock performed positively (+4.46% as of August 17, 2022), roughly in line with the Italian market (FTSE MiB +6.87%), while the biotechnology sector regained much of the ground it had left on the road during the first half of 2022 (SPDR S&P Biotech +20.60%).

Comparison of Philogen's performance against key benchmark indices
(June 30, 2022 - August 17, 2022)



Comparison of Philogen's performance against key benchmark indices
(March 3, 2021-June 30, 2022)



Philogen
innovating targeting

Interim Management Report as of June 30, 2022

Foreword

Shareholders,

the Interim Management Report of Philogen (hereinafter also referred to as "Philogen" or the "Group") is presented to accompany the condensed interim consolidated financial statements as of June 30, 2022.

This Interim Report on Operations is intended to provide income, equity, financial and management information for the Group accompanied, where possible, by historical elements and/or alternative *performance* indicators and is prepared in accordance with the provisions of Article 2428 of the Italian Civil Code and Legislative Decree No. 58 of February 24, 1998 ("Consolidated Finance Act" or "TUF").

The Interim Condensed Consolidated Financial Statements as of June 30, 2022 are prepared in accordance with the international accounting standard concerning interim reporting (IAS 34 - Interim Financial Reporting).

Instead, please refer to the explanatory notes for all news pertaining to the illustration of the condensed consolidated financial statements for the six months ended June 30, 2022.

1. Group Disclosure

The Group focuses its activities on developing drugs based mainly on antibody conjugates, capable of achieving selective accumulation at the sites where the disease is present.

This is made possible by a scientific approach known as *tumor targeting* of which the Society is one of the recognized scientific *leaders.*

In this regard, the Group carries out all phases of its production cycle, which consists of the discovery and production activities of new drugs and the coordination activities of preclinical and clinical studies, at its facilities in Siena and at the center in Zurich, Switzerland, where the subsidiary Philochem AG is based.

Since 2019, the Group has focused development activities mainly on the two most advanced products in the pipeline namely Fibromun and Nidlegy™ by embarking on a path of registration trials of the two drugs. At the same time, it has redesigned a competitive and diversified *pipeline* so as to opportunistically evaluate *licensing* agreements on its products or platforms in development.

It should be noted that the Parent Company is considered an "SME" in accordance with Article 1, paragraph 1(w)-quater 1 of the TUF.

2. Research and development activities

The Group's activities encompass all stages of the drug development process, including discovery, basic research, preclinical, clinical development, and manufacturing activities.

The Group operates through:

- Philogen S.p.A. , headquartered in Siena, which operates GLP-authorized laboratories, GMP-authorized manufacturing facilities and numerous clinical trial centers internationally through its in-house *Contract Research Organization* (CRO) and external CRO collaboration;
- Swiss-based Philochem AG, a 99.998% subsidiary of Philogen S.p.A., conducts research and development in the areas of selective discovery and therapeutic antibodies, as well as in the development of technologies such as antibody libraries and DNA-encoded chemical libraries, at its laboratories in Zurich.

As of today, research and development is the main activity of the Group.

The following table shows the research and development costs recognized in the income statement during the periods ended June 30, 2022 and June 30, 2021 and their impact on the Group's total revenues from contracts with customers and total operating expenses.

Figures in thousands of euros and in percent	**Period ended June 30**	
	2022	**2021**
Research and development costs	8.291	5.770
Incidence on total revenue from customer contracts	*45,8%*	*372,8%*
Impact on total operating costs	*74,5%*	*57,4%*

More details on the Group's research and development activities can be found in the introductory section "*The Story.*"

3. Scientific facts that occurred during the first half of 2022

The following are the main scientific facts with reference to the period ended June 30, 2022.

3.1 Summary of development and GMP activities carried out in the fiscal year

The Group reports the following major industrial *milestones* achieved during the period:

Proprietary products

- Nidlegy™ is a pharmaceutical product, proprietary to Philogen, consisting of two active ingredients, L19-IL2 and L19-TNF. The L19 antibody is specific for Fibronectin B domain, a protein expressed in tumors (and other diseases) but absent in most healthy tissues. Interleukin 2 (IL2) and Tumor Necrosis Factor (TNF) are inflammatory cytokines with antitumor activities. Nidlegy™ is currently being studied in three Phase II and III clinical trials.
    - Enrollment of patients in line with company expectations in the two Phase III trials (European and American) for the treatment of locoregional melanoma. Completed enrollment of the 214 patients planned in the European Phase III *trial in* line with the protocol (the study includes *read-out* upon reaching 95 events). In the U.S. *trial,* patient enrollment is proceeding in line with company expectations. In the European trial, 21 clinical centers are active, while 15 centers have been opened for the U.S. trial, with the goal of opening more than 30 centers and speeding up recruitment;
    - Promising clinical data more than one year after the end of treatment in patients with "*high-risk*" basal cell carcinoma (BCC) and squamous cell carcinoma. Complete responses (i.e., complete eradication of the disease) were observed in patients who were candidates for nose amputation due to the growth of a "*high-risk*" BCC.
- Fibromun is a proprietary drug product consisting of the antibody L19 fused to TNF. The drug is currently being studied in six Phase I, Phase II and Phase III clinical trials.
    - Expected completion of Fibromun clinical trials in line with company forecasts;
    - Opening of new clinical centers in the European clinical trial in first-line soft tissue sarcoma (STS) with the aim of accelerating enrollment. A total of 33 patients were treated;
    - The randomized (*blinded*) Phase II European trial in STS with at least two recurrences (i.e., ≥ third line of treatment) is ongoing. A total of 15 patients were treated;
    - Underway is the first part of the European Phase I/II study, in which Fibromun is combined with lomustine for the treatment of glioblastoma at first recurrence. Objective responses (i.e., decrease in tumor size by at least 50 percent) have already been reported at 18 months after the start of therapy. A total of 11 patients were treated.
- OncoFAP is a small organic molecule, owned by Philochem AG, with high affinity for *Fibroblast Activation Protein* (FAP)
    - Conjugate OncoFAP-radio:
        - The excellent *imaging* properties of 68Ga-OncoFAP confirmed in more than 60 patients with various tumor types;

- Started GMP production of 177Lu-BiOncoFAP preparatory to start clinical trials, scheduled to begin in 2023.

- OncoFAP-cytotoxic conjugates - these drugs consist of (i) the OncoFAP ligand, (ii) a cleavable *linker,* and (iii) a cytotoxic drug, which is selectively delivered to the tumor site. This class of drugs represents a differentiated and improved version of the *Antibody-drug conjugates* for which we have ambitions to bring to the clinic in the next few years.

Licensed products

- Continued partnerships on Dodekin (Confidential Partner), on Dekavil (Pfizer) and on small organic molecules (Janssen, Bracco).

GMP

- Structural work and equipment for the second GMP manufacturing plant at the Philogen site in Rosia, Siena, Italy, has been completed in line with company plans. The new facility was designed to meet the highest regulatory standards for the production of protein therapeutics and will be used for the production of commercial pharmaceuticals and clinical trial drug products. The Company with a view to successfully passing the AIFA inspection for GMP authorization, which is necessary for the future marketing of the products, has been active in building a documentary quality system and planning testing activities related to the production process. In particular, *test-runs* were conducted on the different process steps for example: fermentation, chromatography, *filling*, using the plants and machines dedicated to the commercial production process. These activities are preparatory to the production of the *Aseptic Process Simulation* (APS) batches, which are the first validation test to guarantee the quality of the aseptic process, and preparatory to the production of the *Process Validation batches*, which will be the batches used for the validation of the process dedicated to the single finished product destined for the market;
- The Company holds an additional production site at Montarioso (Siena) authorized by AIFA for the sole production of experimental drugs for clinical trials. Philogen has also invested to modernize production systems with new bioreactors at the Montarioso site;
- It should also be noted that the Group is carrying out activities related to GMP contract manufacturing with some foreign research centers. Specifically, during the year ended December 31, 2021, new third-party production agreements were signed for a total of approximately 7,000 thousand euros, of which a large part of the contractually stipulated activities will be completed within the current fiscal year.

4. Significant events that occurred during the first half of 2022

The following are the main events that, with reference to the period ended June 30, 2022, affected the Group's financial position.

4.1 Purchase of own shares

On November 24, 2021, the Ordinary Shareholders' Meeting, authorized the Company to purchase its own shares, empowering the Board of Directors, with the power to delegate to the Chairman of the Board of Directors and/or the Managing Director, to proceed, including through specialized intermediaries, specifically appointed for this purpose, to purchase Philogen S.p.A. shares, establishing the relevant terms and the price per share, in compliance with the applicable laws and regulations.

This resolution, makes it possible to provide the Company with a strategic flexibility tool that can be used in order to:

(i) support the liquidity of Philogen S.p.A. stock;

(ii) operate from a medium- and long-term investment perspective, intervening both in and outside the market;

(iii) establish a securities warehouse, to dispose of treasury shares in the context of agreements with strategic partners and/or corporate/financial operations of an extraordinary nature;

(iv) fulfilling obligations arising from incentive plans, whether paid or free of charge, for the benefit of corporate officers, employees or collaborators of the Group.

Specifically, the Shareholders' Meeting authorized the Company to purchase (i) up to a maximum of 500,000 ordinary shares of Philogen S.p.A, with no par value (corresponding to 1.23% of the Company's share capital); (ii) within eighteen months, in whole or in part, on one or more occasions, starting from the date of the authorizing Shareholders' Meeting resolution, within the limits set by Art. 2357 paragraph 3 of the Civil Code, and without time limits with reference to acts of disposition; (iii) at a purchase or disposal price, as the case may be, which will be identified from time to time by the Board of Directors, also having regard to the method chosen for carrying out the transaction and in compliance with any regulatory requirements in force, it being understood that such price in any case shall not deviate, downward or upward, by more than 20% from the price recorded by the stock on the MTA market session, on the day prior to each individual transaction; and (iv) for a total disbursement of the acts of purchase in any case not exceeding Euro 8.500.000.

Also on November 24, 2021, subsequent to the Shareholders' Meeting, the Board of Directors met and approved the launch of the program to purchase treasury shares (the "Program") with (i) object up to a maximum of 300,000 ordinary shares, (ii) within the limits of the provisions of Article 2357 paragraph 3 of the Civil Code, (iii) for a total outlay in any case not exceeding EUR 5,100,000. The Program runs until the end of May 24, 2023.

In compliance with the limits described above, as of June 30, 2022, the Company held 151,470 treasury shares in its portfolio, purchased from the beginning of the plan until the reference date, equal to 0.37% of the share capital, for a total outlay, amounting to approximately 2,132 thousand euros.

All notices of share buyback transactions are available and searchable on the Company's website at (http://www.philogen.com/).

As of June 30, 2022, the Company's shareholding structure was composed as follows:

Shareholder	*As of June 30, 2022*			
	Type of Actions	**Actions**	**% of share capital**	**% of voting rights**
Nerbio Ltd.	*B shares*	8.565.018	21,09%	40,56%
	Ordinary Shares	8.098.251	19,94%	12,78%
	Subtotal	**16.663.269**	**41,03%**	**53,35%**
Dompé Holdings S.r.l.	*B shares*	2.803.232	6,90%	13,28%
	Ordinary Shares	9.857.236	24,27%	15,56%
	Subtotal	**12.660.468**	**31,17%**	**28,84%**
Philogen S.p.A.(*)	*Ordinary shares*	151.470	0,37%	0,24%
	Subtotal	**151.470**	**0,37%**	**0,24%**
Market	*B shares*	-	-	-
	Ordinary Shares	11.135.904	27,42%	17,58%
	Subtotal	**11.135.904**	**27,42%**	**17,58%**
Total		**40.611.111**	**100,00%**	**100,00%**

(*)Pursuant to Article 2357-ter of the Civil Code, the voting rights of treasury shares are suspended, but they are counted for the purpose of calculating the majorities and quotas required for the constitution and resolutions of the Shareholders' Meeting.

4.2 Internal Dealing Transactions

As of July 20, 2021, director Dr. Sergio Dompé, through the company Dompè Holding S.r.l., by virtue of the confidence placed on the Group's possibilities and capabilities, purchased 402,982 ordinary shares of Philogen S.p.A. on the market as of June 30, 2022, of which 51,400 were purchased in the first six months of the year 2022.

Disclosures pursuant to *Internal Dealing* regulations are available on the Company's website (https://www.philogen.com/).

4.3 Term *Lock-up period*

On March 3, 2022, the *lock-up* commitment on the part of the majority shareholders (Nerbio S.r.l. and Dompé Holding S.r.l.) came to an end, for which it had a duration of 365 days from the date of the start of trading, therefore, as of that date all ordinary shares are free of *lock-up* and therefore in circulation.

4.4 License Agreement

In the first quarter of 2022, Philochem AG, a subsidiary of the Group, and Bracco Imaging entered into a licensing and collaboration agreement for the development and commercialization of an organic small molecule for *imaging* applications with a proven ability to selectively visualize and diagnose a variety of metastatic solid tumors.

4.5 Remuneration policy

In accordance with *best practices* applicable to listed companies, the Group, starting in 2021, the year of listing, has adopted a remuneration policy.

On April 27, 2022, in accordance with Article 123-ter TUF, the Shareholders' Meeting, having taken note of the Report on Remuneration Policy and Compensation Paid in FY 2021, approved by the Board of Directors on March 28, 2022, approved the Remuneration Policy in Section I of the aforementioned Report, and voted favorably on Section II of the Report on Remuneration Policy and Compensation Paid.

The Report on Remuneration Policy and Compensation Paid can be found and accessed on the Company's website at (http://www.philogen.com/).

Monetary Incentive Plan ("*MBO*")

As of April 1, 2022, and until March 31, 2023, the executive directors (Dario Neri, Duccio Neri and Giovanni Neri) are beneficiaries of an incentive plan, so-called *management by objectives* ("MBO"), under which they may be entitled to receive an incentive, on an annual basis, the amount of which is commensurate with the achievement of corporate *performance* objectives.

The maximum incidence of the MBO on the annual remuneration of Chairman Duccio Neri and CEO Dario Neri respectively is 30 percent, while it affects the annual remuneration of the other Director Giovanni Neri by 20 percent.

Notwithstanding the maximum incidence of the MBO described above, on May 12, 2022, the Company's Board of Directors, upon the proposal of the Nomination and Remuneration Committee, assigned the *performance objectives* and defined the *targets* to which the maximum monetary compensation is associated to the aforementioned executive directors for the period April 1, 2022 to March 31, 2023.

It should be noted that in line with the Remuneration Policy for the year 2021, executive directors were paid MBO in April 2021 for the period April 1, 2021 to March 31, 2022.

Severance pay ("*TFM*")

On April 27, 2022, the Remuneration Policy was approved by the Shareholders' Meeting, which stipulates in Section No. 11 (*Allowance for Early Termination of Employment*) that Executive Directors shall be given a severance payment, allocated annually in an amount equal to one-twelfth of their annual compensation net of discounting as required by the accounting standard (IAS 19).

It should be noted that in May 2022, the TFM, again equal to one-twelfth of the annual compensation, approved by the Shareholders' Meeting in May 2019, was paid to the outgoing executive directors with the approval of the financial statements as of December 31, 2021 (three-year period 2019-2021).

4.6 Appointment of Board of Directors and Endoconsiliar Bodies

Board of Directors:

On April 27, 2022, the Shareholders' Meeting, in accordance with current statutory and regulatory provisions, the provisions of the *Articles of Association* (*Article 16 of the Articles of Association*) and the Code of Corporate Governance Code, for the purposes of the submission of lists for the appointment of the Board of Directors and the indications contained in the "*Explanatory Report of the Board of Directors"* regarding the appointment of the Board of Directors, prepared pursuant to Article 125-ter of Legislative Decree No. 58 of February 24, 1998 ("*TUF*"), appointed the Board of Directors, which, in the composition shown below, will remain in office until the approval of the financial statements as of December 31, 2024.

- President Dr. Duccio Neri
- CEO Prof. Dario Neri
- Managing director Dr. Giovanni Neri
- Director Dr. Sergio Gianfranco Dompé
- Director Dr. Nathalie Dompé
- Director Dr. Leopoldo Zambeletti
- Director(*) Dr. Roberto Ferraresi
- Director Dr. Guido Guidi
- Director Dr. Maria Giovanna Calloni
- Director(*) Avv. Marta Bavasso

(*)Independent director pursuant to Article 147-ter paragraph 4 of the TUF and Article 2 of the Corporate Governance Code.

Endoconsiliar organs:

On April 27, 2022, the Company's Board of Directors, in compliance with the recommendations of the Corporate Governance Code, established and appointed the following Endoconsiliar Committees: the "*Control, Risk and Sustainability Committee*," with the functions set forth in recommendations 33 and 35 of the Corporate Governance Code, and the "*Nominating and Compensation Committee*," with the functions set forth in recommendations 19 (on nominations) and 25 (on compensation). In particular, the Control, Risk and Sustainability Committee has also been assigned the functions regarding related party transactions provided for in the Consob Regulation adopted by Resolution No. 17221 of March 12, 2010.

Audit, Risk and Sustainability Committee (*)

- Marta Bavasso (President)
- Roberto Ferraresi
- Mary John Calloni

(*) The Audit, Risk and Sustainability Committee has also been assigned the function of the Related Party Transactions (RPT) Committee.

Nominating and Compensation Committee

- Marta Bavasso (President)
- Roberto Ferraresi
- Maria Giovanna Calloni

5. Economic and financial results of the Group and the Parent Company

5.1 Profit and loss account

The following table shows the Group's consolidated economic data for the periods ended June 30, 2022 and June 30, 2021:

Figures in thousands of euros and in percent	As of June 30				Variations	
	2022	%	2021	%	2022 vs. 2021	%
Revenues from contracts with customers	18.085	100,0%	1.548	100,0%	16.537	1068,4%
Other income	2.094	11,6%	404	26,1%	1.690	418,4%
Total Revenues	**20.179**	**111,6%**	**1.952**	**126,1%**	**18.227**	**933,8%**
Operating costs (*)	(11.130)	(61,5)%	(10.059)	(649,9)%	(1.071)	10,7%
EBITDA (**)	**9.049**	**50,0%**	**(8.107)**	**(523,8)%**	**17.156**	**(211,6)%**
Depreciation	(1.249)	(6,9)%	(753)	(48,7)%	(495)	65,7%
EBIT	**7.800**	**43,1%**	**(8.860)**	**(572,4)%**	**16.661**	**(188,0)%**
Financial income	985	5,4%	1.394	90,0%	(409)	(29,4)%
Financial charges	(5.344)	(29,5)%	(807)	(52,1)%	(4.536)	562,1%
Earnings before taxes	**3.441**	**19,0%**	**(8.274)**	**(534,5)%**	**11.715**	**(141,6)%**
Taxes	(1.461)	(8,1)%	(379)	(24,5)%	(1.082)	285,1%
Profit (Loss) for the period	**1.980**	**10,9%**	**(8.653)**	**(559,1)%**	**10.633**	**(122,9)%**

(*) Operating costs are given by the sum of the following balance sheet items: purchases of raw materials and consumables, cost of services, cost of leases and rentals, personnel costs, and other operating costs

(**) EBITDA is earnings before taxes before depreciation, amortization and financial income and expenses. EBITDA is a measure defined and used by the Group to monitor and evaluate the Group's operating performance, but it is not defined in the IFRS framework; therefore, it should not be considered as an alternative measure for evaluating the Group's operating performance. The Company believes that EBITDA is an important metric for measuring the Group's *performance because it* allows the Group's margins to be analyzed by eliminating the effects arising from nonrecurring economic elements. Since EBITDA is not a measure whose determination is regulated by the reference accounting standards for the preparation of the Group's consolidated financial statements, the criterion applied to determine EBITDA may not be homogeneous with that adopted by other groups, and therefore may not be comparable.

Revenues from contracts with customers amounted to Euro 18,085 thousand in the first half of 2022 compared to Euro 1,548 thousand in the first half of 2021, thus registering an increase of Euro 16,537 thousand in the reporting period This change is mainly attributable to revenues for research and development services, third-party productions, *milestones* and *upfront payments* provided for in current customer contracts.

Other income, which amounted to approximately 2,094 thousand euros, mainly includes grants for tax benefits under Italian law such as the research and development tax credit, technological innovation tax credit and industry 4.0 tax credit as well as research grants for projects co-funded by the European Community, the Tuscany Region and Eurostars projects. The increase, compared to the previous period, is mainly attributable to the recognition as of June 30, 2022, of the portion of the research and development tax credit and the technological innovation tax credit by virtue of the recent regulatory clarifications that set the rates of relief for these credits until December 31, 2031 (Art. 1, paragraph 45 of Law No. 234 of December 30, 2021 so-called Budget Law 2022). It should be noted that the Group, as of June 30, 2022, also benefits from the Industry 4.0. tax credit related to the interconnection of facilities at the new GMP production plant at Rosia.

Operating Costs mainly include production material costs, clinical and preclinical service costs, personnel costs, and other operating costs and show an increase of 10.7% from the previous period. The change to be analyzed net of the costs incurred in the first quarter of 2021 for the IPO transaction, and stands at about 26 percent. This variance is mainly attributable to (i) the increase in costs for materials and services related to the Group's *core business* activities, and (ii) the increase in personnel costs related to the hiring plan aimed at structuring the workforce of the new GMP *facility* and strengthening management and staff functions (15 new resources were hired during the first half of 2022). More details on operating costs can be found in Note No. 6 of the condensed interim consolidated financial statements and for the composition of personnel paragraph 14 of the interim management report.

Consequently, EBITDA, showed an increase from the previous period from a negative value (8,107 thousand euros) as of June 30, 2021 to a positive value (9,049 thousand euros) as of June 30, 2022.

Depreciation and amortization shows an increase of approximately Euro 495 thousand due to the investments incurred for the equipment and interconnection of the new GMP *facility* at the Rosia (Siena) site. It should be noted that, in line with company forecasts, the investments for the new GMP have been completed (for more details about the new GMP facility, please refer to section 3.1 of the interim report on operations) and as of June 30, 2022, the new facility is in operation in order to carry out the mandatory activities to obtain the AIFA authorization necessary for the production of drugs.

EBIT, calculated as the difference between EBITDA and depreciation and amortization, shows a positive balance of 7,800 thousand euros.

Net financial operations as of June 30, 2022 closed with a negative balance of €4,359 thousand of which (i) net valuation losses of €3,258 thousand related to the change in *fair value* of the securities portfolio, (ii) net realized capital losses of €134 thousand, (iii) net foreign exchange valuation losses of €768 thousand of which €235 thousand were net realized losses and €533 thousand net valuation losses, and (iv) interest expenses and other charges of €199 thousand. The negative change of approximately €4,000 thousand compared to the period ended June 30, 2021 was the result of events that characterized the global economy in the first six months of 2022, such as the war in Ukraine, inflation, and the Covid-19 pandemic. The effect of these events has been higher commodity and energy prices, rising inflation, high exchange rate volatility, and financial market instability. It is precisely the high volatility of the financial markets that has been reflected in the securities portfolio held by the Group, showing a negative *fair value* that Management constantly monitors. It should be noted, that the Group invests the liquidity in excess of the cash requirements of core operations in financial instruments, held at Mediobanca, in compliance with the "Investment Management Policy" approved by the Board of Directors in May 2021 and aimed at ensuring that all investments made by the Company are readily liquid and usable to meet any additional liquidity requirements. In addition, as the Group operates with foreign currencies other than the 'euro, such as the dollar and the Swiss franc, it was affected by the high volatility of exchange rates that characterized the first half of 2022.

Taxes amounting to 1,461 thousand Euro showed an increase of 1,082 thousand Euro mainly related to higher revenues recorded in the period ended June 30, 2022 compared to the same period of the previous year. The item also includes the reversal of deferred tax effects recognized upon transition to IAS/IFRS. It should be noted that the Group is considering, in line with the Parent Company's tax policy, to also adopt for the Swiss subsidiary facilitated regimes such as the Patent box and/or Super deduction for research and development costs which could lead to lower taxes as of December 31, 2022.

As a result of the above, the Group for the period ended June 30, 2022 shows a profit of 1,980 thousand euros.

5.2 Balance sheet

The following table shows the reclassified statement by "Sources and Uses" of the Group's financial position as of June 30, 2022 and December 31, 2021:

Figures in thousands of euros and in percent	As of June 30	As of December 31	Variations	
	2022	2021	2022 vs. 2021	%
Assets				
Property, plant and equipment	12.651	10.984	1.667	15,2%
Intangible assets	1.107	950	157	16,6%
Activities by right of use	10.136	10.005	130	1,3%
Deferred tax assets	536	674	(138)	(20,5)%
Employee benefits	(1.020)	(1.033)	14	(1,3)%
Deferred tax liabilities	(173)	(183)	(10)	(5,6)%
Net fixed assets (*)	**23.237**	**21.397**	**1.840**	**8,6%**
Inventories	1.927	1.295	632	48,8%
Activities arising from contract	714	87	627	719,2%
Trade receivables	1.249	688	561	81,5%
Tax credits	8.881	5.740	3.141	54,7%
Other current assets	1.558	876	682	77,9%
Trade payables	(6.394)	(5.826)	(567)	9,7%
Liabilities arising from contract	(1.729)	(2.233)	504	(22,6)%
Tax debts	(1.584)	(309)	(1.275)	413,0%
Other current liabilities	(4.056)	(1.812)	(2.244)	123,9%
Net working capital (*)	**566**	**(1.494)**	**2.060**	**(137,9)%**
Net invested capital (*)	**23.803**	**19.903**	**3.899**	**19,6%**
Sources				
Shareholders' Equity	105.916	105.087	829	0,8%
Net financial debt (*)	(82.114)	(85.184)	3.071	(3,6)%
Total sources	**23.803**	**19.903**	**3.899**	**19,6%**

(*) Net fixed assets, net working capital, net invested capital, and net financial debt are alternative *performance* indicators that are not identified as accounting measures under IFRS and, therefore, should not be considered alternative measures to those provided by the Group's financial statement formats for assessing the Group's financial position.

The analysis of the financial position shows that the Group shows a positive net financial position in the amount of 82,114 thousand euros, the change in which is detailed in the following section through the Net Financial Debt schedule.

Net Financial Indebtedness

The details of Net Financial Indebtedness as of June 30, 2022 and December 31, 2021 are prepared in accordance with the outline of Consob Resolution No. DEM/6064293 of July 28, 2006 subsequently amended by ESMA Guideline 32-382-1138 of March 4, 2021 by means of Consob's Attention Call No. 5/21:

Figures in thousands of euros **Net financial debt**	**June 30, 2022**	**December 31, 2021**
(A) Cash and cash equivalents	11.465	8.880
(B) Cash equivalents to cash and cash equivalents.	-	-
(C) Other current financial assets	86.874	92.797
(D) Liquidity (A+B+C)	**98.339**	**101.677**
(E) Current financial debt	24	9
(F) Current part of non-current financial debt	1.631	1.799
(G) Net current financial debt (E+F)	**1.655**	**1.808**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(96.684)**	**(99.870)**
(I) Non-current financial debt	14.570	14.685
(J) Debt instruments	-	-
(K) Trade and other current payables.	-	-
(L) Non-current financial debt (I+J+K)	**14.570**	**14.685**
(M) NET FINANCIAL DEBT (H+L)	**(82.114)**	**(85.184)**

For clarity, a reconciliation of the items shown in the Net Debt table with the Statement of Financial Position in the financial statements is provided:

- "Cash and cash equivalents" (A) are classified under "Cash and cash equivalents."
- "Other current financial assets" (C) are classified under "Other current financial assets."
- "Current financial debt" (E) is classified under "Current financial liabilities."
- "Current part of non-current financial debt" (F) is classified under "Current financial liabilities" and "Current lease liabilities."
- "Non-current financial debt" (I) is classified under "Non-current financial liabilities" and "Non-current lease liabilities."

Net financial debt as of June 30, 2022 showed a financial surplus of 82,114 thousand euros, composed as follows:

- Cash and cash equivalents (D) amounting to 98,339 thousand Euro, a decrease of approximately 3% compared to the year ended December 31, 2021. This change can be attributed to the net balance between (i) receipts for revenues from contracts with customers for approximately Euro 16,480 thousand, (ii) outflows for operations for approximately Euro 11,716 thousand, (iii) outflows for investments related to the new GMP *facility* at the Rosia (Siena) site for approximately Euro 3,259 thousand, (iv) purchase of treasury shares for Euro 1,585 thousand, and (v) negative change in the *fair value* of the securities portfolio for Euro 3,258 thousand. Regarding point (v), it is worth mentioning that the Group invests excess liquidity compared to the cash requirements of operations in financial instruments held at Mediobanca, in compliance with the Investment Management Policy approved by the Board of Directors in May 2021.
  The financial investment portfolio as of June 30, 2022, amounting to approximately Euro 86,874 thousand, is valued, in compliance with IFRS, at the current market value of the invested securities (*fair value*). Therefore, the negative change of Euro 3,258 thousand, does not express "realized" capital losses, but in compliance with IFRS accounting standard, this change is given by the valuation losses as a result of the price changes of the assets in the portfolio due to the evolution of the economic-financial framework and interest rates in the first half of 2022.

In these first six months of 2022, the financial market has been characterized by severe weakness caused mainly by the war in Ukraine, which is putting pressure on energy and food prices, the resurgence of inflation and the resulting slowdown in economic growth, as well as the continuing effects of the Covid 19 pandemic.
Although market volatility has been high, the portfolio's good diversification and the transactions made have made it possible to comply with the risk parameters set out in the Investment *Policy* approved by the Board of Directors. The average capital invested in financial products in the first six months corresponds to approximately 89 million euros. Losses from *fair value* valuation of these financial assets represented a loss of about 3.7 percent on the average invested stock given by the *market-to-market* change in the prices of invested assets. To understand the magnitude of market performance, it should be borne in mind that *fair value* losses on short-term "safe" investments such as the 3-year BTP were 5.6% in the first half of the year, the 3-year Bund was 4.04%, on 10-year bonds there were losses of 13% to 16%, not to mention the performance of the FTSE MIB index, which reached a negative *performance* of more than 20% in the first half of 2022.
In this economic environment, where the financial risk associated with the securities portfolio is increasing, management is, even more than before, constantly monitoring the performance of the invested financial portfolio. Evidence to date shows a *trend* of reabsorption and contraction of this negative variation.

- Current and non-current financial indebtedness (F+I) in the amount of Euro 16,226 thousand is represented for Euro 12,064 thousand, by the debt related to the right of use of real estate (IFRS 16), for Euro 4,162 thousand by the medium-long term loan stipulated with the Banca Intesa Group (formerly Ubi Banca S.p.A.) in January 2021, in order to partially finance the construction and equipment of the new GMP plant at the Rosia (Siena) site. The change of approximately Euro 268 thousand compared to the period ended December 31, 2021 is mainly attributable to: (i) Euro 483 thousand for the payment of installments on bank loans, in accordance with the amortization schedules and (ii) Euro 215 thousand for the repayment of lease payments, in accordance with the existing amortization schedules and the Istat adjustment of the rents of Italian properties.

It should be noted that the bank loans described above require compliance with certain financial and commercial parameters (so-called *covenants*). We specify that failure to comply with the *covenants* described above, does not result in early repayment of the loans, but only causes an increase in the *spread* component of the interest rate, which will be increased by an additional 0.50%.

The commercial *covenants* are verified as of the consolidated financial statements for the year ending December 31, 2021 while the financial *covenants* will be verified as of the consolidated financial statements for the year ending December 31, 2022 and require compliance with the following ratios:

- Net debt to EBITDA ratio of 2 or less;
- Shareholders' equity of 50 million euros or more.

As of June 30, the Company does not foresee any critical issues in complying with the *covenants* described above.

Lastly, it should be noted that the bank loans, stipulated with the Banca Intesa Group, are 90% guaranteed by Medio Credito Centrale, taking advantage of the facilities put in place by Decree-Law No. 23 of April 8, 2020, converted with amendments by Law No. 40 of June 5, 2020, as subsequently amended and supplemented (so-called Liquidity Decree). The two loans were stipulated on January 5, 2021, for a total amount of €5,000 thousand and are composed as follows:

(i) loan in the amount of 2,350 thousand euros, maturing on January 7, 2027, with a floating rate equal to the three-month EURIBOR rate plus a spread of 1.15 percent;

(ii) loan in the amount of 2,650 thousand euros, maturing on April 7, 2024, with a floating rate equal to the three-month EURIBOR rate plus a spread of 1.15%.

More details on the composition of short- and long-term financial liabilities can be found in Note 22 condensed consolidated interim financial statements.

5.3 Alternative *Performance* Indicators

Management in order to assess the Group's performance monitors, among other things, the Alternative Equity and Financial *Performance* Indicators ("AHPs").

For a correct interpretation of these IAPs, the following is highlighted:

- GPIs are constructed from historical data and are not indicative of the Group's future performance;
- IAPs are not measures whose determination is regulated by International Financial Reporting Standards (IFRS);
- KPIs should not be considered a substitute for the indicators provided by the relevant accounting standards (IFRS);
- reading of these GPIs should be done in conjunction with the Group's financial information from the condensed consolidated financial statements as of June 30, 2021;
- the definitions of IAPs used by the Group, as they are not derived from the relevant accounting standards, may not be homogeneous with those adopted by other groups and therefore comparable with them.

Below are the Alternative Economic *Performance* Indicators identified by the Group:

Figures in thousands of euros and in percent	Period ended June 30	
	2022	2021
Revenues from contracts with customers	18.085	1.548
EBITDA(*)	9.049	(8.107)
EBITDA *Margin*	*50,0%*	*(523,8)%*
EBIT	7.800	(8.860)

(*) EBITDA is earnings before taxes before depreciation, amortization and financial income and expenses. EBITDA is a measure defined and used by the Group to monitor and evaluate the Group's operating performance, but it is not defined in the IFRS framework; therefore, it should not be considered as an alternative measure for evaluating the Group's operating performance. Since EBITDA is not a measure whose determination is governed by the relevant accounting standards for the preparation of the Group's consolidated financial statements, the criterion applied to determine EBITDA may not be homogeneous with that adopted by other groups, and therefore may not be comparable.

The following table shows the reconciliation of EBIT and EBITDA with profit (loss) for the period.

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Profit (loss for the period)	**1.980**	**(8.653)**
Income taxes	1.461	(379)
Financial income and expenses	4.359	586
EBIT	**7.800**	**(8.860)**
Depreciation	1.249	(753)
EBITDA	**9.049**	**(8.107)**

EBITDA *Margin* is calculated as in the following table:

Figures in thousands of euros and in percent	Period ended June 30	
	2022	2021
Revenues from contracts with customers (A)	18.085	1.548
EBITDA (B)	9.049	(8.107)
EBITDA Margin (B/A)	***50,0%***	***(523,8)%***

Below are the Alternative Capital *Performance* Indicators identified by the Group:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2022	2021
Net fixed assets	23.237	21.397
Net working capital	566	(1.494)
Net invested capital	23.803	19.903
Net financial debt	(82.114)	(85.184)
Financial independence index	*77,3%*	*79,0%*
Structure margin	*433,6%*	*464,7%*
Liquidity index	*730,7%*	*920,7%*
Indebtedness index	*15,3%*	*15,7%*

It should be noted that Net Fixed Assets, Net Working Capital, Net Invested Capital, and Net Financial Debt are alternative *performance* indicators that are not identified as an accounting measure under IFRS and, therefore, should not be considered an alternative measure to those provided by the Group's financial statement formats for assessing the Group's financial position.

The following table details the Financial Independence Index:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2022	2021
Equity (A)	105.916	105.087
Total assets (B)	137.098	132.977
Financial Independence Index (A/B)	**77,3%**	***79,0%***

The following table shows the details of Structure Margin:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2022	2021
Equity (A)	105.916	105.087
Non-current assets (B)	24.429	22.613
Structure margin (A/B)	**433,6%**	***464,7%***

The following table shows the details of the Liquidity Index:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2022	2021
Current assets (A)	112.668	110.364
Current liabilities (B)	15.419	11.987
Liquidity index (A/B)	**730,7%**	***920,7%***

The following table details the Indebtedness Index:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2022	2021
Financial debt(*) (A)	16.226	16.493
Equity (B)	105.916	105.087
Indebtedness ratio (A/B)	**15,3%**	***15,7%***

(*) Financial debt was calculated as the algebraic sum of the following balance sheet items: "Current financial liabilities," "Non-current financial liabilities," "Current lease liabilities," and "Non-current lease liabilities."

The indicators shown in the tables above point to a sound and liquid financial situation of the Group.

6. Impacts from Covid-19

The period ended June 30, 2022 was still characterized by the Covid-19 epidemiological emergency, which impacted companies, including the Group, by limiting their level of operations.

Despite the fact that the state of emergency, decided by the Council of Ministers on January 31, 2020, and gradually extended, ended on March 31, 2022, the Group has continued its timely internal monitoring activities aimed at an assessment of the actual and potential impacts of Covid-19 on its business operations, financial situation, and economic performance.

Since the beginning of the pandemic emergency, the Board of Directors of Philogen S.p.A. and its subsidiary Philochem AG have analyzed and monitored the implementation and enforcement of the measures adopted in response to the Covid-19 pandemic, in full compliance with the provisions issued from time to time by the competent authorities. In response to the analyses conducted and consistent with the provisions issued by the competent authorities, the Company has periodically updated the Anti-Covid Protocol. The latest version circulated and applied internally, dates back to May 4, 2022 and was drafted following the publication of DL 24/2022 and the Ministry of Health Order of April 28.2022. This version amended and supplemented, for the appropriate parts, the anti-contagious provisions that had been defined in

connection with the "Shared Protocol for Updating Measures to Combat and Contain the Spread of SARS-CoV-2/COVID-19 Virus in Workplaces," signed on April 06, 2022, and replaced the previous versions. The most significant change in this document is the discontinuation of the green-pass check requirement for workplace access. On the other hand, the Company preferred to keep in force, despite the disappearance of the related obligations, all provisions related to interpersonal distancing, the obligation to wear FFP2 masks, as well as the sanitization of environments. In this regard, the Company has continued to make masks and disinfectants, both personal and for surfaces, available to employees.

As a result of the above predictions, it is possible to say that from the beginning of the pandemic to date, there have been no COVID-19 outbreaks in the Company and also no cases of COVID-19 acquired in the company's work environment have occurred among workers.

The initiation and conduct of clinical trials, including the activities of patient enrollment and involvement of researchers and center staff, has been delayed in some cases due to the priorities assigned by hospitals to countering the Covid-19 pandemic. The diversion of healthcare resources from conducting clinical trials to focus on pandemic-related problems has affected (i) the expected timing of enrollments, (ii) clinical trial data processing, and (iii) trial monitoring by substantially reducing the ability to monitor trials. However, the first half of 2022 saw a substantial normalization of the situation giving the Group the opportunity to catch up with some of the delays accumulated in the previous 2 years.

Finally, delays in the delivery of raw materials for production, mainly encountered during 2021, have led the Group to make advance procurements even with reference to 2022 activities in order to ensure sufficient stocks for the continuation of its research and development activities, even in the near future.

Philogen continues to monitor the unfolding events very carefully in order to take further mitigation measures in a timely manner, if necessary.

7. Impact of the War in Ukraine

Pursuant to the ESMA recommendations, published on March 14, 2022, the Company continues to monitor the impact on financial markets of the war in Ukraine and the sanctions adopted against Russia, committing where appropriate to:

- disclose as soon as possible any inside information regarding the impacts of the crisis on fundamentals, prospects, and financial situation, consistent with transparency requirements under the Market Abuse Regulation, unless conditions exist for delaying the disclosure of the same; and

- provide information, to the extent possible on both a qualitative and quantitative basis, on the current and foreseeable direct and indirect effects of the crisis on business activities, exposures to affected markets, supply chains, financial position, and results of operations in the 2021 financial reports, if these have not yet been approved, and at the annual shareholders' meeting or otherwise in interim financial reports.

It should be noted, however, that the Company has no ongoing trade relations with Russia and Ukraine even though it is affected by rising energy prices that have driven inflation to record levels and high volatility in financial markets.

8. Procedure and related party relationships

On May 12, 2022, the Board of Directors of the Parent Company revised the contents of the "*Procedure for Related Party Transactions*," which was previously approved on April 27, 2021, and approved a new version of the said procedure, pursuant to Article 2391-bis of the Civil Code and the Related Party Regulations, after receiving the favorable opinion of the Independent Directors who expressed their opinion on May 11, 2022. The revision of the aforementioned Procedure became necessary in order to better adapt it to the Company's operations and peculiarities, while still ensuring compliance with legal requirements but making its application easier within the various corporate functions involved.

The Procedure for Related Party Transactions, as revised and approved by the Board of Directors also complies with the provisions of CONSOB Regulation No. 17221 of March 12, 2010, as amended by CONSOB Resolution No. 21624 of December 10, 2020.

The Procedure reviews and regulates, among other things, the composition of the Related Party Transactions Committee, the methods of verification regarding the applicability of the aforementioned Procedure, the methods of instruction and approval of related party transactions defined as of greater significance on the basis of the criteria indicated by the Related Party Regulations, and related party transactions defined as of lesser significance, meaning those other than transactions of greater significance and transactions of small amounts. The latter are those transactions that, individually have a value of no more than Euro 50 thousand if the related party is a natural person (including professional associations of which the natural person is a member or companies referable to the same), or a value of no more than Euro 100 thousand when the related party is a person other than a natural person.

The Procedure, in accordance with the provisions of the Related Parties Regulation, defines as transactions of greater significance with related parties those carried out also by Italian or foreign subsidiaries, in which at least one of the indices of significance indicated in Annex 3 of the Related Parties Regulation exceeds the thresholds provided therein, and entrusts a specific corporate presidium, OPC Presidium (consisting of the Chief Financial Officer and the head of the corporate legal department) the task of ascertaining the terms of application of the procedure to a given transaction, including whether a transaction falls under transactions of greater significance or under transactions of lesser significance, it being understood that if the assessment of the transaction is controversial, the assessment is referred to the committee responsible for Related Party Transactions. The Procedure provides that the Company avails itself of the exemption granted by Article 10, Paragraph 1, of the Related Party Regulations, as a newly listed company, and, therefore, the approval of major related party transactions will be carried out according to the procedure provided for the approval of minor related party transactions. The aforementioned simplified regime applies until the date of approval of the financial statements for the year ending December 31, 2022.

Pursuant to the aforementioned Procedure, the necessary communications regarding the transactions entered into by the Company were sent to the RPT Committee.

Transactions with related parties are shown in the financial statements and described in detail in the specific Note No. 29 to the Condensed Consolidated Financial Statements to which reference should be made, and are neither atypical nor unusual, falling within the normal course of business of Group companies and are settled at market conditions.

9. Organizational management and control model pursuant to Legislative Decree No. 231/2001

Philogen S.p.A, in order to clearly and transparently define the set of values by which it is inspired to achieve its institutional objectives, has adopted, as of 2020, an Organization, Management and Control Model pursuant to Legislative Decree 231/2001, which has been updated over time to incorporate the evolution of applicable regulations ("Model").

Philogen S.p.A. has decided to adopt the Model in the conviction that, beyond the prescriptions contained in Legislative Decree 231/2001, the same can be a valid tool for raising awareness among all employees of the Company and all those who work in the name and on behalf of the Company or who have relations with it (*i.e. customers, suppliers, partners, collaborators in different capacities*), so that they inspire their activities to what are the principles reported in the Model and keep correct and straightforward behaviors in the performance of their activities, such as to prevent the risk of commission of the crimes provided for by Legislative Decree 231/2001.

The Company, following its listing, has embarked on a process to revise and/or where necessary supplement the Model in order to update and adapt it to the company's needs and corporate structure also in light of recent regulatory changes. It is presumable that the process of revising and updating the Model will be completed by 2022.

The current version of the Model and Code of Ethics are available on the Company's website (http://www.philogen.com/).

10. Information on corporate governance and ownership structure

Philogen S.p.A. adheres to the Corporate Governance Code for Listed Italian Companies, adapting it according to its own characteristics.

In order to meet the transparency requirements of industry regulations, the "Report on Corporate Governance and Ownership Structure" required by Article 123-bis of the Consolidated Law on Finance was prepared, containing a general description of the governance system adopted by Philogen S.p.A. as well as information on the ownership structure, the organizational model adopted pursuant to Legislative Decree No. 231 of 2001, and the degree of adherence to the Corporate Governance Code, including the main governance practices applied and the characteristics of the risk management and internal control system in relation to the financial reporting process.

This document is available on the Company's website at (http://www.philogen.com/).

11. Major risks and uncertainties

The following is a more detailed analysis of the information as specifically required by the provisions of Article 2428 of the Civil Code.

The mapping and management of business risks is an activity carried out constantly by the Group to frame in terms of probability and impact all aspects that, in some way, may hinder the achievement of business objectives. Business risks are distinguished between operational, if related to business processes and activities, and financial, if related instead to the financial area.

11.1 Operational risks

11.1.1 Risks related to external factors

Risks associated with products in clinical development

The Group's future revenues are highly dependent on the continued successful development of its product candidates and, in particular, products that are in Phase III trials, such as Nidlegy™ (completed patient enrollment) and Fibromun (completion of patient enrollment expected by the end of 2023). However, there is no guarantee that those clinical trials will be completed within those timeframes or that ongoing and future advanced clinical trials will be successful and, therefore, that the product candidates will be eligible for approval to be marketed.

Risks associated with changes and non-compliance with industry regulations

In carrying out the clinical trial activities of compounds, the Group must comply with the relevant national and international regulations, including, in particular, the Good Manufacturing Practice ("GMP") and Good Clinical Practice ("GCP") guidelines. Any changes in the current regulatory framework could result in a lengthening of the expected timeframe for the production of compounds and/or the clinical testing of them, and an increase in costs, with consequent negative effects on the Group's own economic, equity and financial situation.

11.1.2 Strategic risks

Risks associated with conducting research, clinical and preclinical studies, and manufacturing

The Group's strategy is aimed at the commercialization of pharmaceutical products that are still in the experimental phase, only two of which are in the more advanced study phase. There are significant uncertainties related to the success of the experimental phase and obtaining approvals from the relevant authorities to market the pharmaceutical products. In addition, the products, may not meet market expectations in terms of efficacy and safety and, therefore, no revenue could be generated from their commercialization. If the Group is unable to commercialize the products and license its product candidates, or other competing products are preferred by the market over the Group's products, there will be serious adverse effects on the Group's economic, financial and asset position.

Risks related to the protection of intellectual property rights and dependence on trade secrets

The Group's commercial success will also depend on its ability to protect its intellectual or industrial property rights, including potential ones (including processes and use of the same products), in the European Union, the United States of

America, Japan and other countries. To date, the Group owns more than 40 families of product and/or process and/or use inventions, patented or pending in numerous countries.

If the Group's efforts in protecting exclusive and intellectual property rights were insufficient, competitors could exploit the Group's technologies to create competing products, erode competitive advantage, and seize all or part of the market share. The occurrence of such risks could result in material adverse effects on the Group's economic, financial and asset position.

Risks related to dependence on senior figures, key personnel, and specialized personnel

By virtue of the specialized nature of its activities, the Group is significantly dependent on qualified management and other key scientific personnel, for whom it faces intense competition and will need to expand in order to grow, such as, in particular, the Chairman of the Scientific Committee and CEO, who has extensive scientific research experience at some of Europe's leading research centers, including the UK *Medical Research Council* and ETH Zurich.

The possible loss of key personnel, or the inability to attract and retain additional qualified personnel, could adversely affect the development and marketing of product candidates. The occurrence of such risks could result in serious adverse effects on the Group's economic, financial and asset position.

11.2 Financial risks

Financial risks are defined as the economic/equity risks arising from owning or trading financial instruments. Tables detailing financial risks are presented in Note No. 27 to the Condensed Consolidated Financial Statements.

In the area of business risks, the main risks identified, monitored and, to the extent specified below, actively managed by the Group are as follows:

Credit Risk

Credit risk is the risk that a customer or one of the counterparties to a financial instrument will cause a financial loss by failing to fulfill a contractual obligation and arises mainly from the Group's trade receivables and debt securities.

The book value of financial assets and contract assets represents the Group's maximum exposure to credit risk.

The Group's exposure to credit risk depends mainly on the specific characteristics of each customer.

However, management also considers variables typical of the Group's customer portfolio, including the insolvency risk of the industry and country in which the customers operate. Assets under contract have as their counterparts primary pharmaceutical and multinational companies characterized by a low risk profile.

Liquidity risk

This is the risk that the Group will have difficulty meeting obligations associated with financial liabilities settled in cash or through another financial asset. The Group's approach to liquidity management is to ensure that there are always, as far as possible, sufficient funds to meet its obligations as they fall due, whether under normal or strained financial conditions, without incurring excessive charges or risking damage to its reputation.

The Group ensures that there are cash on demand and other securities in excess of the expected cash outflows for financial liabilities (other than trade payables). In addition, the Group regularly monitors the level of expected cash inflows from trade and other receivables, as well as outflows related to trade and other payables.

Market risk

Market risk is the risk that the *fair value* or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, due to changes in exchange rates, interest rates, or equity prices. The objective of market risk management is to manage and control the Company's exposure to this risk within acceptable levels while optimizing investment returns.

Foreign exchange risk

The Group is exposed to foreign exchange risk when sales, purchases, receivables and loans are denominated in a currency other than the Group's functional currency.

Manufacturing activities are limited to Italy and Switzerland while third-party sales activities are mainly traced back to America; therefore, the Group, is exposed to fluctuations between the euro, the Swiss franc and the dollar.

The reporting currency for the financial statements is the euro: Philogen is subject to foreign exchange risk arising from the translation of the financial statements of its Swiss subsidiary Philochem AG, affecting consolidated net income and consolidated shareholders' equity (translation risk).

Country risk management

The Group does not operate with countries that are economically, politically or socially unstable.

12. Sustainability

With Legislative Decree No. 254/2016, Italian law implemented Directive 2014/95/EU on the reporting and disclosure of nonfinancial and diversity information by particular companies and specific large groups.

This framework constitutes a shift from a historically voluntary system of sustainability reporting to one that imposes a requirement to prepare and publish a statement, either individual or consolidated in nature, containing information related to environmental, social and personnel-related issues, respect for human rights, as well as the fight against active or passive corruption.

More recently, the growing relevance of sustainability issues (so-called *Sustainable Thinking*) has led to environmental, social and governance factors playing an increasingly important role in medium- to long-term investment decisions.

For this reason, the Group decided to undergo *Corporate Sustainability Assessments in* order to better understand its position and *performance* in *Environmental, Social, Governance* (ESG).

In execution of the above, the Group has embarked on a structured and organic path of sustainability reporting by examining sustainability issues in a manner consistent with the organizational characteristics of the business.

During the first quarter of 2022, the Company initiated internal analyses aimed at identifying the Group's strategic positioning on sustainability issues compared to industry *best practices* in terms of governance, strategy, policies, and sustainability practices.

This analysis also considered international groups in the relevant industry (pharmaceutical and biotech) that, while not Philogen *peers*, demonstrate an evolved level of maturity on sustainability issues and represent benchmark *best practices.*

The output of this activity was the Sustainability *Assessment* document ("*Assessment*") which involved multiple business functions in the Group, demonstrating how sustainability is a cross-cutting issue and needs corporate collaboration at all levels.

The results of *the Assessment* show that the Company has managed all of the issues analyzed, in some cases even adopting applicable *best practices* and implementing related management systems (some of which are also certified), policies, procedures and related monitoring systems (in the areas of quality, safety and product liability, discovery and testing).

Based on the Group's positioning in relation to the companies taken as benchmarks, a number of areas were identified where efforts need to be strengthened and management improved in the area of sustainability. Specifically, for each of the issues examined *in the Assessment*, a list of actions to be taken was prepared in light of what are market expectations and the Group's need to comply with the *Corporate Sustainability Reporting* Directive (the Directive that will require EU companies to disclose information on ESG risks and impacts of their business activities).

This reporting was subsequently shared by the Company with the Risk and Sustainability Committee, together with the Board of Auditors and the Internal Auditor in order to define the document and identify the priority actions to be taken reported within the *Assessment* document. At this stage, the actions to be taken were divided into two categories: those that can be implemented in the short term and those that can be implemented in the long term.

In the course of finalizing the *Assessment*, Philogen promptly took steps to establish an "ESG Working Group," which works constantly in contact with the Risk and Sustainability Control Committee to identify strategies and improvement actions to be implemented in order to achieve the goals set by the Company in the area of sustainability.

Subsequently, the Company began work to prepare the first summary reporting document of the Group's sustainability impacts and *performance*, covering the year 2021 (Sustainability Brochure 2021).

This reporting is complemented by the Letter to Stakeholders signed by the CEO and the Chairman of the Board of Directors and should be understood as a guide to the Sustainability Brochure 2021 and in which the main highlights of the Group's sustainability strategy are gathered.

The reporting activity, driven by a desire for transparency to the Group's stakeholders and the growing impetus from the market and the Regulator, will continue in the coming years with a view to continuous improvement.

Reporting, moreover, represents the first milestone in the sustainability journey initiated by the Group, which will lead to a gradual improvement in the governance and management aspects of sustainability areas, as well as an evolution of the Group's approach to these issues, from an increasingly strategic and integrated perspective with respect to business activities.

The Brochure contains information, initiatives, and data for fiscal year 2021 (January 1, 2021 to December 31, 2021) with comparisons to the previous year. The scope of data and information corresponds to that of the Group's Consolidated Financial Statements as of December 31, 2021. In order to enable a comparison between the data collected over time and the assessment of the Group's business performance, the year 2020 was taken as the comparative period. Moreover, to ensure the reliability of the data, the use of estimates has been limited as much as possible, which, if any, are appropriately reported and based on the best available methodologies.

The Sustainability Brochure, having an annual frequency, was prepared by reporting a selection of the "*GRI Sustainability Reporting Standards*" published by the *Global Reporting Initiative* (GRI). More details on the publication of the Brochure can be found in Section 15.2 of the Interim Management Report.

13. Responsibility to the environment

The European Securities and Markets Authority (ESMA) signals the importance for the Company to consider key climate risks and impacts when preparing and financial statements.

In this regard, ESMA notes that investors are increasingly interested in information regarding the impacts that climate-related issues may have on companies, especially in light of commitments at the international and European level such as the 2015 Paris Agreement and the European Climate Act (EEC/EU Regulation 1119 June 30, 2021).

With a view to combating climate change, the Company is committed to contributing positively to the protection of the environment through the development of strategies and initiatives aimed at encouraging the minimization of environmental impacts related to the conduct of business activities.

In particular, the Group's production facilities are subject to current environmental regulations, specifically:

- the Montarioso (Siena) site, holds an AUA (Authorizzazione Unica Ambientale) discharge permit issued by the Municipality of Monteriggioni (Siena), which is scheduled to expire in the year 2032;
- the Rosia (Siena) site has an AUA (Autorizzazione Unica Ambientale) discharge permit issued by the Municipality of Sovicille (Siena), which is scheduled to expire in the year 2030.

These regulations, enforced within the two sites (Montarioso and Rosia) regulate, among other things, the release of air emissions and the storage and disposal of hazardous waste.

The Group is also committed to protecting and safeguarding the environment through continuous improvement of energy efficiency levels of consumption and promoting the use of renewable sources. Among the improvement actions, with a view to energy efficiency and emission monitoring, a photovoltaic system has been installed at the Rosia (Siena) headquarters. For this purpose, an agreement was signed with the Gestore dei Servizi Energetici (GSE) for the recognition of incentive tariffs for electricity produced by photovoltaic conversion of the solar source, which is incentivized under Article 7 of Legislative Decree 387/03, Ministerial Decree of May 5, 2011.

14. Personnel information

As of June 30, 2022, the Group had 140 employees, of whom 104 were hired by Philogen S.p.A., at its plants in Siena (Rosia and Montarioso), and 36 by Philochem AG, at its site in Zurich, marking a total increase of 7.69 percent compared to December 31, 2021.

The increase, represented in the table below, consists of (i) Philochem: 5 hires and 3 terminations (ii) Philogen: 10 hires and 2 terminations.

Number of Group punctual employees	As of June 30	As of December 31	Variations	
	2022	2021	2022 vs. 2021	%
Employees	140	130	10	7,69

This growth is in line with what is planned for the year 2022.

In addition, it should be noted that the staff hired during the first half of 2022 is highly qualified, and is composed of 66.67 percent graduates and 20 percent PhDs.

Disclosure of new hires:

Qualification	Philochem AG			Philogen S.p. A.			Group		
	Men	Women	**Total**	Men	Women	**Total**	Men	Women	**Total**
Ph.D.	1	0	**1**	1	1	**2**	2	1	**3**
Degree	1	3	**4**	2	4	**6**	3	7	**10**
Diploma	0	0	**0**	0	2	**2**	0	2	**2**
No title	0	0	**0**	0	0	**0**	0	0	**0**
Grand total	**2**	**3**	**5**	**3**	**7**	**10**	**5**	**10**	**15**

Constant investment in people's professional and human progress is the basis of Philogen's "*retention*" strategy for key figures.

In fact, the Group's staff is highly qualified and specialized, an aspect that contributes to enhancing the company's competitiveness.

In H1 2022, the Group hired 15 resources, 10 of which were female.

Philogen, in managing human resources, aims for integration and respect for all forms of diversity, thwarting any discrimination that may arise.

The Group has always been a multicultural entity, which to date can count employees of more than 15 different nationalities in its workforce, and has worked over time to create an inclusive work environment that fosters creativity and discussion.

Particular attention is also paid to the issue of gender equality: about 51% of employees are female including key roles within the Group that are held by female quotas (*CFO* since 2007, *HR* Manager since 2008, *Regulatory* Manager since 2015, *Company Legal Counsel* since 2016, *Senior Project Manager* since 2014). In addition from the year 2016, the Company's Board of Directors also has some female quotas (Dr. Nathalie Dompé since 2016 and Lawyer Marta Bavasso

since 2021 and Dr. Maria Giovanna Calloni since 2022). Finally, even apical roles within the Research function have been held by women today and in the past. In fact, Prof. Cornelia Halin is a member of the Scientific Advisory Board, the antibody research area has been led by a female scientist for many years.

Finally, in accordance with Italian law, Philogen employs four people from protected categories.

The Group also has always maintained strong relations with universities in the area in which it operates to select the best resources to whom it can guarantee "*on-the-job*" training and the opportunity to participate in Industrial Doctorate programs.

The Group does not see any specific risks related to the issue of "diversity and inclusion," but identifies proper and careful management of this issue, through the integration and enhancement of diversity, as an opportunity to create a work environment that fosters creativity and discussion.

15. Significant events occurring after the first half of 2022

15.1 Purchase of own shares

The Group is continuing the share buyback program approved on November 24, 2021 by the Company's Board of Directors, which started on December 1, 2021 and has a term of 18 months from approval (see Section 4.1 of the Interim Management Report).

Since the start of the program and until September 23, 2022, Philogen has purchased 160,132 ordinary shares (equal to 0.3943% of the share capital), at an average price per share of €14.22, for a total value of €2,277,201.35.

Notices under *Buyback* regulations are available on the Company's website (https://www.philogen.com).

15.2 Sustainability 2021 Brochure

On Sept. 28, 2022, the Board of Directors, in conjunction with the approval of the Half-Yearly Financial Report as of June 30, 2022, approved the Sustainability Brochure covering the year 2021, the starting point of the sustainability journey the Group has undertaken, which will be published on the Company's website (https://www.philogen.com).

16. Foreseeable development of management

The Group also reports the following prospective events related to corporate scientific activities:

- Nidlegy ™
  - Following the recruitment of 214 patients in the European Phase III trial in melanoma, clinical activities associated with the trial will continue. Trial read-out is expected upon reaching the 95th event (disease progression or patient death)
  - With reference to other ongoing clinical trials, recruitment of new patients and opening of new centers is currently ongoing
  - Monitoring of objective responses observed in the Phase II clinical trial of non-melanoma skin cancers;

- Fibromun
  - With reference to the various ongoing clinical trials, recruitment of new patients and opening of new centers is currently ongoing.
  - Opening of new centers in Germany, Spain, Italy and Poland for the European Phase III study of first-line soft tissue sarcoma. As of the date of this Press Release, 41 patients have been treated. In this setting, Fibromun is administered in combination with Doxorubicin.
  - Safety monitoring of the presence of Objective Responses and Progression Free Survival in patients treated in the dose escalation part of the European Phase I/II study in patients with recurrent glioblastoma. In the first and third patients, a decrease of ~98% e ~85% at 18 and 15 months after the start of tumor treatment, respectively. Long stabilizations of the disease were also observed, exceeding the historical data reported for lomustine alone. As of the date of this Press Release, 12 patients have been treated.

- Radio-conjugated OncoFAP
  - Filing of application to the Italian Drug Agency for a clinical trial with the aim of exploring OncoFAP-^{68}Ga (diagnostic agent) in patients with cancer.
  - Planned new pre-clinical studies with OncoFAP-^{177}Lu (diagnostic and therapeutic agent).

- New GMP Rosia (Siena) facility: the authorization of AIFA of the new GMP production facility in Rosia for the production and marketing of drugs is expected in 2023. It should be noted that this new facility will complement the existing GMP plant in Montarioso (Siena), which was strengthened in 2021 and is dedicated to the production of investigational drugs.

The Group is also engaged in the strengthening of its in-house research and development activities, as well as contractual activities related to discovery and/or manufacturing. It also runs Business Development activities with potential industrial partners in order to seek new scientific collaborations on an opportunistic basis

Philogen
innovating targeting

Interim condensed consolidated financial statements as of June 30, 2022

Consolidated statement of income

Figures in thousands of Euros	Notes	Period ended June 30			
		2022	*Of which with related parties*	2021	*Of which with related parties*
Revenues from contracts with customers	5	18.085		1.548	
Other income	5	2.094		404	
Total revenue and income		**20.179**	-	**1.952**	**-**
Purchases of raw materials and consumables	6	(1.133)		(823)	
Costs for services	6	(4.579)	(703)	(4.520)	*(516)*
Costs for the use of third-party assets	6	(59)		(51)	
Personnel costs	6	(5.125)	(300)	(4.606)	*(305)*
Depreciation	6	(1.249)	(375)	(753)	*(368)*
Other operating costs	6	(234)		(59)	
Total operating costs		**(12.379)**	**(1.377)**	**(10.812)**	***(1.189)***
Operating income		**7.800**	**(1.377)**	**(8.860)**	***(1.189)***
Financial income	7	985		1.394	
Financial charges	7	(5.344)	(171)	(807)	*(173)*
Total financial income and expenses		**(4.359)**	**(171)**	**586**	***(173)***
Earnings before taxes		**3.441**	**(1.548)**	**(8.274)**	***(1.362)***
Taxes	8	(1.461)		(379)	
Profit (Loss) for the period		**1.980**	**(1.548)**	**(8.653)**	***(1.362)***
Profit (Loss) for the period attributable to shareholders of the parent company		1.980		(8.653)	
Earnings (Loss) per share (in Euros)	9	0,05		(0,22)	
Diluted earnings (loss) per share (in Euros)	9	0,05		(0,22)	

Consolidated statement of comprehensive income

Figures in thousands of **Euros**	Notes	Period ended June 30 2022	2021
Profit (Loss) for the period (A)		**1.980**	**(8.653)**
Other gains (losses) that will be later reclassified to profit (loss) for the period			
Translation differences of foreign financial statements	20	429	(23)
Profit (loss) on "*cash flow hedge*" financial instruments	20	(348)	7
Fiscal effect	20	97	(2)
Total other gains (losses) to be later reclassified to profit (loss) for the period (B)		**179**	**(18)**
Other gains (losses) that will not be subsequently reclassified to net income (loss) for the period			
Actuarial valuation gain (loss) on employee benefits	20	113	3
Fiscal effect	20	(31)	(1)
Total other gains (losses) that will not be subsequently reclassified to net income (loss) for the period (C)		**81**	**2**
Total other components of comprehensive income (B+C)		**260**	**(16)**
Comprehensive income (loss) after tax (A+B+C)		**2.240**	**(8.669)**
Comprehensive income (loss) attributable to shareholders of the parent company		2.240	(8.669)

Consolidated statement of financial position

Figures in thousands of Euros	Notes	June 30, 2022	*Of which with related parties*	December 31, 2021	*Of which with related parties*
ASSETS					
Property, plant and equipment	10	12.651		10.984	
Intangible assets	11	1.107		950	
Activities by right of use	12	10.136	*10.037*	10.005	*9.970*
Deferred tax assets	8	536		674	
Non-current assets		**24.429**	***10.037***	**22.613**	***9.970***
Inventories	13	1.927		1.295	
Activities arising from contract	14	714		87	
Trade receivables	15	1.249		688	
Tax credits	16	8.881		5.740	
Other current financial assets	17	86.874		92.797	
Other current assets	18	1.558	*526*	653	
Cash and cash equivalents	19	11.465		8.880	
Current Assets		**112.668**	***526***	**110.141**	**-**
Total assets		**137.098**	***10.563***	**132.754**	***9.970***
EQUITY					
Capital	20	5.731		5.731	
Share premium reserve	20	106.096		119.749	
Other reserves	20	(7.891)		(4.668)	
Profit (loss) for the period	20	1.980		(15.725)	
Equity attributable to shareholders of the parent company		**105.916**	**-**	**105.087**	**-**
Total equity		**105.916**	**-**	**105.087**	**-**
PASSIVITY.					
Employee benefits	21	1.020		1.033	
Non-current lease liabilities	12	11.262	*11.164*	11.099	*11.045*
Non-current financial liabilities	22	3.309		3.587	
Deferred tax liabilities	8	173		183	
Non-current liabilities		**15.763**	***11.164***	**15.902**	***11.045***
Current financial liabilities	22	853		1.064	
Current lease liabilities	12	802	*757*	743	*713*
Trade payables	23	6.394	*44*	5.826	*78*
Liabilities arising from contract	14	1.729		2.233	
Tax debts	16	1.584		309	
Other current liabilities	24	4.056	*120*	1.590	*41*
Current liabilities		**15.419**	***920***	**11.765**	***832***
Total liabilities		**31.181**	***12.084***	**27.667**	***11.877***
Total equity and liabilities		**137.098**	***12.084***	**132.754**	***11.877***

Statement of changes in consolidated shareholders' equity

Data in thousands of Euros	Capital	Share premium reserve	Other reserves											Profit (loss) period	Total consolidated shareholders' equity
			Earnings reserves restricted capital increase to service the 2024-2026 Stock Grant Plan	Negative reserve own shares	Legal reserve	FTA Reserve	Merger surplus reserve	IAS 19 reserve	Share-based payment reserve	Reserve from translation differences	Cash flow hedge reserve	Retained earnings (losses)	Total other reserves		
Opening balances as of January 1, 2021	**5.158**	**54.918**	**-**	**-**	**892**	**(1.265)**	**50**	**(30)**	**-**	**1.123**	**-**	**8.113**	**8.882**	**(13.285)**	**55.673**
Reverse merger with ordinary Palio							399						**399**		399
IPO share capital increase	573	68.466											**-**		69.039
IPO process costs		(3.635)											**-**		(3.635)
Allocation of previous year's result												(13.285)	**(13.285)**	13.285	-
Dividends distributed													**-**		-
Reserve constraint for free share capital increase to service the Stock Grant Plan			(124)									124	**-**		-
Fair value of hedging derivatives											(21)		**(21)**		(21)
Result for the period													**-**	(8.653)	(8.653)
Other comprehensive income (loss) after tax effect								2		(23)	5		**(16)**		(16)
Ending balances as of June 30, 2021	**5.731**	**119.749**	**(124)**	**-**	**892**	**(1.265)**	**449**	**(28)**	**-**	**1.100**	**(16)**	**(5.048)**	**(4.041)**	**(15.725)**	**112.785**

Opening balances as of January 1, 2022	**5.731**	**119.749**	**(124)**	**(537)**	**892**	**(1.265)**	**449**	**(99)**	**21**	**1.049**	**(5)**	**(5.048)**	**(4.668)**	**(15.725)**	**105.087**
Allocation of previous year's result		(13.652)										(2.073)	**(2.073)**	15.725	-
Purchase of own shares				(1.594)									**(1.594)**		(1.594)
Stock Grant Plan									38				**38**		38
Fair value of hedging derivatives											145		**145**		145
Result for the period													**-**	1.980	1.980
Other comprehensive income (loss) after tax effect								81		429	(251)		**260**		260
Ending balances as of June 30, 2022	**5.731**	**106.096**	**(124)**	**(2.132)**	**892**	**(1.265)**	**449**	**(18)**	**59**	**1.479**	**(110)**	**(7.121)**	**(7.891)**	**1.980**	**105.916**

Consolidated Statement of Cash Flows

Figures in thousands of Euros	Notes	Period ended June 30			
		2022	*Of which with related parties*	2021	*Of which with related parties*
Cash flow from operating activities					
Result for the period		1.980	*(1.548)*	(8.653)	*(1.362)*
Adjustments for:					
Depreciation of tangible and intangible assets	6	1.249	*375*	753	*368*
Net financial income/(expense)	7	4.359	*171*	(586)	*173*
Provisions for funds and employee benefits	21	96		49	
Provisions for group incentive plans.	20	38		-	
Income taxes	8	1.461		379	
Other non-cash adjustments		(182)		37	
Variations of:					
Inventories	13	(626)		(82)	
Activities arising from contract	14	(612)		50	
Trade receivables	15	16		365	
Liabilities arising from contract	15	(505)		(1.392)	
Trade payables	23	548	*(34)*	(7)	*82*
Other current assets and liabilities (*)	16, 18, 24	(1.517)		(1.387)	
Use of funds and employee benefits	21	(2)		(14)	
Interest paid	7	(345)		(220)	
Income taxes paid	8	-		(4)	
Cash flow generated/absorbed by operations (A)		**5.959**	***(1.037)***	**(10.712)**	***(739)***
Cash flow from investing activities					
Interest collected	7	16		144	
Proceeds from the sale of financial assets	17	2.666		1.730	
Purchase of property, plant and equipment	10	(3.259)		(3.813)	
Purchase of intangible assets	11	(216)		(105)	
Purchase of other financial assets	17	-		(42.855)	
Cash flow generated/absorbed by investing activities (B)		**(792)**	**-**	**(44.899)**	**-**
Cash flows from financing activities					
Proceeds from the issuance of shares	20	-		65.404	
Repayment of financial liabilities	22	(628)		(438)	
Payment of lease liabilities	12	(388)	*(370)*	(360)	*(360)*
Purchase of own shares	20	(1.594)		-	
Cash flow generated/absorbed by financing activities (C)		**(2.610)**	***(370)***	**64.606**	***(360)***
Increase in cash and cash equivalents from merger (D)		**-**		**560**	
Total cash flow (A + B + C + D)		**2.557**	***(1.407)***	**9.555**	***(1.099)***
Beginning cash and cash equivalents	**19**	**8.880**		**11.958**	
Change in cash and cash equivalents for the period		2.557		9.555	
Translation effect on cash and cash equivalents		29		(7)	
Closing cash and cash equivalents	**19**	**11.466**		**21.506**	

(*) *Includes: other current assets, other current liabilities, and tax payables and receivables.*

Notes to the condensed interim consolidated financial statements

Preparation criteria

1. Foreword

Philogen S.p.A. (hereinafter the "Company"), on March 3, 2021 was admitted to listing on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. More specifically, 4,061,111 shares were issued, corresponding to approximately 10% of the Company's share capital as of the trading start date, at a price of €17 each.

Regulation (EC) No. 1606/2002 of the European Parliament and Council of July 19, 2002 (the "EU Regulation") prescribed the obligation, starting with the 2005 fiscal year, for all companies with securities admitted to trading on a regulated market to prepare consolidated financial statements in accordance with IAS/IFRS. In Italy, the matter was regulated by Legislative Decree No. 38 of Feb. 28, 2005, which provided companies excluded from the obligation under the EU Regulation the option to prepare their statutory and consolidated financial statements in accordance with IAS/IFRS starting with the fiscal year ended Dec. 31, 2005.

2. Entity preparing consolidated financial statements half-yearly condensed financial statements

Philogen S.p.A. is headquartered in Italy. The address of the Company's registered office is Piazza La Lizza, 7 Siena. The Group is mainly active in the field of integrated biotechnology and in particular in the development of advanced biopharmaceutical products for the treatment of diseases characterized by or associated with angiogenesis, mainly based on antibody conjugates, capable of achieving selective accumulation at the sites where the pathology is present.

Pursuant to paragraph 5 of Article 2497-bis of the Civil Code, it is hereby announced that the Company is not subject to management and coordination by another company.

3. Drafting criteria

These condensed interim consolidated financial statements have been prepared in accordance with *International Financial Reporting Standards* (IFRS) issued by the *International Accounting Standards* Board ("IASB") and endorsed by the European Union, including all *International Financial Reporting* Standards ("IFRS") and interpretations of the *International Financial Reporting Interpretation Committee (*IFRIC) and the former *Standing Interpretations Committee* (SIC).

These condensed interim consolidated financial statements have been prepared in accordance with Article 154-ter of Legislative Decree No. 58 of February 24, 1998 (TUF), as amended and supplemented.

These condensed interim consolidated financial statements for the first half of 2022 have been prepared in accordance with the international accounting standard concerning interim reporting (IAS 34 Interim Financial Reporting) and do not include all the information required in the annual consolidated financial statements and consequently should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2021, published on the institutional website www.philogen.com *Investor Relations* section. The estimation processes and assumptions have been kept in continuity with those used in the preparation of the annual financial statements. For comparative purposes, the consolidated statements present a comparison with the consolidated balance sheet figures of the financial statements as of December 31, 2021 and the consolidated income statement figures as of June 31, 2021.

These condensed interim consolidated financial statements were approved and authorized for publication by the Company's Board of Directors on September 28, 2022.

Details regarding the main accounting principles adopted by the Group are specified in Note No. 31.

Functional and presentation currency

These condensed interim consolidated financial statements are expressed in Euro, the functional currency of the Parent Company. Unless otherwise indicated, all amounts expressed in Euros have been rounded to the nearest thousand. It should also be noted that any differences found in some tables are due to the rounding of amounts expressed in thousands of Euros.

Use of estimates and evaluations

As part of the preparation of the condensed interim consolidated financial statements, management had to make estimates and judgments that affect the application of accounting principles and the amounts of assets, liabilities, expenses, and revenues recognized in the financial statements. However, it should be noted that since these are estimates, the results obtained will not necessarily be the same as those represented in these financial statements.

These estimates and the underlying assumptions are reviewed regularly. Any changes resulting from the revision of accounting estimates are recognized prospectively.

The following summarizes those items in the financial statements that require more subjectivity on the part of the directors than others in developing estimates and for which a change in the conditions underlying the assumptions used could have a significant impact on the consolidated financial statements.

i) Assessments

Decisions made by management that have the most significant effects on the amounts recognized in the condensed consolidated interim financial statements are provided in the following notes:

- Note No. 5 and 30 - revenue recognition: determine whether revenue should be recognized at a specific time or over time;
- Note No. 17 and 30 - accounting for securities: evaluation of the business model and its accounting treatment;
- Notes Nos. 12 and 30 - lease term: main assumptions regarding renewal options at the end of the non-cancelable lease term.

ii) Assumptions of uncertainties in estimates

For the period ended June 30, 2022, information on assumptions and uncertainties in estimates having a significant risk of causing material changes to the carrying value of assets and liabilities in the financial statements of the next period is provided in the following notes:

- Notes No. 5 and 30 - revenue accounting: assumptions in determining the total transaction price in relation to variable consideration;
- Notes No. 21 and 30 - valuation of defined benefit obligations: main actuarial assumptions;
- Note No. 30 - valuation of financial instruments: main assumptions underlying the calculation of *fair value*;
- Note No. 30 - definition of the discount rate: main assumptions on the calculation of the *Incremental B*orrowing Rate (IBR), where the implicit interest rate is not present.
- Notes No. 8 and 30 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be used;
- Notes No. 10 and 11 - impairment test of non-current assets: main assumptions for determining recoverable values;
- Note No. 30 - recognition and measurement of provisions and contingent liabilities: main assumptions about the probability and extent of resource outflow;
- Note No. 30 - valuation of allowance for expected losses on trade receivables and assets arising from contracts: main assumptions in determining "*Expected Credit Losses.*"

4. Industry disclosure

For the purposes of IFRS 8, Management has identified a single operating segment "Biotechnology," within which all the activities carried out by the Group are brought together.

The Group is mainly active in the field of integrated biotechnology and in particular in the development of advanced biopharmaceutical products for the treatment of diseases characterized by or associated with angiogenesis, based mainly on antibody conjugates, capable of achieving selective accumulation at the sites where the pathology is present.

Details of revenues from contracts with customers by type of product and service, by geographic area, and information regarding the degree of the Company's dependence on its major customers are given in Note No. 5.

The *Chief Operating Decision Maker* (CODM) is identified in the Executive Chairman.

Profit and loss account

5. Revenues and income

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Revenues from contracts with customers	18.085	1.548
Other income	2.094	404
Total revenue and income	**20.179**	**1.952**

Revenues from contracts with customers

Revenues from contracts with customers mainly refer to fees from license agreements and research and development activities that the Group carries out on behalf of third parties.

In the period ended June 30, 2022, revenues from contracts with customers amounted to 18,085 thousand euros, an increase of 16,537 thousand euros over the previous period. The change is attributable to the progress of ongoing customer contracts.

Further details of revenues from contracts with customers are provided below.

Detail by type of consideration

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Revenues from license agreements and collaborations	15.885	1.402
Revenues from research and development services	2.199	145
Total revenue from contracts with customers	**18.085**	**1.548**

Detail by mode of recognition

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Revenue recognized *at a point in time*	15.742	11
Revenues recognized *over time*	2.343	1.537
Total revenue from contracts with customers	**18.085**	**1.548**

Detail by geographic area

Figures in thousands of Euros	Period ended June 30	
	2022	2021
USA	727	1.402
European Union	16.686	112
Extra EU (Switzerland)	672	34
Total revenue from contracts with customers	**18.085**	**1.548**

Detail by product or service type

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Product Development 1	535	1.392
Good Manufacturing Practices (GMP) Services.	1.634	127
Services related to activities on small organic molecules	15.916	28
Total revenue from contracts with customers	**18.085**	**1.548**

The following is a breakdown of the customers that generate revenue for the Group in excess of 10% of total revenue from contracts with customers, as required by IFRS 8, Note No. 31:

Figures in thousands of Euros	Period ended June 30			
	2022	*Inc.*	2021	*Inc.*
Customer 1	15.351	*85%*	-	-
Customer 2	-	-	1.392	*90%*
Other customers < 10%.	2.734	*15%*	156	*10%*
Total revenue from contracts with customers	**18.085**	***100%***	**1.548**	***100%***

Other income

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Operating grants	1.856	396
Equipment grants	139	-
Miscellaneous income	99	8
Total other income	**2.094**	**404**

Other income mainly relates to the contribution for tax breaks provided by law as well as research grants for projects co-funded by the European Community, the Tuscany Region and Eurostars projects. In the period ended June 30, 2022, there was an increase in other income of approximately 1,690 thousand euros compared to the previous period. This change is mainly attributable to the recognition of certain credits from which the Company benefits on an ongoing basis and other credits related to "extraordinary" activities carried out during 2021 and the first six months of 2022, including: (i) the research and development tax credit amounting to €913 thousand as of June 30, 2022 and (ii) the technology innovation tax credit amounting to €127 thousand as of June 30, 2022, related to the implementation of the new GMP production process, (iii) the SME tax credit amounting to €500 thousand for consulting costs incurred for admission to listing on a regulated market, provided for in Art. 1 paragraphs 89 to 92 of Law 205/2017 (so-called. Budget Law 2018); (iv) the ACE tax credit amounting to €180 thousand related to the capital increase raised during the listing phase, provided for by Art. 19 of Decree Law 73/2021 (so-called Supports Bis Decree) for the tax period following the one in progress as of December 31, 2020 alternatively of the deduction of the notional Ace yield from the income tax base), (v) the contribution to the equipment account for Industry 4.0 amounting to Euro 129 thousand as of June 30, 2022 (accounted for according to the depreciation rate in the period) relating to the investments made for the equipment and interconnection of the new GMP facility at the Rosia (Siena) site provided for in art.1 paragraphs 1051 to 1058 of Law 178/2020 (so-called Budget Law 2021).

It should be noted that the Group as of June 30, 2022, compared to the same period in the previous year, has recorded the Group's share of the research and development tax credit and the technological innovation tax credit due to the regulatory clarifications that fixed the rates of relief for these credits until December 31, 2031 (Art. 1 Paragraph 45 of Law No. 234 of December 30, 2021 (the so-called Budget Law 2022).

6. Operating costs

Details of operating costs as of June 30, 2022 and June 30, 2021 are shown below:

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Purchases of raw materials and consumables	1.133	823
Costs for services	4.579	4.520
Lease and rental costs	59	51
Personnel costs	5.125	4.606
Depreciation	1.249	753
Other operating costs	234	59
Total operating costs	**12.379**	**10.812**

Cost of purchasing raw materials and consumables

The cost of purchasing raw materials and consumables, amounting to Euro 1.133 thousand as of June 30, 2022 (Euro 823 thousand in the previous period), are mainly attributable to the cost of materials used for the laboratories, the change in which is related to drug production activities for ongoing clinical trials and/or GMP production of antibodies on behalf of third parties, to the commissioning of the new GMP production at the site in Rosia (Siena) as well as the need for advance procurement to cope with delays in deliveries, caused by the Covid-19 emergency and the Ukrainian war (for more information see sections 6 and 7 of the interim management report).

Costs for services

"Costs for services" includes the following categories, among others:

Figures in thousands of euros	Period ended June 30	
	2022	2021
Costs related to Clinical Centers and CROs	1.539	1.160
Outsourcing services for research and development activities	636	327
IPO costs	-	1.200
Compensation of corporate bodies (net of contributions)	505	481
Social contributions on corporate body compensation	71	55
Management by objectives (MBO)	77	38
Severance pay (TFM)	129	-
Corporate and consulting expenses	427	407
Utilities and overhead	465	314
Other costs for services	732	538
Total costs for services	**4.579**	**4.520**

Costs for services are mainly composed of costs related to the Group's operating activities, namely costs incurred for *trials* in clinical centers and costs related to services for outsourced research and development activities. The most significant changes are:

(i) The decrease compared to the period ended June 30, 2021, of 1,200 thousand euros related to total IPO costs incurred in the first half of 2021;

(ii) The increase of 379 thousand euros in costs related to clinical centers can be attributed to higher costs incurred in the first six months of 2022 compared to the previous period due to the progress of ongoing *trials*;

(iii) The increase of 309 thousand euros in costs related to services for research and development activities can be attributed to ongoing activities for GMP contracts for third-party production signed in the last quarter of 2021;

(iv) The increase amounting to 38 thousand euros related to the last amount to be set aside for the MBO planned for executive directors for the period March 2021March 2022 and to the provision of the 2022 MBO (for more details on the incentive plan, see section 4.5 of the interim management report);

(v) The increase amounting to 129 thousand euros corresponding to the TFM for outgoing executive directors (end of term with the approval of the financial statements as of December 31, 2021) and the TFM set aside provided for in the Remuneration Policy year 2022 and always related to the office conferred to the executive directors on April 27, 2022 (for more details on the end of term treatment, see section 4.5 of the Interim Management Report);

(vi) The increase in utilities, overhead and other costs for services and other costs for services amounting to 151 thousand Euro related to the increase in company size, the increase in activities and personnel and the resulting increase in overhead costs.

Lease and rental costs

Lease and rental costs amounted to 59 thousand euros in the period ended June 30, 2022 (51 thousand euros as of June 30, 2021). This item includes rental charges, exclusively with reference to leases of less than 12 months' duration and leases of small amounts (excluded from the scope of IFRS 16) and variable fees related to ancillary expenses quantified in the final balance, which are also not included in the calculation of the financial liability and the related right of use under IFRS 16.

Personnel costs

The breakdown of personnel cost in the period ended June 30, 2022 and June 30, 2021 of the Group is shown below:

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Wages and Salaries	4.077	3.725
Personnel cost for group incentive plans	37	-
Social charges	850	780
Provision for severance pay	160	101
Total personnel costs	**5.125**	**4.606**

The increase in personnel costs of 519 thousand Euro is mainly attributable to the increase in the average number of employees, as shown in the table below.

	June 30, 2022	June 30, 2021	Change
Average number of employees	135	115	20

For the exact number of employees as of June 30, 2022, please refer to paragraph 14 of the Interim Management Report.

Depreciation

The breakdown of "Depreciation and amortization" as of June 30, 2022 and 2021 is shown below:

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Amortization of intangible assets	65	78
Depreciation Property, plant and equipment	769	282
Depreciation of assets by right of use	414	394
Total depreciation	**1.249**	**753**

The increase in depreciation and specifically in the item "Depreciation of property, plant and equipment" in the period ended June 30, 2022, reflects the completion and commissioning of the new *facility* in Rosia, Siena, in line with the company's strategy. For more details regarding the ongoing activities at the new GMP facility, please refer to section 3.1 of the interim management report.

Other operating costs

The breakdown of "Other operating costs" as of June 30, 2022 and 2021 is shown below:

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Membership contributions	18	6
Company vehicle costs	7	4
Taxes and fees	102	39
Entertainment expenses	22	8
Miscellaneous operating costs	85	2
Total other operating costs	**234**	**59**

Other operating expenses are mainly attributable to contingent liabilities and miscellaneous operating expenses. The change is mainly due to (i) the increase in taxes and fees during the period ended June 30, 2022, in connection with the

annual charges due to the Italian Stock Exchange on the Company's stock market capitalization, and (ii) the increase in miscellaneous operating expenses mainly related to miscellaneous costs.

7. Financial income and expenses

Financial income and expenses are composed as follows:

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Financial income		
Capital gains from realization of financial assets	16	144
Capital gains from the valuation of financial assets at *fair value*	268	629
Realized foreign exchange gains	102	11
Foreign exchange valuation gains	598	609
Financial income	**985**	**1.394**
Financial charges		
Losses on valuation of financial assets at *fair value*	(3.526)	(1)
Capital losses on realization of financial assets	(151)	(18)
Interest expense on leasing	(172)	(174)
Interest expense on bank loans	(22)	(28)
Interest cost for employee benefits	(5)	(1)
Realized foreign exchange losses	(337)	(102)
Losses on foreign exchange from valuation	(1.131)	(483)
Financial charges	**(5.344)**	**(807)**
Total financial income (expense)	**(4.359)**	**586**

Net financial management for the period ended June 30, 2022 showed a negative net result of €4,359 thousand (positive for €586 thousand as of June 30, 2021). This result, as shown in the table above, is composed of (i) net valuation losses of €3,258 thousand related to changes in the *fair value of* the securities portfolio, (ii) net realized capital losses of €134 thousand, (iii) net realized foreign exchange losses of €235 thousand, (iv) net foreign exchange losses on valuation of €533 thousand, and (v) interest expense and other charges of €199 thousand.

The main change from the period ended June 30, 2021 can be attributed to changes in the *fair value of* the securities portfolio generated by the evolution of the economic and financial environment and market interest rates. Specifically, the volatility that has characterized the financial market in the first six months of 2022 is due to factors such as the war in Ukraine and the resulting rise in energy prices bringing inflation to record levels and the continuing effects of the pandemic from Covid 19.

The macroeconomic environment described above exposes the Company to increased financial risk related to the securities portfolio. Therefore, *management* continuously and continuously monitors the economic performance of the financial portfolio held.

For more details on the composition of the securities portfolio, see Section 5.2 of the Interim Report on Operations and Note No. 17 to the condensed consolidated financial statements.

8. Taxes

Below is a table detailing the income taxes recorded in the period ended June 30, 2022 and 2021:

Figures in thousands of Euros	Period ended June 30	
	2022	2021
Current taxes	(1.332)	(4)
Deferred taxes	(130)	(375)
Total taxes	**(1.461)**	**(379)**

Deferred taxes refer exclusively to the reversal of the tax effects recognized upon transition to IAS/IFRS. For changes in the period, please refer to the relevant detailed tables provided below

Reconciliation of effective tax rate

The reconciliation between the tax burden and the theoretical tax burden determined based on the IRES rate applicable to the Group for the period ended June 30, 2022 and June 30, 2021, respectively, is presented below:

Figures in thousands of euros	Period ended June 30	
	2022	2021
Earnings before taxes	3.441	(8.274)
Theoretical tax rate	-24,0%	-24,0%
Theoretical IRES tax burden (A)	**(826)**	**1.986**
Adjustments for:		
Fiscal effect on R&D credit facility	219	-
Tax effect on facilitation for Technology Innovation Credit	30	-
Tax effect on Industry 4.0 credit facility	31	-
Tax effect on credit facility for SME listing	120	-
Tax effect on relief for ACE credit	43	-
Tax effect on unrecognized accrued tax losses	(2.878)	(3.340)
Tax effect on tax losses used	1.693	-
Tax effect on other changes in increase (decrease)	(82)	25
Tax effect on the Group's different tax rates	210	(132)
Tax effect IPO costs	-	1.142
IRAP effect on temporary differences	(21)	(60)
Total adjustments (B)	**(635)**	**(2.365)**
Total actual income taxes (A+B)	**(1.461)**	**(379)**
Effective tax rate	***(42,5)%***	***4,6%***

Current taxes recorded in the financial statements as of June 30, 2022 (amounting to 1,332 thousand euros) are entirely attributed to the Swiss subsidiary (Philochem AG). The Group, in line with the tax strategy adopted by the Parent Company, is considering adopting also for the subsidiary facilitated regimes such as the Patent box and/or the Super deduction for research and development costs that could lead to a reduction in taxes as of December 31, 2022. While, the tax position of the Parent Company evidences cumulative tax losses, from 2017 to date, of more than 47 million euros that will lead to a future tax benefit of about 12 million euros.

For more details on the credits from which the Group benefits, see Note No. 16 of the condensed consolidated half-year financial statements.

Changes in deferred taxes during the period

Details and changes in deferred tax assets and liabilities from January 1 to December 31, 2021, and from January 1 to June 30, 2022, the balances of which originate exclusively from the transition entries to IAS/IFRS are provided below:

Figures in thousands of Euros	Book value as of January 1, 2021	Use	Acc.to	Change effect	Book value as of December 31, 2021
Deferred tax assets					
Liabilities from contracts with customers	1.159	(536)	-	-	623
Intangible assets	1	-	-	-	1
Activities by right of use	5	-	5	1	11
IAS 19 reserve (recognized in comprehensive income)	11	-	27	-	38
Cash flow hedge reserve (recognized in comprehensive income)	-	-	1	-	1
Total Deferred Tax Assets	**1.176**	**(536)**	**33**	**1**	**674**
Deferred tax liabilities					
Other financial assets	10	(1)	-	-	9
Intangible assets	191	(31)	7	2	169
Activities from contracts with customers	34	(29)	-	-	5
Total Deferred Tax Liabilities	**234**	**(60)**	**7**	**2**	**183**

Figures in thousands of Euros	Book value as of January 1, 2022	Use	Acc.to	Change effect	Book value as of June 30, 2022
Deferred tax assets					
Liabilities from contracts with customers	623	(149)	5	-	479
Intangible assets	1	(1)	-	-	-
Activities by right of use	11	-	13	(8)	17
IAS 19 reserve (recognized in comprehensive income)	38	(31)	-	-	7
Cash flow hedge reserve (recognized in comprehensive income)	1	-	33	-	35
Total Deferred Tax Assets	**674**	**(181)**	**51**	**(8)**	**536**
Deferred tax liabilities					
Activities from contracts with customers	5	(6)	-	1	-
Other financial assets	9	-	-	-	9
Intangible assets	169	(7)	1	1	165
Total Deferred Tax Liabilities	**183**	**(13)**	**1**	**2**	**173**

Uncertainties regarding the accounting treatment to be applied to taxes

It should be noted that as of June 30, 2022, there are no outstanding disputes with tax authorities that could generate uncertainties regarding the treatment of income taxes.

9. Earnings per share

Basic earnings per share were calculated by considering the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period ended June 30, 2022 and June 30, 2021.

The calculation of diluted earnings per share was made by considering the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period to take into account the effects of all potential dilutive ordinary shares.

The income and share information used for the purpose of calculating basic and diluted earnings per share are shown below:

Figures in thousands of Euros **Basic and diluted earnings (loss) per share**	Period ended June 30 2022	 2021
Profit (Loss) for the year - in Euro thousands (A)	1.980	(8.653)
Weighted average number of ordinary shares outstanding (B)	40.611.111	39.644.514
Weighted average number of potential dilutive common shares outstanding (C)	-	167.123
Weighted average number of outstanding share options granted (D)	-	-
Weighted average shares outstanding adjusted for dilution effects (E=B+C+D)	40.611.111	39.811.637
Basic earnings (loss) per share - in Euros (A/B*1000)	0,05	(0,22)
Diluted earnings (loss) per share - in Euros (A/C*100) (*)	0,05	(0,22)

(*) It should be noted that the diluted loss per share for the year ending December 31, 2021 was determined without considering the instruments under (C) because there was a loss for the year.

(C) The number of dilutive potential ordinary shares for the period ending June 30, 2021 was weighted for the days from January 01, 2021 to March 03, 2021, the Company's listing date.

(D) The weighted average number of outstanding vested share options potentially amounting to 145 thousand *shares* as of June 30, 2022, was considered to be 0 for the purpose of the calculation because, in accordance with IAS 33, as of the end of the period these instruments did not have the necessary characteristics to be issued.

Assets

10. Property, plant and equipment

Changes in property, plant and equipment from January 1 to December 31, 2021 and from January 1 to June 30, 2022 are shown below:

Figures in thousands of Euros	Plant and machinery	Industrial and commercial equipment	Leasehold improvements	Other tangible imm.ni	Imm.ni in progress and advances	Total
Historical cost	2.595	6.271	79	740	2.290	11.976
Sinking Fund	(1.412)	(4.790)	(12)	(599)	-	(6.813)
Net book value as of January 01, 2021	**1.183**	**1.481**	**67**	**141**	**2.290**	**5.163**
Increases	211	2.675	102	203	3.359	6.550
(Decreases)	-	-	-	-	-	-
Reclassifications	185	-	-	-	(185)	-
Amortization	(181)	(518)	(15)	(65)	-	(779)
Exchange rate effects (historical cost)	49	91	-	9	-	149
Exchange rate effect (depreciation fund)	(11)	(82)	-	(6)	-	(99)
Historical cost	3.040	9.038	181	952	5.464	18.675
Sinking Fund	(1.604)	(5.390)	(27)	(670)	-	(7.691)
Net book value as of December 31, 2021	**1.437**	**3.647**	**154**	**282**	**5.464**	**10.984**
Increases	1.056	1.583	-	44	237	2.920
(Decreases)	-	-	-	-	(526)	(526)
Reclassifications	4.423	589	-	-	(5.012)	-
Depreciation	(311)	(411)	(7)	(40)	-	(769)
Exchange rate effects (historical cost)	41	80	-	8	-	129
Exchange rate effect (depreciation fund)	(10)	(72)	-	(5)	-	(87)
Historical cost	8.560	11.290	181	1.004	164	21.198
Sinking Fund	(1.924)	(5.873)	(34)	(716)	-	(8.547)
Net book value as of June 30, 2022	**6.636**	**5.416**	**147**	**289**	**164**	**12.651**

Plant and machinery mainly refers to the setting up of laboratories and production sites instrumental to operations. As of June 30, 2022, there was an increase of €5,479 thousand including reclassifications from assets under construction that reflects the completion and commissioning in the first half of 2022, of the new GMP plant at the Rosia (Siena) site.

Industrial and commercial equipment mainly accommodates the purchase cost incurred to equip the production unit in Rosia (Siena).

Other tangible assets mainly refer to company cars and furniture and furnishings. Company cars are partly granted for mixed use to employees, partly assigned to some members of the Board of Directors, and partly at the disposal of company personnel.

Assets under construction refer to the construction of the new GMP plant and machinery for the Rosia (Siena) site for which full ownership has not yet been acquired. As of June 30, 2022, the reclassification of €5,012 thousand reflects the completion and activation of the new GMP plant (for more details on the new GMP plant, see section 3.1 of the interim report on operations). The decrease of Euro 526, on the other hand, refers to masonry works carried out by Philogen on behalf of Rendo S.r.l., the owner of the building, and re-invoiced by virtue of a deed of recognition to the existing lease agreement (please refer to Note 29 of the condensed consolidated interim financial statements).

It should be noted that the investment of the new GMP of the Rosia (Siena) site started in the year 2020 and ended in the first half of 2022. The total amount of the investment was approximately Euro 12,000 thousand including the above-mentioned masonry works.

11. Intangible assets

Changes in intangible assets from January 1 to December 31, 2021 and from January 1 to June 30, 2022 are shown below:

Figures in thousands of Euros	Patent rights and rights of use of intellectual works	Concessions, licenses, trademarks and similar rights	Total
Historical cost	2.483	120	2.604
Sinking Fund	(1.528)	(114)	(1.642)
Book value as of January 01, 2021	**955**	**6**	**961**
Increases	170	98	268
(Decreases)	-	-	-
Depreciation	(258)	(25)	(283)
Foreign exchange effect	4	0	4
Historical cost	2.451	218	2.893
Depreciation fund	(1.580)	(139)	(1.943)
Net book value as of December 31, 2021	**871**	**79**	**950**
Increases	96	120	216
(Decreases)	-	-	-
Depreciation	(43)	(22)	(65)
Foreign exchange effect	7	-	7
Historical cost	2.794	338	3.131
Depreciation fund	(1.863)	(161)	(2.024)
Net book value as of June 30, 2022	**930**	**177**	**1.107**

As of June 30, 2022, the Group owns more than 40 international patent families and more than 100 valid national patents. The increases recognized in the first half of 2022, amounting to 96 thousand euros, relate to the expenses incurred by the Group for filing new patent applications and for nationalizations, for concessions, in order to acquire the exclusive right to exploit inventions related to new cancer applications in specific countries.

Concessions, licenses and trademarks mainly include the cost of corporate software licenses. The increases recognized in the first half of 2022, amounting to 120 thousand euros, relate to expenses incurred by the Group for the purchase of specific software necessary for the implementation of the interconnection project (industry 4.0) of the new GMP plant.

It should also be noted that there are no assets with indefinite useful life, goodwill and intangible assets not yet in use.

12. Right-of-use assets and lease liabilities

Key balance sheet information related to the leases held by the Group, which acts solely as lessee, is shown in the following tables:

Figures in thousands of Euros	Real Estate	Cars	IT Services	Total
Historical cost	11.236	100	111	11.446
Sinking Fund	(1.035)	(63)	(60)	(1.158)
Book value as of January 01, 2021	**10.201**	**37**	**51**	**10.288**
Increases	393	-	-	393
(Decreases)	-	-	-	-
Depreciation	(747)	(30)	(22)	(799)
Change effect	123	-	-	123
Historical cost	11.770	100	68	11.939
Sinking Fund	(1.801)	(93)	(39)	(1.933)
Book value as of December 31, 2021	**9.969**	**7**	**29**	**10.005**
Increases	347	84	-	430
(Decreases)	-	-	-	-
Depreciation	(394)	(9)	(11)	(414)
Change effect	114	-	-	114
Historical cost	12.251	183	68	12.503
Sinking Fund	(2.215)	(102)	(50)	(2.367)
Book value as of June 30, 2022	**10.037**	**81**	**18**	**10.136**

Assets for right of use as of June 30, 2022 are mainly attributable to the leasing of real estate used by the Group for operations. The increases recognized in the first half of 2022, amounting to 393 thousand euros, relate to the Istat adjustments of the rent, contractually provided for which were affected by the high rate of inflation in the period. It is

specified that these contracts were entered into in 2019 following the functional and structural reorganization of the Group through which the real estate branch was separated from the operating branch. These contracts have a term until the year 2034 and altogether generate an 'annual cash outflow for lease payments of approximately €1,000 thousand, of which €670 thousand for the Italian sites and €400 thousand for the Swiss site.

Changes in financial lease liabilities from January 1 to December 31, 2021 and from January 1 to June 30, 2022 are provided below:

Figures in thousands of Euros	
Lease liabilities as of January 01, 2021	**11.981**
Increases	393
Decreases	-
Capital repayments	(738)
Foreign exchange effect	207
Lease liabilities as of December 31, 2021	**11.842**
Increases	430
Decreases	-
Capital repayments	(388)
Foreign exchange effect	180
Lease liabilities as of June 30, 2022	**12.064**
Of which current	802
Of which non-current	11.262

The following table shows the reconciliation of cash outflows with respect to leases for the period ended June 30, 2022 and 2021:

Figures in thousands of Euros	**Period ended June 30**	
	2022	**2021**
Real estate capital share	370	343
Interest expense for leasing (real estate)	171	174
Automobile capital share	15	13
Interest expense for leasing (cars)	-	-
Capital share IT services	4	4
Interest expense for leasing (IT services)	-	-
Total cash outflows for *leasing*	**560**	**534**

It should be noted that the Group, for the purpose of determining lease liabilities and related right-of-use assets, has applied:

i. for leases related to real estate, cars and IT services leased to the Parent Company, a discount rate of 2.73 percent;
ii. for the lease on the property leased to the Swiss subsidiary Philochem AG, a discount rate of 3.10 percent.

As of June 30, 2022, the Group has not identified any indicators of impairment with respect to right-of-use assets.

Impairment test

We report that, as of June 30, 2022, there was no evidence that led the Directors to believe that the reasons that led to the recognition of the property, plant and equipment, intangible assets, and right-of-use assets had been disallowed; nor were there any additional indicators of impairment that led the Directors to believe that there might be an impairment of the property, plant and equipment, intangible assets, and right-of-use assets; consequently, there was no need to conduct impairment tests on the value recorded in the financial statements.

13. Inventories

Details of inventories are as follows:

Figures in thousands of Euros	**June 30 2022**	**December 31 2021**
Raw materials and consumables	1.927	1.295
Total inventories	**1.927**	**1.295**

As of June 30, 2022, inventories, amounting to 1,927 thousand euros, showed an increase mainly due to increased procurement of consumables functional to the Group's operating activities.

14. Contract assets and liabilities

Assets arising from contracts relate to *performance obligations* fulfilled *over time* and valued on the basis of costs incurred (*cost-to-cost*) as they are the subject of contracts already finalized with the customer.

The net balance of assets and liabilities arising from contracts is composed as follows:

Contracts with positive net balance

Figures in thousands of Euros	June 30 2022	December 31 2021
Advances received from customers	(1.914)	(1.459)
Revenue recognized on advances received	2.628	1.546
Contract activities with net clients	**714**	**87**

Contracts with negative net balance

Figures in thousands of Euros	June 30 2022	December 31 2021
Advances received from customers	11.774	11.774
Revenue recognized on advances received	(10.045)	(9.541)
Liabilities from contract with customers net	**1.729**	**2.233**

Advance payments received from customers mainly refer to *up-front fees* collected against *performance obligations* to be fulfilled by the Group in the future, which are recognized *over time* based on the progress of related contract costs (revenue recognized on advance payments).

Contract assets and liabilities arise from the balance of the two items above.

Customer contract liabilities are classified as current liabilities because the Group expects to complete *performance obligations* over the next 12 months.

15. Trade receivables

The item "Trade receivables" consists of the following:

Figures in thousands of Euros	June 30 2022	December 31 2021
Receivables from customers	1.249	688
Total trade receivables	**1.249**	**688**

As of June 30, 2022, trade receivables from customers amounted to 1,249 thousand euros, an increase compared to December 31, 2021 of approximately 80%. The change is mainly attributable to the invoicing of some of the activities under the GMP contract manufacturing contracts for third parties, which were signed in 2021.

It should be noted that, consistent with IFRS 15, the billing of assets does not necessarily coincide with revenue if the consideration is recognized *over time*.

Overdue credit positions are monitored by administrative management through periodic analyses of major positions. The estimated expected loss in accordance with IFRS 9 (*"Expected Credit Loss"*) is not significant due to the type of the Group's customers, the expected contractual terms, and the timing of collection of receivables.

Breakdown of receivables recorded in current assets by geographic area

The following table shows the breakdown by geographic area of receivables recorded in current assets.

Figures in thousands of Euros	Geographical area	
	June 30 2022	December 31 2021
Italy	213	179
European Union	586	198
Extra European Union (USA)	199	-
Extra European Union (Other)	252	311
Total trade receivables	**1.249**	**688**

16. Tax receivables and payables

The item "Tax receivables" is composed as follows:

Figures in thousands of Euros	June 30 2022	December 31 2021
Miscellaneous tax credits	6.175	2.950
VAT Credits	2.674	2.750
Other tax receivables	31	40
Total tax credits	**8.881**	**5.740**

"Miscellaneous tax credits," as of June 30, 2022 includes:

- research and development tax credit year 2021 in the amount of 1,933 thousand euros, the offsetting of which will be in three equal annual installments, in compliance with the relevant regulations (art.1 paragraph 200 Law 160 of December 27, 2019 and subsequently amended by art. 1 paragraph 1064 Law 178 of December 30, 2020);

- R&D tax credit year 2020 in the amount of € 340 thousand (total 2020 R&D tax credit, amounting to € 1,019 thousand) related to the remaining part to be offset in 2022 and 2023 in compliance with the relevant regulations (Art.1 paragraph 200 Law 160 of December 27, 2019);

- industry 4.0 credit, related to generic assets that came into operation in the year ended December 31, 2020, in the amount of 27 thousand euros (offsetting takes place in five annual installments from fiscal year 2021);

- industry 4.0 credit, relating to the interconnection of the new GMP production plant at the Rosia (Siena) site, in the amount of 2,155 thousand euros (compensation is made in three annual installments from the date of interconnection);

- ACE tax credit in the amount of 180 thousand euros, provided for in Article 19 of Decree 73/2021 (the so-called Supports Bis Decree) for the tax period following the one in progress as of December 31, 2020 alternatively of the deduction of the notional Ace yield from the income tax base;

- SME tax credit amounting to €500 thousand for consulting costs incurred for admission to listing on the MTA market (Article 1 paragraphs 89 to 92 of Law 205/2017 as amended);

- to the provision of research and development tax credit and technological innovation tax credit accrued as of June 30, 2022 amounting to approximately 1,040 thousand euros.

"VAT Receivables" amounted to 2,674 Euros, substantially unchanged from the previous period. It should be noted that the Company makes purchases mainly in Italy and sales mainly abroad, such that credit VAT cannot be offset against debit VAT.

Other tax receivables mainly include receivables for withholding taxes incurred.

The item "Tax liabilities" is composed as follows:

Figures in thousands of Euros	June 30 2022	December 31 2021
Current income tax liabilities	1.380	-
Amounts due to tax authorities for withholdings	117	193
Other tax liabilities	87	116
Total tax liabilities	**1.584**	**309**

The Group has estimated a tax burden for current taxes of 1,380 net of tax breaks and past tax losses.

Other tax payables mainly include the debt to the tax authorities accrued as a result of an assessment that ended in December 2019. The Company has decided to installment the tax debt with quarterly payments, with the possibility of offsetting with other taxes. The debt will be fully repaid in September 2023.

17. Other current financial assets

The following is an analysis of changes in other current financial assets:

Figures in thousands of Euros	Other current financial assets
Book value as of January 01, 2021	**49.984**
Increases	42.860
(Decreases)	(1.743)
Gains/losses from *fair value* adjustment	1.696
Book value as of December 31, 2021	**92.797**
Increases	-
(Decreases)	(2.666)
Gains/losses from *fair value* adjustment	(3.258)
Book value as of June 30, 2022	**86.874**

The Group invests excess cash over operations in financial instruments, held at Mediobanca, in accordance with the "Investment Management Policy" approved by the Board of Directors in May 2021.

The item "Other current financial assets" includes:

i. the balance related to securities held in the portfolio, consisting of insurance policies, equity instruments, and fund shares, held for contractual cash flow collection and sale and whose contractual terms do not exclusively provide for principal repayments and interest payments on the amount of principal to be repaid (i.e., which do not pass the so-called "SPPI test"), which were mandatorily measured at *fair value* with impact recognized in profit (loss) for the period (FVTPL);
ii. the balance related to the bond segment of the outstanding portfolio, included in the "Other" Business Model, which are measured at *fair value* with impact recognized in the profit (loss) for the period (FVTPL).

Details of financial assets broken down by instrument type and *business model are* provided below:

Data in Euro thousands	June 30 2022	December 31, 2021
Financial assets held for the collection of the cash flows and for sale (Held to collect and sell)		
Actions	2.361	2.285
Funds	4.105	7.191
Insurance investment products	80.111	82.815
Total	**86.576**	**92.291**
Other Financial Assets (Other)		
Bonds and certificates	297	506
Total	**297**	**506**
Total other current financial assets	**86.874**	**92.797**

With regard to insurance investment products, amounting to 80,111 thousand euros in the period ended June 30, 2022 (82,815 thousand euros as of December 31, 2021), the Group has signed three investment contracts, whose contractor and sole beneficiary is Philogen S.p.A., with three different insurance companies.

The first contract, signed during fiscal year 2013 for approximately 10 million euros, is a whole-life insurance investment product with capital revaluable according to the performance of separate asset management. The management invests the resources mainly in the following asset classes: government securities or bonds directly or through OICR fund units, residually in cash and equities listed on regulated markets also directly or through OICR units. At least 70 percent of assets are in bonds, and exposure in equities and OICR units does not exceed 10 percent of management assets. This contract provides a guarantee of the invested capital.

The second contract, underwritten in fiscal year 2019, is a multi-branch whole life insurance investment product with a total value of approximately €60 million, of which €30 million was underwritten in 2019 and €30 million was underwritten in 2021. This investment is in turn divided into two separate funds consisting of:

- diversified management (class I): a whole-life insurance investment product with capital revaluable according to the performance of the separate asset management. The management invests mainly in government securities or bonds directly or through OICR fund units, residually in cash and equities listed on regulated markets also directly or through OICR units;

- separate management (branch III): the management can invest in stocks, corporate bonds, government bonds, investment funds, and cash. In the year ended December 31, 2021, the breakdown of diversified management was as follows: 18% in cash and deposits, 44% corporate bonds, 26% stocks, and 12% in investment funds.

The third contract, signed in May 2021, is represented by a multi-branch whole life insurance investment product with a total value of approximately 10 million euros. This investment is itself divided into two separate funds consisting of:

- 7 million euros in a separate management (Branch I) managed by the Company with annual capitalization of returns. The management invests mainly in bonds, among which government and supranational bonds predominate. The management is liquidable in part or in full at any time from the twelfth month after the original investment.

- 3 million euros divided equally into two internal funds (Branch III), one of which is bond-based and the other mainly equity-based. The two funds are liquidatable at any time. The financial instruments described above are readily redeemable at the request of the beneficiary .

18. Other current assets

"Other current assets" consists of the following:

Figures in thousands of Euros	June 30, 2022	December 31, 2021
Other current receivables	1.145	457
Other current assets	413	196
Other current assets	**1.558**	**653**

Other current receivables refer mainly to advances to third-party suppliers and miscellaneous receivables.

The change from the year ended December 31, 2021 is attributable to the re-billing of masonry works carried out by Philogen S.p.A. on the property owned by the lessor, in compliance with a deed of reconveyance (see Note 29 to the condensed consolidated financial statements).

19. Cash and cash equivalents

A breakdown of the composition of cash and cash equivalents is given below:

Figures in thousands of Euros	June 30, 2022	December 31, 2021
Bank and postal deposits	11.464	8.879
Cash and valuables on hand	1	1
Cash and cash equivalents	**11.465**	**8.880**

The Group holds active current accounts in both Euro and foreign currencies (USD and CHF).

For more details on the change in cash flows for the period ended June 30, 2022, please refer to the Statement of Cash Flows.

Equity and liabilities

20. Net worth

The statement of changes in consolidated shareholders' equity as of June 30, 2022 can be found in the financial statements section.

As mentioned in the introduction, the Company on March 3, 2021 was admitted to listing on the Mercato Telematico Azionario organized and managed by Borsa Italiana S.p.A. Specifically, 4,061,111 shares, corresponding to approximately 10% of the share capital as of the date of the start of trading, were issued at a price of 17 euros each.

A. Share capital and shares

The shares issued by the Parent Company represent the entire share capital of 5,731,226.64 euros, which is composed of 40,611,111 shares. Below are the categories of shares held:

Categories Shares	June 30 2021
Ordinary shares (listed on the MTA market)	29.242.861
Special shares with multiple voting rights (Class B)	11.368.250
Total	**40.611.111**

The Parent Company has not issued any beneficial shares.

The main features of the types of actions listed above are given below.

Ordinary shares

Ordinary shares are registered, indivisible, freely transferable and confer on their holders equal rights. In particular, each ordinary share confers the right to one vote at ordinary and extraordinary meetings of the Company as well as other property and administrative rights in accordance with the bylaws and the law.

Multiple voting shares

Multiple Voting Shares give the same rights and obligations as Ordinary Shares and have the following characteristics:

a) allocate a voting right at the meeting equal to 3 votes;
b) shall automatically convert into Ordinary Shares at the rate of one Ordinary Share for each Multiple Voting Share (without the need for resolutions either by the special meeting of shareholders holding Multiple Voting Shares or by the Company's shareholders' meeting) in the event of a change of control of the Company or a transfer of Multiple Voting Shares to persons who are not already holders of Multiple Voting Shares

may be converted, in whole or in part, even in several *tranches,* into Ordinary Shares at the simple request of the holder thereof, to be sent to the Chairman of the Board of Directors and in copy to the Chairman of the Board of Statutory Auditors, at the rate of one Ordinary Share for each Multiple Voting Share.

B. Nature and purpose of reserves

The following is a breakdown of shareholders' equity with an indication of the nature and purpose of the reserves:

Figures in thousands of Euros	Nature	Possible uses	June 30 2022	December 31, 2021
Capital			5.731	5.731
Negative reserve of own shares(*)			(2.132)	(537)
Share premium reserve(**)	Capital	A, B, C	106.096	119.749
Legal reserve	Useful	A, B	892	892
FTA Reserve	Useful	A, B	(1.265)	(1.265)
Merger surplus reserve	Capital	A, B	449	449
Actuarial gain/loss reserve	Useful	A, B	(18)	(99)
Cash-flow hedge reserve	Useful	A, B	(110)	(5)
Reserve from translation differences	Useful	A, B	1.479	1.048
Earnings reserve restricted capital increase to service the 2024-2026 Stock Grant Plan (***)	Useful	A	(124)	(124)
Share-based payment reserve(****)	Useful	A	59	21
Retained earnings (losses)	Useful	A, B, C	(7.121)	(5.049)
Profit (loss) for the year			1.980	(15.725)
Net worth			**105.916**	**105.087**

(*) The Negative reserve of treasury shares includes the value of shares purchased by the Company in accordance with the purchase program approved by the Board of Directors on November 24, 2021.

(**) The Share Premium Reserve represents the share capital increase by listing the Company net of the costs of the IPO process recognized directly in equity, amounting to approximately € 3.6 million.

(***) The Earnings Reserve restricted to the capital increase, free of charge and in divisible form, to service the 2024-2026 Stock Grant Plan. The reserve will remain restricted to service the plan until the final subscription deadline, December 31, 2026.

(****) The Share-based Payment Reserve includes the fair value of shares granted by the 2024-2026 Stock Grant Plan, First Cycle. More details on the Stock Grant Plan can be found in Note 25.

Legend:

A) By capital increase
B) For loss coverage
C) For distribution to members

C. Share-based payment incentive plan

On May 31, 2021, the Company's Ordinary Shareholders' Meeting approved an incentive plan under Article 114-bis of the TUF called "Stock Grant Plan 2024-2026" reserved for Group employees and granted the Board of Directors all necessary and appropriate powers to implement it.

To service the said Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge in divisible form, pursuant to Article 2349 of the Civil Code, to be carried out by the deadline of December 31, 2026, for a maximum amount of 123.974 thousand, to be charged in full to share capital, and to set up for the same amount, a special reserve, taking it from the retained earnings reserve, called "Restricted earnings reserve capital increase to service the "Stock Grant Plan 2024-2026" which will remain restricted to service the free share capital increase until the final subscription deadline.

On September 28, 2021, the Company's Board of Directors, upon the proposal of the Nomination and Remuneration Committee, approved the regulations of the aforementioned Plan and implemented it, identifying the beneficiaries and defining the *performance* objectives and related targets, and assigning a total of 145,000 *Units.*

The reserve as of June 30, 2022 represents the *fair value of* the shares to be granted to the beneficiaries identified by the Board of Directors on September 28, 2021, during the first year related to the first three-year cycle (2021-2024).

D. Purchases of own shares

On November 24, 2021, the Ordinary Shareholders' Meeting, authorized the Company to purchase treasury shares, in order to (i) support the liquidity of Philogen S.p.A. stock.; (ii) operate with a view to medium- and long-term investment, intervening both in the market and outside it; (iii) establish a securities warehouse, in order to dispose of treasury shares

in the context of agreements with strategic partners and/or corporate/financial operations of an extraordinary nature; (iv) fulfill obligations arising from incentive plans, whether for consideration or free of charge, in favor of corporate officers, employees or collaborators of the Group.

21. Benefits to dependents i

This item includes all pension obligations and other benefits for employees and directors, subsequent to the termination of employment or to be paid upon the accrual of certain requirements, and consists of provisions for severance pay related to the Parent Company's employees and the provision for severance pay related to the Parent Company's executive directors.

Severance pay:

Liabilities for severance pay amounted to 1,013 thousand euros for the period ended June 30, 2022 (1,033 thousand euros as of December 31, 2021). Changes for the period ended June 30, 2022 and December 31, 2021 are shown below:

Figures in thousands of Euros	June 30, 2022	December 31, 2021
Balance at the beginning of the period	1.033	847
Uses	(2)	(36)
Provision for severance pay	89	121
Financial charges	5	5
Actuarial gains/(losses)	(112)	96
Total employee benefits	**1.013**	**1.033**

Employee-related provisions represent the estimated obligation, determined on the basis of actuarial techniques, related to the amount to be paid to employees upon termination of employment. As of June 30, 2022 and December 31, 2021, the provisions for employee benefits refer to the Employee Severance Indemnity Provision ("TFR") set aside and allocated to employees.

In application of IAS 19, the valuation of severance pay was carried out using the methodology, as required by the recent provisions on the subject introduced by the National Order of Actuaries jointly with the competent bodies OIC, Assirevi and ABI for companies with more than 50 employees.

The main assumptions made for the actuarial estimation process are given below:

Economic recruitment	June 30, 2022	December 31, 2021
Annual rate of inflation	2,10%	1,75%
Annual discount rate	2,74%	0,98%
Annual rate of increase in severance pay	3,07%	2,81%

Annual turnover frequencies and severance pay advances	June 30, 2022	December 31, 2021
Frequency of advances	2,00%	2,00%
Turnover frequency	10,00%	10,00%

Demographic assumptions	June 30, 2022	December 31, 2021
Death	RG48 mortality tables published by the State General Accounting Office.	RG48 mortality tables published by the State General Accounting Office.
Inability	INPS tables separated by age and sex	INPS tables separated by age and sex
Retirement	100% upon achievement of AGO requirements adjusted to Decree-Law No. 4/2019	100% upon achievement of AGO requirements adjusted to Legislative Decree No. 4/2019

Termination benefits amount to

The Termination Allowance, provided for in the Remuneration Policy approved by the Shareholders' Meeting on April 27, 2022, consists of an annual provision for the Company's executive directors, equal to one-twelfth of their annual compensation net of actuarial adjustments, to be paid upon termination of their employment. More details can be found in Section 4.5 of the Interim Management Report.

Liabilities for severance pay amounted to 7 thousand euros in the period ended June 30, 2022.

Figures in thousands of Euros	June 30 2022	December 31 2021
Balance at the beginning of the fiscal year	-	-
Uses	-	-
TFM provision	8	-
Financial charges	-	-
Actualization	(1)	-
Total directors' benefits	**7**	**-**

The actuarial valuation of the Termination Benefit is carried out on the basis of the "accrued benefits" methodology using the "*Projected Unit* Credit" (PUC) criterion as provided in paragraphs 67-69 of IAS 19.

The main assumptions made for the actuarial estimation process are given below:

Economic recruitment	June 30, 2022
Annual discount rate	1.76%
Annual compensation revaluation rate	0,00%

Demographic assumptions	June 30, 2022
Death	RG48 mortality tables published by the State General Accounting Office.
Inability	INPS tables separated by age and sex
Retirement	100% upon achievement of AGO requirements
Frequency of termination	0,00%

22. Current and non-current financial liabilities

The following table shows the changes during the period ended June 30, 2022 and December 31, 2021 in current and non-current financial liabilities:

Figures in thousands of Euros	Amount
Financial liabilities as of January 01, 2021	**5.723**
Funding ignitions	-
Financial liability from hedging derivatives	6
Liabilities for interest on loans	7
Capital repayments	(1.074)
Foreign exchange effect	(11)
Financial liabilities as of December 31, 2021	**4.651**
Funding ignitions	
Financial liability from hedging derivatives	139
Liabilities for interest on loans	(1)
Capital repayments	(627)
Foreign exchange effect	-
Financial liabilities as of June 30, 2022	**4.162**
Of which current	
Of which non-current	

Figures in thousands of Euros	June 30	December 31

	2022	2021
Current financial liabilities	853	1.064
Non-current financial liabilities	3.309	3.587
Total financial liabilities	**4.162**	**4.651**

Financial liabilities consist of two medium-long term loans taken out with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), amounting to 3,987 thousand euros as of June 30, 2022, and 4,651 thousand euros as of December 31, 2021. The decrease compared to December 31, 2021 refers to the repayment of the principal amounts made during the first half of 2022.

It should be noted that, the two loans were entered into on January 5, 2021, for a total amount of 5,000 thousand euros and are composed as follows:

(i) loan in the amount of 2,350 thousand euros, maturing on January 7, 2027, with a floating rate equal to the three-month EURIBOR rate plus a spread of 1.15 percent;

(ii) loan in the amount of 2,650 thousand euros, maturing on April 7, 2024, with a floating rate equal to the three-month EURIBOR rate plus a spread of 1.15%.

Both loans are 90% guaranteed by Medio Credito Centrale, taking advantage of the facilities put in place by Decree-Law No. 23 of April 8, 2020, converted with amendments by Law No. 40 of June 5, 2020, as amended and supplemented (so-called Liquidity Decree).

The outstanding loans require compliance with certain financial and commercial parameters ("*covenants*"). The commercial *covenants* are verified as of the consolidated financial statements for the year ending December 31, 2021 while the financial covenants are verified as of the consolidated financial statements for the year ending December 31, 2022 and require compliance with the following ratios:

-ratio of net financial debt to EBITDA of 2 or less;

-equity of 50 million euros or more.

Failure to comply with the *covenants* described above will not result in early repayment of the loans, but will result in an increase in the spread component of the interest rate, which will be increased by an additional 0.50 percent.

As of June 30, the Company does not foresee any critical issues in complying with the *covenants* described above.

It should also be noted that these loans were taken out in order to finance, in part, the project to expand the Rosia (Siena) site, which involves the construction of a new biotechnology "GMP" plant intended for the production of drugs for trade and additional to the Montarioso (Siena) site, with a total value of approximately 12 million euros, financed in part with the Company's liquidity and in part through the two loans mentioned in the previous points.

The remaining balance consists of payables given by the market-to-market valuation of the interest-hedging derivative on the Banca Intesa S.p.A. loans described above, accrued interest as of June 30, 2022 also on these loans, and payables to credit institutions for debit balances on corporate credit cards.

23. Trade payables

Trade payables to suppliers amounting to 6,394 thousand euros as of June 30, 2022 (5,826 thousand euros as of December 31, 2021) are mainly attributable to payables to clinical centers at which the Group conducts clinical trials and the remainder to other suppliers of services and consumables.

Trade payables	6.394	5.826
Total trade payables	**6.394**	**5.826**

Breakdown of payables by geographic area

Figures in thousands of Euros	Geographical area	
	June 30 2022	December 31 2021
Italy	3.550	3.066
European Union	1.788	1.692
Extra European Union (USA)	432	284
Extra European Union (other)	623	784
Total trade payables	**6.394**	**5.826**

24. Other current liabilities

The Group's other current liabilities for the period ended June 30, 2022 and December 31, 2021 are detailed below:

Figures in thousands of Euros	June 30 2022	December 31 2021
Payables to social security institutions	467	452
Accrued expenses and deferred income	2.264	244
Other debts	1.325	894
Other current liabilities	**4.056**	**1.590**

Amounts due to social security institutions express the amount due to INPS and INAIL for withholdings to be paid and amounted to 467 thousand euros as of June 30, 2022 and were substantially unchanged from the year ended December 31, 2021.

The increase in accrued expenses and deferred income in the period ended June 30, 2022 is attributable in the amount of Euro 2,040 thousand to the Industry 4.0 tax credit due to its method of accounting on an accrual basis. Specifically, the total receivable amounted to Euro 2,155 thousand totally inset among tax receivables (refer to Note No. 16), while the portion of the grant follows the duration of the 'depreciation of the assets subject to the facility and in the period ended June 30, 2022 amounted to Euro 115 thousand (refer to Note No. 5).

The remaining part, amounting to 1,325 thousand euros as of June 30, 2022, mainly refers to:

- Payables to employees for outstanding salaries amounting to 1,128 thousand Euro;

- Other payables of various kinds amounting to 197 thousand Euro.

More information

25. Share-based payment incentive plan

On May 31, 2021, the Company's Ordinary Shareholders' Meeting approved an incentive plan pursuant to Article 114-bis of the TUF called the "Stock Grant Plan 2024-2026" (hereinafter also the "Plan") for the Group's employees, and granted the Board of Directors all necessary and appropriate powers to implement it.

To service the said Plan, the Shareholders' Meeting also resolved to increase the share capital free of charge in divisible form, pursuant to Article 2349 of the Italian Civil Code, to be carried out by the deadline of December 31, 2026, for a maximum amount of 123.974 thousand, to be charged in full to share capital, and to set up for the same amount, a special reserve, taking it from the retained earnings reserve, called "Restricted earnings reserve capital increase to service the 2024-2026 Stock Grant Plan," which will remain restricted to service the free share capital increase until the final subscription deadline.

On September 28, 2021, the Company's Board of Directors, upon the proposal of the Nomination and Remuneration Committee, approved the regulations of the aforementioned Plan and implemented it, identifying the beneficiaries, from

among the Group's personnel, defining the *performance objectives* and related targets, and assigning a total of 145,000 *Units*, relative to the first cycle 2021-2024.

Summary of the regulation

The Plan is divided into three cycles (2021, 2022 and 2023) each having a three-year duration that provide:

- The allocation to beneficiaries of a certain number of *Units* (free of charge);
- The setting, at the assignment stage, of *performance* goals;
- A three-year *performance* period;
- The awarding of shares to recipients, subject to the achievement of *performance* targets achieved in the three-year period.

The purpose of the Plan is to grant a maximum of 877,286 Units that entitle beneficiaries to receive a maximum of 877,286 shares free of charge, corresponding to approximately 3 percent of the current share capital, with reference to ordinary shares only. The recipients receive the shares following the allocation decided by the Board of Directors at the end of the *performance* period for each of the cycles of the Plan.

At the end of each *Performance* Period, the Board of Directors will evaluate whether the gate, if any, has been passed and whether the *performance* targets have been met, and will determine the number of shares to be granted to each beneficiary. Specifically, the Board of Directors, after ascertaining, the passing of the gate, if any, will evaluate the following:

a) Achievement of corporate objectives: for each Plan Cycle, the award of shares is subject to the condition that all or part of the corporate objectives related to the Company's performance and/or stock performance that will be identified by the Board of Directors for each beneficiary are achieved. The Board of Directors, in consultation with the Nominating and Compensation Committee, shall review the achievement of the corporate objectives at the end of the *performance* period of each Plan Cycle;

b) achievement of individual objectives: in addition to the Company's objectives, the Board of Directors, having consulted with the Appointments and Remuneration Committee, has drawn up individual objectives for the individual Beneficiaries of the Plan on the basis of criteria mainly oriented: (i) to the development of the projects in which the individual Beneficiary is involved; (ii) to the achievement of the results of such projects in accordance with the methods and timeframes set by the Company and/or the Group; (iii) to obtaining authorizations from the competent authorities in the biotechnology sector for the commercialization of the products developed by the Company and/or the Group; and (iv) to the conclusion of commercial agreements with leading companies in the research and development sector in which the Company operates. The Board of Directors. after consultation with the Nomination and Remuneration Committee, verifies the achievement of individual goals at the end of the *performance* period of each Plan Cycle.

(c) existence of the employment relationship between the Company or subsidiary and the beneficiary on the date the shares are granted.

Individual *performance* goals will be measured with reference to the specific three-year span of each Cycle, starting from the relevant date of assignment.

The Plan will end on the day coinciding with the grant date of the shares related to the third Cycle.

More information about the Plan is outlined in the information document available and accessible on the Company's website at (http://www.philogen.com/).

Evaluation criteria

The valuation of the first Cycle of the Plan (2021-2024) was made reflecting the financial market conditions valid on the grant date (September 28, 2021).

The evaluation was carried out by considering separately the two *performance* targets, corporate and personal, assigned to each beneficiary. Specifically, the corporate *performance* component (c. d. *market based*) related to the attainment of the gate and target of the Company's stock was estimated using stochastic simulation with the Monte Carlo Method, which,

on the basis of appropriate assumptions, which allowed for the definition of a substantial number of alternative scenarios over the time frame considered.

With regard to individual *performance* goals, based on various achievement assumptions, a probability of success estimated by the Company itself has been defined.

For each option, the expected dividend rate, annual probability of exit (representing an average value for previous years) were taken into account.

Specifically, the following data were used in the valuation of *fair values* at the date of assignment:

Number of rights	Date of assignment	Due date	Course on the date of evaluation	Annual volatility	Dividend rate	Exit rate
145.000	September 28, 2021	September 30, 2024	13,340	30%	0%	14%

Overall evaluation results

As of June 30, 2022, the value of the Plan was *ressetted as a result of* the departure of two Group employees who were beneficiaries of the plan on the date of the first valuation. The total *fair value* decreased from 250 thousand euros, as of December 31, 2021, to 226 thousand euros. The portion pertaining to the period ended June 30, 2022 is €23 thousand related to Philochem AG and €15 thousand related to Philogen S.p.A.

26. Commitments

It should be noted that as of both June 30, 2022 and December 31, 2021, there are no commitments not reflected in the statement of financial position.

27. Disclosure of financial risks

In the area of business risks, the main risks identified, monitored and, to the extent specified below, actively managed by the Group are as follows:

Credit Risk

Credit risk is the risk that a customer or one of the counterparties to a financial instrument will cause a financial loss by failing to fulfill a contractual obligation and arises mainly from the Group's trade receivables and debt securities.

The book value of financial assets and contract assets represents the Group's maximum exposure to credit risk.

The Group's exposure to credit risk depends mainly on the specific characteristics of each customer.

However, management also considers variables typical of the Group's customer portfolio, including the insolvency risk of the industry and country in which the customers operate. Assets under contract have as their counterparts primary pharmaceutical and multinational companies characterized by a low risk profile.

Liquidity risk

This is the risk that the Group will have difficulty meeting obligations associated with financial liabilities settled in cash or through another financial asset. The Group's approach to liquidity management is to ensure that there are always, as far as possible, sufficient funds to meet its obligations as they fall due, whether under normal or strained financial conditions, without incurring excessive charges or risking damage to its reputation.

The Group ensures that there are cash on demand and other securities in excess of the expected cash outflows for financial liabilities (other than trade payables). In addition, the Group regularly monitors the level of expected cash inflows from trade and other receivables, as well as outflows related to trade and other payables.

The following is the maturity analysis for trade receivables and payables and financial liabilities as of June 30, 2022:

Figures in thousands of Euros	June 30, 2022				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Liabilities for leasing	199	603	3.351	7.911	12.064
Financial liabilities	235	618	3.309	-	4.162
Trade payables	6.394	-	-	-	6.394
Total	**6.828**	**1.221**	**6.660**	**7.911**	**22.619**

Figures in thousands of Euros	June 30, 2022				
	Within 90 days	90 days to 1 year	1 to 5 years	Over 5 years	Total
Trade receivables	1.249	-	-	-	1.249
Total	**1.249**	**-**	**-**	**-**	**1.249**

In addition, the Group holds a portfolio of financial investments totaling €86,874 thousand as of June 30, 2022 that is readily liquid and can be used to meet any liquidity needs.

Market risk

Market risk is the risk that the *fair value* or future cash flows of a financial instrument will fluctuate as a result of changes in market prices, due to changes in exchange rates, interest rates, or equity prices. The objective of market risk management is to manage and control the Group's exposure to this risk within acceptable levels while optimizing investment returns.

Foreign exchange risk

The Group is exposed to foreign exchange risk when sales, purchases, receivables and loans are denominated in a currency other than the Group's functional currency.

Manufacturing activities are limited to Italy and Switzerland and therefore the Group is exposed to fluctuations between the euro and the Swiss franc. The reporting currency is the euro, Philogen is subject to foreign exchange risk arising from the translation of the financial statements of the Swiss subsidiary Philochem AG, affecting consolidated net income and consolidated shareholders' equity (translation risk).

In the year ended December 31, the Group realized revenues from contracts with customers in foreign currencies and, mainly in U.S. dollars. Revenues denominated in U.S. Dollars for the year ended December 31, 2021 accounted for 91 percent of total revenues from contracts with customers. Therefore, an unfavorable trend in the value of the U.S. dollar against other currencies could have adversely affected the business and financial situation, while in the period ended June 30, 2022 approximately 92% from revenues in Euros. The following is a breakdown of revenues with customers by currency for the period ended June 30, 2022 and June 30, 2021:

Figures in thousands of Euros	Period ended June 30			
	2022	%	2021	%
U.S. dollar (USD)	727	4%	1.402	91%
Euro (EUR)	16.686	92%	112	7%
Swiss Franc (CHF)	672	4%	34	2%
Total revenue from contracts with customers	**18.085**	**100%**	**1.548**	**100%**

The following is an absolute value sensitivity analysis on revenues from contracts with customers resulting from a 1% change in the exchange rate of the currencies listed above for the periods ended June 30, 2022 and 2021:

Figures in thousands of euros in absolute value	Period ended June 30	
	2022	2021
U.S. dollar (USD)	7	14
Euro (EUR)	167	1
Swiss Franc (CHF)	7	-
Total effect on revenue from contracts with customers	**181**	**15**

The Group also incurs operating costs in foreign currencies, and, mainly, in U.S. Dollars and Swiss Francs. The following is a breakdown of operating costs by currency for the period ended June 30, 2022 and June 30, 2021:

Figures in thousands of Euros	Period ended June 30			
	2022	%	2021	%
U.S. dollar (USD)	500	4%	278	3%
Euro (EUR)	9.131	74%	7.768	72%
Pounds Sterling (GPB)	14	-	15	-
UAE Dirham (AED)	-	-	-	-
Polish Zloty (PLN)	4	-	1	-
Swiss Franc (CHF)	2.729	22%	2.750	25%
Total operating costs	**12.379**	**100%**	**10.812**	**100%**

The following is an absolute value sensitivity analysis on operating costs resulting from a 1% change in the exchange rate of the currencies listed above for the periods ended June 30, 2022 and 2021:

Figures in thousands of euros in absolute value	Period ended June 30	
	2022	2021
U.S. dollar (USD)	5	3
Euro (EUR)	91	78
Pounds Sterling (GPB)	-	-
UAE Dirham (AED)	-	-
Polish Zloty (PLN)	-	-
Swiss Franc (CHF)	27	28
Total effect on operating costs	**123**	**109**

The Group does not adopt exchange rate hedging instruments.

The following table summarizes the quantitative data of the exposure of the Group's financial assets to foreign exchange risk:

Figures in thousands of Euros	June 30, 2022	June 30 2021
EUR	84.856	89.806
GBP	-	-
RUB	-	-
USD	2.017	1.930
TRY	-	-
Total Current Financial Assets	**86.874**	**91.736**

Financial investment risk management

Following careful financial planning, the Parent Company invested the portion of cash in excess of ordinary cash needs in current financial assets. The choice of investments was made on the basis of monitoring and consultations with the study office of the securities' depository banks. Constant information regarding the solvency of issuers, country risk, as well as market variables are made available to the company in order to put in place prompt corrective actions.

Based on the logic described in Note No. 17 "Other Current Financial Assets," to which reference is made for more details, the Group adopted an HTCS business model. Failure to pass the SPPI Test, resulted in its evaluation at FVTPL. The Group adopted an "*Other"* business model for the bond segment of its portfolio, resulting in its valuation at FVTPL.

Country risk management

The Group does not operate with countries that are economically, politically or socially unstable. By virtue of the ESMA recommendations, published on March 14, 2022, the Company despite not having relations with Russia and Ukraine, continues to monitor the impact on financial markets of the War in Ukraine and the sanctions adopted against Russia. More details on this can be found in Section 7 of the Interim Management Report.

28. Disclosure of financial instruments

Categories of financial assets and liabilities

The following tables provide a breakdown of financial assets and liabilities by category, in accordance with IFRS 9, as of June 30, 2022 and December 31, 2021.

Figures in thousands of Euros	June 30 2022	December 31 2021
Financial assets:		
Financial assets measured at amortized cost		
Trade receivables	1.249	688
Current financial assets	-	-
Cash and cash equivalents	11.466	8.880
Other current assets	1.558	653
Financial assets measured at *fair value*		
Current financial assets	86.874	92.797
Non-current financial assets	-	-
Total financial assets	**101.147**	**103.018**
Financial liabilities measured at amortized cost		
Non-current financial liabilities	3.309	3.587
Non-current lease liabilities	11.262	11.099
Current financial liabilities	853	1.064
Current lease liabilities	802	743
Trade payables	6.394	5.826
Other current liabilities	4.056	1.590
Total financial liabilities	**26.676**	**23.909**

Given the nature of short-term financial assets and liabilities, for most of these items the carrying value is considered a reasonable approximation to *fair value*.

Non-current financial liabilities and assets are settled or valued at market rates, so their *fair value is* believed to be substantially in line with current book values.

Fair value disclosure

In relation to assets and liabilities recognized in the statement of financial position and measured at *fair value*, IFRS 13 requires that these values be classified based on a hierarchy of levels, reflecting the significance of the inputs used in determining *fair value*.

The following tables summarize the financial assets and liabilities measured at *fair value*, broken down on the basis of the levels provided in the hierarchy:

Figures in thousands of Euros	December 31, 2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* recognized In the profit (loss) for the year	9.983	82.815	-	**92.797**
Total assets measured at *fair value*	**9.983**	**82.815**	**-**	**92.797**

Figures in thousands of Euros	June 30, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* recognized In the profit (loss) for the period	6.763	80.111	-	**86.874**
Total assets measured at *fair value*	**6.763**	**80.111**	-	**86.874**

Financial assets related to level 1 of the *fair value* hierarchy refer to portfolio securities related to bonds, equities and units of investment funds listed on regulated markets. Please refer to Note No. 17 for more details.

Level 2 of the *fair value* hierarchy includes current financial assets measured at *fair value* recognized in profit (loss) for the period in accordance with IFRS 9, consisting of insurance investment products held by the Group for the purpose of investing excess cash (see Note 17 for more details on the nature of these assets).

These investments represent financial assets managed by insurance companies and are valued, as of the balance sheet date, on the basis of the NAV (*Net Asset Value*) reported by insurance companies, representative of the settlement value of policies as of the balance sheet date.

There were no transfers between different levels of the *fair value* hierarchy during the periods under consideration.

29. Related parties

On May 12, 2022, the Board of Directors of the Parent Company reviewed the contents of the "Procedure for Related Party Transactions," which was previously approved on April 27, 2021, and approved a new version of the said procedure, pursuant to Article 2391-bis of the Civil Code and the Related Party Regulations, after receiving the favorable opinion of the Independent Directors who expressed their opinion on May 11, 2022 (for more details on the related party procedure, please refer to Section 8 of the Interim Management Report).

This document is available on the Company's website at (http://www.philogen.com/).

Total related party transactions are summarized below.

Period ended June 30, 2022

Figures in thousands of euros	Related part						
	Rendo Ltd.	Rendo AG	Strategic executives	Directors and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on budget item
Statement of financial position							
Activities by right of use	6.856	3.181	-	-	-	**10.037**	99%
Other current assets	526	-	-	-	-	**526**	34%
Financial liabilities for current leases	503	254	-	-	-	**757**	94%
Financial liabilities for non-current leases	6.535	4.628	-	-	-	**11.164**	99%
Accounts payable to corporate bodies(*)	-	-	-	15	29	**44**	1%
Other current liabilities	-	-	74	46	29	**120**	3%
Profit and loss account							
Depreciation	274	100	-	-	-	**375**	30%
Costs for services	-	-	-	671	32	**703**	15%
Personnel costs	-	-	300	-	-	**300**	6%
Financial charges	96	74	-	-	-	**171**	4%

(*)In the financial statement schedules of accounts payable to corporate bodies are included under "Trade payables."

Period ended December 31, 2021

Figures in thousands of euros	Related part						
	Rendo Ltd.	Rendo AG	Strategic executives	Directors and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on budget item
Statement of financial position							
Activities by right of use	6.803	3.167	-	-	-	**9.970**	100%
Financial liabilities for current leases	472	241	-	-	-	**713**	96%
Financial liabilities for non-current leases	6.459	4.586	-	-	-	**11.045**	100%
Accounts payable to corporate bodies(*)	-	-	-	15	63	**78**	1%
Other current liabilities	-	-	41	-	-	**41**	2%

(*)In the financial statement schedules of accounts payable to corporate bodies are included under "Trade payables."

Period ended June 30, 2021

Figures in thousands of euros	Related part						
	Rendo Ltd.	Rendo AG	Strategic executives	Directors and Endoconsiliar Bodies	Board of Auditors	Total	Inc. % on budget item
Profit and loss account							
Depreciation	273	95	-	-	-	**368**	49%
Costs for services	-	-	-	488	29	**516**	11%
Personnel costs	-	-	305	-	-	**305**	7%
Financial charges	99	74	-	-	-	**173**	21%

The related party transactions outlined above do not qualify as either atypical or unusual, as they are part of the normal course of business of Group companies and are settled at arm's length.

Compensation to directors, strategic managers, auditors, other endoconsiliar bodies, and scientific committee

In relation to relations with Directors, Statutory Auditors and the Scientific Committee of Group companies, these are limited to the payment of emoluments and remuneration as shown in the following tables:

i) Board of Directors

Figures in thousands of euros	June 30, 2022	June 30 2021
Duccio Neri - Executive Chairman	150	150
Dario Neri - CEO	75	75
John Neri - Managing Director	45	45
Sergio Gianfranco Luigi Maria Dompé - Councilor	15	15
Roberto Marsella - Councilor	11	16
Nathalie Francesca Maria Dompé - Councilor	15	15
Leopoldo Zambeletti Pedrotti	15	15
Roberto Ferraresi	16	16
Guido Guidi	16	16
Marta Bavasso (*)	15	10
Maria Giovanna Calloni	5	-
Other Administrators (**)	53	50
Total compensation	**431**	**422**
Monetary incentive plan (***)	76	38
Severance pay (****)	130	-
Total	**636**	**460**

(*) Lead independent director.

(**) The item Other directors includes compensation related to the board of directors of the subsidiary company (Philochem)

(***) As of June 30, 2022, the cost for the MBO Plan provided for executive directors (section 4.5 of the management report) includes the last installment related to MBO 2021 and the provision of three-twelfths of the MBO 2022 plan provided for executive directors.

(****) Severance pay (TFM) includes the portion of TFM paid for the outgoing executive directors (end of term with the approval of the financial statements as of December 31, 2021) and the TFM set aside related to the new position given to the executive directors (appointed by the Shareholders' Meeting on April 27, 2022). Please refer to section 4.5 of the interim management report.

ii) Strategic executives

Figures in thousands of euros	June 30, 2022	June 30 2021
Duccio Neri	46	46
Dario Neri	158	162
Giovanni Neri	96	97
Compensation Strategic executives	**300**	**305**

As per the resolution of the Board of Directors on Dec. 16, 2020, the three executive members of the Board of Directors were appointed as strategic executives, effective Jan. 1, 2021, under the reorganization of corporate governance following the listing process.

iii) Board of Auditors

Figures in thousands of euros	June 30, 2022	June 30 2021
Stefano Mecacci - President	14	14
Pierluigi Matteoni - Statutory Auditor	9	9
Alessandra Pinzuti - Statutory Auditor	9	6
Remuneration Board of Auditors	**32**	**29**

(*) Acting auditor until March 2021.

iv) Endoconsiliar organs

Figures in thousands of euros	June 30, 2022	June 30 2021
Marta Bavasso	15	10
Roberto Marsella	7	7
Leopoldo Zambeletti Pedrotti	3	3
Roberto Ferraresi	7	3
Maria Giovanna Calloni	3	-
Endoconsiliar Committees Compensation.	**35**	**23**

Audit, Risk and Sustainability Committee: Marta Bavasso (Chair), Marai Giovanna Calloni and Roberto Ferraresi. This committee also serves as the Related Party Transactions Committee.

Remuneration and Appointments Committee: Marta Bavasso (Chair), Roberto Ferraresi, Marai Giovanna Calloni.

v) Scientific Committee: the Scientific Committee is chaired by Prof. Dario Neri, and consists of a total of three members, in addition to the Chairman. The Committee may avail itself of the collaboration of external consultants, chosen from prominent members of the scientific community and experienced professionals. The other members of the Scientific Committee are Administrator Guido Guidi and Wofgang Berdel and Cornelia Halin Winter, who collaborate with the Group in an advisory capacity because of their experience in scientific fields related to the Group's research area.

Accounting principles

30. Evaluation criteria

These condensed interim consolidated financial statements have been prepared using the historical cost convention, except for financial instruments, which are measured at *fair value at* each reporting date.

These condensed interim consolidated financial statements have also been prepared on the going concern assumption. The Directors' assessment of this assumption takes into consideration the Group's current development strategies, the Group's capital and financial strength, and the possibility of reviewing the timing and structure of its development strategy as well as its ability to raise the financial resources necessary to continue its operations, including by licensing some of its proprietary products to third parties through *outlicensing* agreements.

31. Main accounting principles

Drafting criteria

The condensed interim consolidated financial statements have been prepared in accordance with the international accounting standard concerning interim reporting (IAS 34 Interim Financial Reporting). All prospectuses comply with the minimum content required by international accounting standards and applicable provisions set forth by the national legislature and Consob. The statements used are considered adequate for the purpose of giving a fair (*fair)* representation of the Group's financial position, financial performance and cash flows; in particular, the income statements reclassified by nature are considered to provide reliable and relevant information for the purpose of giving a fair representation of the Group's economic performance. The schedules that make up the Financial Statements are as follows:

Consolidated statement of financial position

The presentation of the statement is done through the separate disclosure of current and non-current assets and current and non-current liabilities with a description in the notes for each asset and liability item of the amounts expected to be settled or recovered within or beyond 12 months after the balance sheet date.

An asset/liability is classified as current when it meets one of the following criteria:

- expected to be realized/extinguished or expected to be sold or used in the Group's normal operating cycle;
- Is owned primarily to be traded;
- is expected to be realized/extinguished within 12 months after the balance sheet date.

In the absence of all three conditions, assets/liabilities are classified as non-current.

Consolidated statement of income

The classification of costs is by nature, highlighting intermediate results related to operating income and income before tax.

Consolidated statement of comprehensive income

The statement includes components that constitute the result for the period and income and expenses recognized directly in equity for transactions other than those entered into with shareholders.

Statement of changes in consolidated shareholders' equity

The statement shows the changes in equity items related to:

- Allocation of the profit for the period of the parent company and subsidiaries to minority shareholders;
- amount related to shareholder transactions (purchase and sale of own shares);
- each item of profit and loss net of any tax effects, which, as required by IFRS are alternatively charged directly to equity (gains or losses from buying and selling treasury shares, actuarial gains and losses generated by valuation of defined benefit plans), or have a balancing entry in an equity reserve (share-based payments for incentive plans);
- Changes in valuation reserves of derivative instruments hedging future cash flows, net of any tax effect.

Consolidated Statement of Cash Flows

The Statement of Cash Flows is presented using the indirect method, whereby net income is adjusted for the effects of transactions of a non-cash nature, any deferrals or accruals of prior or future operating cash receipts or payments, and items of income or expense associated with cash flows from investing or financing activities.

Income and expenses related to interest, dividends received, and income taxes are included in flows based on the type of underlying transaction that generated them.

Cash and cash equivalents included in the cash flow statement include the balance sheet balances of this item as of the reporting date. Cash flows in foreign currencies have been translated at the average exchange rate for the period.

Consolidation criteria

The consolidated financial statements of the Philogen Group include the period financial statements of Philogen S.p.A. and those of its subsidiary Philochem AG, a company under Swiss law in which the Parent Company has control pursuant to Article 26 of Legislative Decree 127/91. Summaries of the Group companies and consolidation methods are provided below:

Company name	Registered office	% of control	Currency	Consolidation method
Philogen S.p.A.	Siena - Italy	Group leader	EUR	Integral
Philochem AG	Zurich - Switzerland	99,998%	CHF	Integral

Subsidiaries are those entities in which the Group has control, i.e., when the Group is exposed to variable returns from its relationship with the entity, or has rights to those returns, while having the ability to influence them by exercising its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the time when the parent company begins to exercise control until the date when such control ceases.

These financial statements are appropriately reclassified and adjusted in order to bring them in line with the parent company's accounting principles and valuation criteria where there are significant differences. All Group companies close their financial year on December 31.

The book value of equity investments in companies included in the consolidation is eliminated against the corresponding fractions of the equity of the investees by assigning to the individual assets and liabilities their current value on the date of acquisition. Any residual difference, if positive, is entered under non-current assets and residually under goodwill; if negative, it is charged to the income statement.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions between partners in their capacity as partners.

When preparing consolidated financial statements, balances of intercompany transactions as well as unrealized intercompany revenues and expenses are eliminated. Unsupported losses are eliminated in the same way as unrealized gains, to the extent that there are no indicators that would give evidence of impairment.

Foreign currency

Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each Group entity at the exchange rate prevailing on the date of the transaction.

Monetary items that are denominated in a foreign currency at the end of the period are translated into the functional currency using the exchange rate on the same date. Non-monetary items that are measured at *fair value* in a foreign currency are translated into the functional currency using the exchange rates in effect on the date the *fair value* was determined. Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate on the same date of the transaction. Exchange differences arising from translation are generally recognized in net income/(loss) for the period within finance costs.

Foreign management

Assets and liabilities of foreign operations, including goodwill and *fair value* adjustments arising from the acquisition, are translated into euros using the exchange rate recognized at the period end date. Revenues and expenses of foreign operations are translated into Euro using the exchange rate in effect on the date of the transactions. Exchange rate differences are recognized in other comprehensive income and included in the translation reserve, except for exchange rate differences that are attributed to minority interests. When the Group disposes of an investment in a foreign operation, in whole or in part, such that it loses control, significant influence or joint control over it, the amount accumulated in the translation reserve relating to that foreign operation is reclassified to net income/(loss) for the period as an adjustment to the gain or loss on disposal.

The exchange rates used as of June 30, 2022 and December 31, 2021 for conversions of income statement and balance sheet items in foreign currencies are summarized in the following table and refer to the subsidiary Philochem:

Exchange rates (CHF/EUR)	2022	2021
Spot exchange rate as of December 31 (for conversion of assets and liabilities)	0,9960	1,0331
Average change for the year (by converting costs and revenues)	1,0320	1,0814

Revenues from contracts with customers

Revenues are measured taking into account the consideration specified in the contract with the customer. The Group recognizes revenue when it transfers control of goods or services.

IFRS 15 "*Revenue from* contracts with customers" defines the criteria for recognizing and measuring revenue from contracts with customers. In general, IFRS 15 requires the recognition of revenue in an amount that reflects the consideration to which the entity believes it is entitled in exchange for the transfer of goods or services to the customer. Specifically, IFRS 15 requires revenue recognition to be based on the following 5 steps:

(i) Customer contract identification;

(ii) identification of *performance obligations* (i.e., contractual promises to transfer goods and/or services to a customer;

(iii) determination of the transaction price;

(iv) allocation of the transaction price to the identified *performance obligations* based on the stand-alone selling price of each good or service;

(v) Revenue recognition when the relevant *performance obligation* is met.

The Group's revenues are mainly derived from licensing agreements and contracts to perform research and development services commissioned by customers.

Regarding contracts involving the granting of licensing rights to the Group's intellectual property, firstly it is analyzed whether the granting of licensing right is distinguishable from other *performance obligations*. The Group recognizes distinct performance obligations when:

- the client can benefit from the good/service either alone or in combination with other resources that are readily available;
- the promise to transfer a good or service is identifiable separately from other promises in the contract.

If it is found that the grant of licensing right is not distinguishable from the promise to transfer other goods or services, the Group accounts for the promise to grant a license and the other promised goods or services as a single obligation to do.

If, on the other hand, it is found that the granting of the license right is distinct from the promise to transfer other goods or services, the Group analyzes whether the customer obtains an access right or a right to use the intellectual property. The customer has a right of access to the Company's intellectual property if all of the following conditions are met:

- The contract requires, or the client expects, the Group to put in place activities that have significant impacts on intellectual property;

- Such activities at the time they are performed do not transfer distinct goods/services to the customer;

- Rights under the license expose the client to positive/negative effects for the Group's activities with reference to intellectual property.

If the granting of the license right confers a right of access to the intellectual property, revenues are recognized *over* the term of that right ("*over time*"). Conversely, if the license is in the form of a right to use the intellectual property, the related revenues are recognized at the time when that right is granted ("*at a point in time*").

The following is a summary outline of the main fees and related payment terms covered by the Group's license agreements:

Type of consideration	Accounting Recognition
Up-front Fees	They represent consideration received in advance at the conclusion of the contract. If referring to the granting of license fees, they are recognized: — *at point in time*, in case they take the form of intellectual property use rights; — *over time*, in case they take the form of intellectual property access rights. If specific goods/services transferred to the customer are not identified when the *up-front fee is* collected, this collection represents an advance and is recognized as revenue in the future when *performance obligations* are met ("*over time*"). The Group issues an invoice for the *up-front fee* at the same time as entering into the contract. This invoice is usually due in 30 days. The payment terms do not include commercial discounts.
Commercial Options (so-called "*Commercial Option Fees*")	If the license right is separable from other obligations to do, they are recognized as intellectual property use rights and the related revenue is recognized *at a point in time* when such license right is granted. If the license right is not separable from the other obligations to do, such collection represents an advance and is recognized as revenue in the future when the *performance obligations* are met ("*over time*"). The Group issues an invoice for the *commercial option fee* at the same time that the customer notifies the Group of the desire to exercise said option. Such an invoice is usually due in 30 days. The payment terms do not include commercial discounts.
Milestones	They represent variable payments contingent on the achievement of certain significant goals in product development (e.g., the start of Phase III clinical trials). At contract execution, management assesses whether achievement of the *milestones* is highly probable and estimates the amount to be included in the transaction price using the *most probable* value method ("*most likely amount*"). If it is likely that there will be no subsequent significant revenue reversal, the *milestone* value is included in the transaction price. Payments related to events that are not under the Group's control and that typically depend on obligations to do on the part of the counterparty (such as product approval by regulatory authorities or achievement of customer-led research *milestones*), are not considered highly probable until there is certainty that the *milestone* will be achieved (e.g., a communication from the customer or regulatory authorities). At the end of each fiscal year, management reassesses the probability of achieving all *milestones* and, if necessary, adjusts its estimate of the overall transaction price. The Group issues an invoice for the *milestone at* the same time as the customer notifies it of the achievement of the goal/event. This invoice is usually due in 30 days. Payment terms do not include trade discounts.
Royalties (based on sales)	The Group recognizes sales-based royalty revenue only when (or as) the latest of the following events occurs: — The subsequent sale or use; and — The fulfillment (or partial fulfillment) of the obligation to do to which all or part of the sales-based royalty was assigned.

With regard to *other performance obligations* contained in contracts (typically consisting of the performance of research and development services or the sale of GMP products), the Group recognizes the transaction price allocated to these activities as the *performance obligation* is fulfilled ("*over time*") if one of the following criteria is met:

- the customer simultaneously receives and uses the benefits from the service performed by the Group as the Group performs it;
- the performance performed by the Group creates or improves the activity that the customer controls as the activity is created or improved;
- the service does not create an asset that presents an alternative use for the Group, and the Group has the enforceable right to payment for the completed service up to the relevant date.

If not even one of the above criteria is met, the *performance obligation* is considered fulfilled at the time the good or service is transferred and the related revenue is recognized *at a piont in time*.

Public grants

Unrestricted government grants are recognized in profit/(loss) for the period as other income when the government grant becomes receivable. Other asset-related government grants are initially recognized at *fair value* as deferred revenue if there is reasonable certainty that they will be received and that the Group will comply with the conditions attached to their receipt, and are then recognized in profit/(loss) for the period as other income on a systematic basis over the useful life of the asset to which they relate.

Grants that offset costs incurred by the Group are recognized in profit/(loss) for the period on a systematic basis to offset them in the same period against the costs that the grant is intended to offset.

Cost recognition

Costs are recognized when they relate to goods and services purchased or consumed during the period or by systematic allocation on an accrual basis.

Financial income and expenses

Financial income and expenses are recognized on an accrual basis based on the interest earned on the net value of the related financial assets and liabilities using the effective interest rate.

Borrowing costs are accounted for on an accrual basis and recognized in the income statement in the period of accrual.

Financial income is accounted for based on the actual rate of return on an accrual basis.

The Group's financial income and expenses include:

- interest income;
- interest expense;
- dividends received;
- Net gains or losses from financial assets to the FVTPL;
- Foreign exchange gains or losses on financial assets and liabilities;
- Reclassifications of net gains or losses previously recognized in other comprehensive income on cash flow hedges related to interest rate risk and foreign exchange risk for borrowings.

Interest income and expense are recognized in profit/(loss) for the period on an accrual basis using the effective interest method. Dividend income is recognized when the Group's right to receive payment is established.

The 'effective interest rate' is the rate that exactly discounts estimated future payments or receipts over the expected life of the financial asset:

- To the gross book value of the financial asset; or
- At the amortized cost of the financial liability.

When calculating interest income and interest expense, the effective interest rate is applied to the gross book value of the asset (when the asset is not impaired) or the amortized cost of the liability. However, in the case of financial assets that have deteriorated after initial recognition, interest income is calculated by applying the effective interest rate to the amortized cost of the financial asset. If the asset ceases to be impaired, interest income reverts to being calculated on a gross basis.

Taxes

Tax expense for the period includes current and deferred taxes recognized in net income/(loss) for the period, except for those related to business combinations or items recognized directly in equity or other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including accounting treatments to be applied to income taxes of an uncertain nature, are accounted for in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* because they do not meet the definition of income taxes.

i) Current taxes

Current taxes include the estimated amount of income taxes payable or receivable, calculated on taxable income or tax loss for the year as well as any adjustments to taxes from prior years. The amount of taxes payable or receivable, determined on the basis of tax rates in effect or substantially in effect at the end of the reporting period, also includes the best estimate of any portion payable or receivable that is subject to uncertainty factors. Current taxes also include any taxes related to dividends.

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

ii) Deferred taxes

Deferred taxes are recognized with reference to temporary differences between the carrying amounts of assets and liabilities recorded in the financial statements and the corresponding amounts recognized for tax purposes. Deferred taxes are not recognized for:

- temporary differences related to the initial recognition of assets or liabilities in a transaction other than a business combination that affects neither accounting profit (or loss) nor taxable income (or tax loss);
- temporary differences related to investments in subsidiaries, associates and joint ventures to the extent that the Group is able to control the timing of the reversal of temporary differences and it is probable that, in the foreseeable future, the temporary difference will not reverse; and
- Taxable temporary differences related to the initial recognition of goodwill.

Deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that future taxable income will be available against which such assets can be used. Future taxable income is defined on the basis of the reversal of the related deductible temporary differences. If the amount of taxable temporary differences is not sufficient to fully recognize a deferred tax asset, future taxable income, adjusted for the cancellations of outstanding temporary differences, provided for in the business plans of individual Group companies is considered. The value of deferred tax assets is reviewed at each reporting date and is reduced to the extent that it is no longer probable that the related tax benefit will be realized. Such reductions must be restored when the probability of future taxable income increases.

Unrecognized deferred tax assets are reviewed at the end of each reporting period and are recognized to the extent that it has become probable that the Group will earn sufficient taxable profit in the future to utilize them.

Deferred taxes are measured using the tax rates that are expected to be applicable to temporary differences in the year in which they reverse based on tax rates established by measures in effect or substantially in effect at the end of the reporting period and reflect any uncertainties related to income taxes.

The valuation of deferred taxes reflects the tax effects arising from the manner in which the Group expects, as of the reporting date, to recover or settle the carrying value of assets and liabilities. The presumption that the carrying value of investment properties measured at *fair value* will be recovered in full through a sale transaction has not been rebutted.

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

Operating income

Operating income is determined by the Group's continuing revenue-generating operating activities and other income and expenses related to operating activities. Net financial expenses and income taxes are excluded from operating income.

Earnings per share

Basic earnings per share were calculated by considering the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period.

The calculation of diluted earnings per share was made considering the profit attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period taking into account the effects of all dilutive potential ordinary shares. The dilutive effect of potential ordinary shares was calculated based on the *treasury share method* required by IAS 33.

Property, plant and equipment

i) *Survey and evaluation*

An item of property, plant and equipment is valued at cost, including capitalized borrowing costs, less accumulated depreciation and impairment losses.

If an item of property, plant and equipment is composed of several components having different useful lives, these components are accounted for separately (significant components).

The gain or loss generated from the disposal of an item of property, plant and equipment is recognized in profit/(loss) for the year under "Other income" and "Other operating expenses," respectively.

ii) *Subsequent costs*

Subsequent costs are capitalized only when it is probable that the related future economic benefits will flow to the Group.

iii) *Depreciation*

Depreciation of an item of property, plant and equipment is calculated to reduce the cost of that item by a straight-line basis, net of its estimated residual value, over the item's useful life. Depreciation is generally recognized in profit/(loss) for the period under "Depreciation and amortization." Land is not depreciated.

The estimated useful lives of the current period and comparative years are as follows:

Category	*Rate*
Buildings	3%
Plant and machinery	20%
Automatic machinery	20%
Industrial and commercial equipment	15%
Cars	25%
Furniture and furnishings	12%
Leasehold improvements	8%

Depreciation methods, useful lives and residual values are checked at the end of the period and adjusted where necessary.

Intangible assets

i) *Survey and evaluation*

Research *and development:* research expenses are recognized in profit/(loss) in the period in which they are incurred. Development expenses are capitalized only if the cost attributable to the asset during its development can be measured reliably, the product or process is feasible in technical and commercial terms, future economic benefits are probable, and the Group intends and has sufficient resources to complete its development and use or sell the asset. Other development expenses are recognized in profit/(loss) for the period as they are incurred. Capitalized development expenses are recorded at cost less accumulated amortization and any accumulated impairment losses.

If all capitalization requirements are not met, costs incurred by the Group for research and development activities are charged to the income statement in the period in which they are incurred.

Other intangible assets: other intangible assets, patents and licenses that have a finite useful life, are carried at cost less accumulated amortization and any accumulated impairment losses.

ii) Subsequent costs

Costs subsequent to initial recognition are capitalized only when they increase the expected future economic benefits attributable to the asset to which they relate. All other subsequent costs, including those related to goodwill and internally generated trademarks, are charged to income/(loss) in the period in which they are incurred.

iii) Amortization

Amortization is recognized in profit/(loss) for the year on a straight-line basis over the estimated useful life of intangible assets, from when the asset is available for use.

The estimated useful lives of the current period and comparative years are as follows:

Category	Average rate
Patent rights and rights to use intellectual works	5%
Concessions, licenses, trademarks and similar rights	10%

Depreciation methods, useful lives, and residual values are reviewed at each period end and modified as necessary.

Activities by right of use

At the inception of the contract, the Group assesses whether the contract is, or contains, a lease. The contract is, or contains, a lease if, in exchange for consideration, it transfers the right to control the use of an identified asset for a period of time. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in IFRS 16.

At the inception of a contract or upon modification of a contract that contains a lease component, the Group allocates the contract consideration to each lease component on the basis of its stand-alone price.

On the effective date of the lease, the Group recognizes the right-of-use asset and the lease liability. The right-of-use asset is initially measured at cost, including the amount of the initial valuation of the lease liability, adjusted for lease payments due on or before the effective date, increased by the initial direct costs incurred and an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset or restoring the underlying asset or the site where it is located, net of lease incentives received.

The right-of-use asset is depreciated successively on a straight-line basis from the effective date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group at the end of the lease term or, considering the cost of the right-of-use asset, the Group is expected to exercise the purchase option. In such a case, the right-of-use asset will be depreciated over the useful life of the underlying asset, determined on the same basis as that of property and equipment. In addition, the right-of-use asset is regularly decreased by any impairment losses and adjusted to reflect any changes arising from subsequent valuations of the lease liability.

The Group values the lease liability at the present value of unpaid lease payments due on the effective date, discounting them using the lease's implicit interest rate. Where this rate cannot be easily determined, the Group uses the marginal financing rate. Generally, the Group uses the marginal financing rate as the discount rate.

The Group's marginal financing rate is calculated based on the interest rates obtained from various external financing sources by making certain adjustments to reflect the terms of the lease and the type of leased asset.

Lease payments due included in the measurement of the lease liability include:

- fixed payments (including substantially fixed payments);
- Variable lease payments due that depend on an index or rate, initially evaluated using an index or rate on the effective date;
- The amounts expected to be paid as collateral on the residual value; and
- the exercise price of a purchase option that the Group is reasonably certain to exercise, payments due for the lease in an optional renewal period if the Group is reasonably certain to exercise the renewal option, and penalties for early termination of the lease, unless the Group is reasonably certain not to terminate the lease early.

The lease liability is measured at amortized cost using the effective interest method and is remeasured when there is a change in the future lease payments due resulting from a change in the index or rate, when there is a change in the amount the Group expects to have to pay as security on the residual value, or when the Group changes its valuation by reference to whether or not it exercises an option to purchase, extend, or terminate, or when there is a revision in the payments due for the lease that is fixed in substance.

When the lease liability is remeasured, the lessee makes a corresponding change in the right-of-use asset. If the book value of the right-of-use asset is reduced to zero, the lessee recognizes the change in profit/(loss) for the period.

The Group has applied IFRS 16 using the modified retroactive application method as of January 1, 2017.

Short-term leasing and leasing of low-value assets

The Group has decided not to recognize right-of-use assets and lease liabilities related to low-value assets and short-term leases, including computer equipment. The Group recognizes the related lease payments due as an expense on a straight-line basis over the lease term.

Lease back

If an entity transfers a particular asset to another entity and obtains it on leaseback, it must be determined, based on the provisions of IFRS 15, whether the transfer should be accounted for as a sale. In such a case, the lessee-seller must measure the asset consisting of the right of use arising from the leaseback at the percentage of the previous carrying amount of the asset that transfers to the right of use retained by the lessee-seller. Accordingly, the lessee-seller should recognize only the amount of gain or loss that relates to the rights transferred to the lessor-buyer. If the fair *value of the* consideration for the sale of the asset does not equal the *fair value of* the asset, or if the lease payments due are not at market prices, the entity should make the following adjustments to measure the sale proceeds at *fair value*: (i) terms below market prices should be accounted for as an upfront payment of lease payments due, and (ii) terms above market prices should be accounted for as additional financing provided by the lessor-buyer to the lessee-seller.

Real estate investments

Tangible assets held for income and not for operating purposes are classified in a special class called "Investment properties," according to IAS 40, and are accounted for at cost. Assets falling under these classes consist of land and/or buildings (or parts of buildings) held by the owner or lessee under a finance or operating lease for the purpose of leasing them. These types of real estate are classified separately from other real estate held. Investment properties are shown net of related accumulated depreciation and any impairment losses. The useful life of the Group's investment properties is 33 years.

The carrying value of investment properties is reviewed for impairment if events or changes in circumstances indicate that the carrying value cannot be recovered. Impairment losses are recognized in the income statement under depreciation and amortization expense. Such impairment losses are reversed if the reasons for them cease to exist.

Investment properties are derecognized when they are disposed of (i.e., on the date the acquirer obtains control) or when the investment is permanently unusable and no future economic benefits are expected from its disposal. The amount of consideration to be considered in determining the gain or loss from derecognition of an investment property is determined in accordance with the transaction pricing requirements in IFRS 15.

Inventories

Inventories are valued at the lower of purchase or production cost and net realizable value. Purchase cost is defined as the actual purchase price plus ancillary charges. The purchase cost of materials includes, in addition to the price of the material, the costs of transportation, customs, other taxes and other costs directly attributable to that material. Returns, trade discounts, rebates and premiums are deducted from cost. Production cost means all direct costs and indirect costs for the portion reasonably attributable to the product relating to the period of manufacture and up to the time from which the good can be used, considered on the basis of normal production capacity. The realization value that can be inferred from market trends is equal to the estimated selling price of goods and finished products in the normal course of business, net of assumed completion costs and direct selling costs. For the purpose of determining the realizable value inferable

from market trends, the rate of obsolescence and the turnaround time of inventories are taken into account, among other things. The cost of inventories is determined using the weighted average cost method. In the case of inventories of goods produced by the Group, the cost includes a share of overhead expenses determined on the basis of normal production capacity.

Financial instruments

i) *Survey and evaluation*

Trade receivables and debt securities issued are recognized when they are originated. All other financial assets and liabilities are initially recognized on the trade date, which is when the Group becomes a contractual party to the financial instrument.

Except for trade receivables that do not contain a significant financing component, financial assets are initially measured at *fair value* plus or minus, in the case of financial assets or liabilities not measured at FVTPL, the transaction costs directly attributable to the acquisition or issuance of the financial asset. Upon initial recognition, trade receivables that do not have a significant financing component are valued at their transaction price.

ii) *Classification and subsequent evaluation*

Financial assets:

Upon initial recognition, a financial asset is classified according to its measurement: amortized cost; *fair value* recognized in other comprehensive income (FVOCI) - debt security; FVOCI - equity security; or *fair value* recognized in profit/(loss) for the period (FVTPL).

Financial assets are not reclassified after their initial recognition unless the Group changes its business model for managing financial assets. In such a case, all affected financial assets are reclassified on the first day of the first fiscal year following the change in business model.

A financial asset should be measured at amortized cost if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is owned as part of a business model whose objective is the ownership of financial assets aimed at collecting the related contractual cash flows; and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

A financial asset should be assessed at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is owned as part of a business model whose objective is achieved by both the collection of contractual cash flows and the sale of financial assets; and
- the contractual terms of the financial asset provide for cash flows at certain dates represented solely by payments of principal and interest on the amount of principal to be repaid.

Upon initial recognition of an equity security not held for trading purposes, the Group may make an irrevocable election to present subsequent changes in *fair value* in other comprehensive income. This choice is made for each asset.

All financial assets not classified as measured at amortized cost or FVOCI, as indicated above, are measured at FVTPL. This includes all derivative financial instruments. Upon initial recognition, the Group may irrevocably designate the financial asset as measured at *fair value* through profit (loss) for the period if doing so eliminates or significantly reduces an accounting asymmetry that would otherwise result from measuring the financial asset at amortized cost or FVOCI.

Financial activities: business model assessment

With specific reference to the Business Model, IFRS9 identifies three different business models, which in turn reflect the ways in which financial activities are managed:

i. "*Held To Collect*": a business model under which financial assets are held with the objective of realizing contractual cash flows by holding the financial instrument to maturity;
ii. "Held *to Collect and* Sell": a business model that includes financial assets held with the objective of both realizing contractual cash flows over the life of the asset and collecting proceeds from the sale of the asset;
iii. "*Other*": business model includes financial instruments that cannot be classified into the previous categories, mainly represented by financial assets held for the purpose of realizing cash flows through sale (assets held for trading).

Thus, the business model represents how the Group manages its financial assets, that is, how it intends to realize the cash flows from them.

The Group assesses the objective of the business model under which the financial asset is held at the portfolio level as best reflecting how the asset is managed and the information reported to management. Such information includes:

- the stated criteria and objectives of the portfolio and the practical application of those criteria, including, among others, whether management's strategy is based on obtaining interest income from the contract, maintaining a certain interest rate profile, aligning the duration of financial assets with that of related liabilities, or expected cash flows or raising cash flows through the sale of assets;
- how portfolio *performance is* evaluated and how *performance is* reported to the Group's key management personnel;
- the risks that affect the *performance of* the business model (and the financial assets held within the business model) and how those risks are managed;
- The way in which the firm's executives are compensated (for example, whether compensation is based on the *fair value* of assets under management or on contractual cash flows collected); and
- the frequency, value and timing of sales of financial assets in previous years, the reasons for sales, and expectations regarding future sales.

Transfers of financial assets to third parties as part of transactions that do not result in derecognition are not considered sales for business model evaluation purposes, consistent with the Group's retention of such assets on the balance sheet.

Financial assets that meet the definition of financial assets held for trading or whose performance is measured on the basis of *fair value* are measured at FVTPL.

Financial assets: assessment of whether contractual cash flows are represented solely by payments of principal and interest.

For valuation purposes, 'principal' is the *fair value* of the financial asset at initial recognition, while 'interest' is the consideration for the time value of money, for the credit risk associated with the amount of principal to be repaid during a given period of time, and for other basic risks and costs associated with the loan (e.g., liquidity risk and administrative costs), as well as for the profit margin.

In assessing whether the contractual cash flows consist solely of principal and interest payments, the Group considers the contractual terms of the instrument. Therefore, it assesses, among others, whether the financial asset contains a contractual term that changes the timing or amount of contractual cash flows such that the following condition is not met. For evaluation purposes, the Group considers:

- contingent events that would change the timing or amount of cash flows;
- clauses that could adjust the contractual coupon rate, including variable-rate elements;
- elements of prepayment and extension; and
- clauses that limit the Group's demands for cash flows from specific activities (e.g., non-recourse items).

The prepayment element is consistent with the criterion of "cash flows represented solely by payments of principal and interest" when the prepayment amount substantially represents the unpaid amounts of principal and accrued interest on the principal amount to be repaid, which may include reasonable compensation for early termination of the contract. In addition, in the case of a financial asset acquired at a significant premium or discount to the nominal contractual amount, an item that allows or requires a prepayment equal to an amount that substantially represents the nominal contractual amount plus accrued (but unpaid) contractual interest (which may include reasonable compensation for early termination

of the contract) is accounted for in accordance with this criterion if the *fair value* of the prepayment item is not significant upon initial recognition.

Financial assets: subsequent valuation and gains and losses

Financial assets valued at FVTPL	These assets are subsequently measured at *fair value*. Net gains and losses, including dividends or interest received, are recognized in net income/(loss) for the year.
Financial assets measured at amortized cost	These assets are subsequently measured at amortized cost in accordance with the effective interest method. The amortized cost is decreased by impairment losses. Interest income, foreign exchange gains and losses, and impairment losses are recognized in net income/(loss) for the period as are any gains or losses from derecognition.
Debt securities valued at FVOCI	These assets, after passing the SPPI Test, are subsequently measured at *fair value.* Interest income calculated in accordance with the effective interest method, foreign exchange gains and losses, and impairment losses are recognized in net income/(loss) for the year. Other net gains and losses are recognized in other comprehensive income. Upon derecognition, accumulated gains or losses in other comprehensive income are reclassified to net income/(loss) for the period.
Equity securities valued at FVOCI	These assets are subsequently measured at *fair value*. Dividends are recognized in net income/(loss) for the period unless they clearly represent a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to net income/(loss) for the period.

Financial liabilities: classification, subsequent valuation, and gains and losses

Financial liabilities are classified as measured at amortized cost or at FVTPL. A financial liability is classified at FVTPL when it is held for trading, represents a derivative, or is designated as such upon initial recognition. Financial liabilities at FVTPL are measured at *fair value* and any changes, including interest expense, are recognized in profit/(loss) for the period. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains/(losses) are recognized in net income/(loss) for the period, as are any gains or losses from derecognition.

iii) Accounting elimination

Financial assets

Financial assets are derecognized when the contractual rights to the cash flows from them expire, when the contractual rights to receive the cash flows under a transaction in which substantially all risks and rewards of ownership of the financial asset are transferred, or when the Group neither transfers nor retains substantially all risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

The Group is involved in transactions involving the transfer of assets recognized in its statement of financial position, but retains all or substantially all of the risks and rewards of the transferred asset. In such cases, the transferred assets are not derecognized.

Financial liabilities

The Group derecognizes a financial liability when the obligation specified in the contract has been fulfilled or cancelled or has expired. The Group also derecognizes a financial liability when the relevant contractual terms are changed and the cash flows of the changed liability are substantially different. In such a case, a new financial liability is recognized at *fair value* based on the changed contractual terms.

The difference between the book value of the financial liability extinguished and the consideration paid (including assets not represented by cash transferred or liabilities assumed) is recognized in profit/(loss) for the period.

iv) Compensation

Financial assets and liabilities may be offset and the amount resulting from the offset is presented in the statement of financial position if, and only if, the Group currently has the legal right to offset such amounts and intends to settle the balance on a net basis or realize the asset and settle the liability simultaneously.

Impairment losses

i) Financial instruments and assets arising from contracts

The Group recognizes allowances for expected credit losses related to:

- Financial assets measured at amortized cost;
- debt securities valued at FVOCI; and
- Activities arising from contract.

In addition, the Group recognizes among trade and other receivables allowances for expected losses over the life of the receivables implicit in lease contracts.

The Group assesses impairment provisions at an amount equal to the expected losses over the life of the loan, except as noted below, for the following twelve months:

- Debt securities with low credit risk at the balance sheet date; and
- other debt securities and bank accounts whose credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not significantly increased after initial recognition.

Allowances for impairment of trade receivables (including those related to leases) and assets arising from contracts are always valued at an amount equal to the expected losses over the life of the receivable.

To determine whether credit risk relating to a financial asset has increased significantly since initial recognition in order to estimate expected credit losses, the Group considers reasonable and demonstrable information that is relevant and available without undue cost or effort. This includes quantitative and qualitative information and analysis, based on the Group's historical experience, credit assessment as well as information indicative of expected developments ('*forward-looking information*').

Long-lived expected credit losses are the expected credit losses arising from all possible defaults over the expected life of a financial instrument.

Expected credit losses at 12 months are expected credit losses arising from possible defaults within 12 months of the reporting date (or within a shorter period if the expected life of a financial instrument is less than 12 months).

The maximum period to be considered in assessing expected credit losses is the maximum contractual period during which the Group is exposed to credit risk.

Evaluation of expected credit losses

Expected credit losses (ECLs) are a probability-weighted estimate of credit losses. Accounts receivable losses are the present value of all uncollectibles (i.e., the difference between the cash flows due to the entity in accordance with the contract and the cash flows the Group expects to receive).

ECLs are discounted using the effective interest criterion of the financial asset.

Non-financial assets

At each reporting date, the Group tests whether there is objective evidence of impairment with reference to the carrying values of its non-financial assets, excluding, investment properties, inventories, assets arising from contracts and deferred tax assets. If on the basis of this review, it appears that the assets are indeed impaired, the Group estimates their recoverable amount.

Share capital

In accordance with IAS 32, ordinary shares and other shares issued by the parent company are classified as equity instruments.

Incremental costs directly attributable to the issuance of ordinary shares are recognized as a decrease in equity. Income taxes related to the transaction costs of an equity transaction are recognized in accordance with IAS 12.

Funds

The amount of the provisions is the present value of estimated expected cash flows, discounted at a pre-tax rate that reflects current market assessments of the time value of money and the specific risks associated with the liability.

Employee benefits

As of January 1, 2007, the 2007 Budget Law and its implementing decrees introduced significant changes in the rules governing severance pay, including the worker's choice as to whether to allocate his or her accruing severance pay to supplementary pension funds or to the "Treasury Fund" managed by INPS. It follows, therefore, that the obligation to INPS and the contributions to supplementary pension funds assume, under IAS 19, the nature of "Defined Contribution Plans," while the portions registered for severance pay retain the nature of "Defined Benefit Plans."

The Group's net obligation arising from defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have accrued in exchange for service in the current and prior periods; this benefit is discounted and the *fair value* of any plan assets are deducted from liabilities.

The calculation is performed by an independent actuary using the projected unit credit method. If the calculation generates a benefit to the Group, the amount of the asset recognized is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future plan contributions. In order to determine the present value of economic benefits, the minimum funding requirements applicable to any Group plan are considered.

Actuarial gains and losses, returns from plan assets (excluding interest) and the effect of the asset ceiling (excluding any interest) arising on remeasurements of the net defined benefit liability are recognized immediately in other comprehensive income. Net interest for the period on the net defined benefit liability/(asset) is calculated by applying to the net defined benefit liability/(asset), the discount rate used to discount the defined benefit obligation, determined at the beginning of the period, considering any changes in the net defined benefit liability/(asset) that occurred during the period as a result of contributions received and benefits paid. Net interest and other costs related to defined benefit plans, on the other hand, are recognized in net income/(loss) for the period.

When changes are made to the benefits of a plan or when a plan is reduced, the portion of the economic benefit relating to past service or the gain or loss resulting from the reduction of the plan is recognized in profit/(loss) for the period when the adjustment or reduction occurs.

Share-based payments

The grant date *fair value* of incentives recognized in equity-settled share-based payment granted to employees is usually recognized as an expense, with a corresponding increase in equity, over the period during which employees earn the right to the incentives. The amount recognized as an expense is adjusted to reflect the actual number of incentives for which the conditions of continued employment and non-market performance have vested, so that the final amount recognized as an expense is based on the number of incentives that meet these conditions as of the vesting date. In the case of incentives recognized in share-based payment whose conditions are not to be considered vesting, the *fair value* at the grant date of the share-based payment is measured to reflect those conditions. With respect to non-vesting conditions, any differences between the assumptions made on the grant date and the actual assumptions will have no impact on the financial statements.

The *fair value* of the amount payable to employees in respect of cash-settled share appreciation rights is recognized as an expense with a corresponding increase in the liability over the period during which employees accrue the unconditional right to receive payment. The liability is measured at each period end date and at the settlement date based on the *fair value* of the stock appreciation rights. Any changes in the *fair value of* the liability are recognized in profit/(loss) for the period.

Fair value assessments

Various accounting standards and certain disclosure requirements require the Group to measure the *fair value* of financial and non-financial assets and liabilities. In assessing the *fair value* of an asset or liability, the Group uses observable market data to the extent possible. *Fair values* are separated into various hierarchical levels based on the input data used in the valuation techniques, as illustrated below.

- *Level 1*: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2*: Input data other than the quoted prices in Level 1 that are observable for the asset or liability, either directly (prices) or indirectly (derived from prices).
- *Level 3*: Input data related to the asset or liability that are not based on observable market data.

Fair value is the price that would be received at the measurement date for the sale of an asset or that would be paid for the transfer of a liability in a regular transaction between market participants in the principal (or most advantageous) market to which the Group has access at that time. The *fair value* of a liability reflects the effect of a default risk.

Where available, the Group assesses the *fair value of* an instrument using the quoted price of that instrument in an active market. A market is active when transactions in the asset or liability occur with sufficient frequency and volume to provide useful pricing information on an ongoing basis.

In the absence of a quoted price in an active market, the Group uses valuation techniques by maximizing the use of observable input data and minimizing the use of unobservable input data. The chosen valuation technique includes all factors that market participants would consider in estimating the transaction price.

If an asset or liability measured at *fair value* has a bid price and a ask price, the Group values assets and long positions at the bid price and liabilities and short positions at the ask price.

The best evidence of the *fair value of* a financial instrument at initial recognition is usually the transaction price (i.e., the *fair value* of the consideration given or received). If the Group notices a difference between the *fair value at* initial recognition and the transaction price, and the *fair value* is not determined either by using a quoted price in an active market for identical assets or liabilities or by means of a valuation technique whose unobservable inputs are considered insignificant, the financial instrument is initially measured at *fair value*, adjusted to defer the difference between the *fair value* at initial recognition and the transaction price. Thereafter, this difference is recognized in profit/(loss) for the period over the life of the instrument by an appropriate method, but no later than when the valuation is fully supported by observable market data or the transaction is completed.

Operating area

IFRS 8 - Operating Segments - defines an operating segment as a component:

- Involving revenue- and cost-generating business activities;

- whose operational results are reviewed periodically at the highest decision-making level;

- For which separate economic and financial data are available.

The *Chief Operating Decision Maker* ("CODM") is identified in the Executive Chairman.

The CODM receives information, primarily from the *Chief Medical Officer* (CMO) and the *Chief Financial Officer* (CFO), regarding the progress of research programs, licensing contracts, and products in order to monitor business progress and take related decision-making actions.

In this regard, the Company's management has identified a single business segment. The basically homogeneous type of business, together with the progress of projects under development, does not allow the division into several segments subject to different risks and benefits from other business segments. In addition, the services provided, the nature of production processes, and the type of customers by product do not allow the company's activities to be split into different business segments. Therefore, the company believes that at present an economic and financial representation by business

and geographical segments would not provide a better representation and understanding of the business or its risks and rewards.

Changes in international accounting standards, interpretations and amendments

Below are the new accounting standards, interpretations and improvements issued by the IASB and applied as of January 1, 2022.

In May 2020, the IASB published some narrow amendments to IFRS 3, IAS 16, IAS 37 and some annual revisions to IFRS 1, IFRS 9, IAS 41 and IFRS 16.

In March 2021, the IASB published amendments to IFRS 16 that move from June 30, 2021, to June 30, 2022, the last date to take advantage of a practical expedient for the measurement of leases where renegotiated lease payments have been made as a result of Covid-19. The lessee may choose to account for the concession as a variable rent in the period when a lower payment is recognized.

Since the application of the new amendments, no significant impacts have arisen in either values or financial statement disclosures.

IFRS accounting standards, amendments and interpretations endorsed by the European Union, not yet mandatorily applicable and not early adopted by the Group as of June 30, 2022

In May 2017, the IASB issued the new IFRS 17 standard "Insurance Contracts." The new standard, which will replace IFRS, will apply from January 1, 2023, but early application is allowed only for entities that apply IFRS 9 - *Financial Instruments* and IFRS 15 - *Revenue from Contracts with Customers*.

In February 2021, the IASB published some narrow amendments to IAS 1, Practice Statement 2, and IAS 8. The amendments aim to improve disclosures about accounting policies and to help users of financial statements distinguish between changes in accounting estimates and changes in accounting policies. The amendments will be applicable effective January 1, 2023, but earlier application is permitted.

Accounting standards, amendments and interpretations not yet applicable

In addition, as of the date of these Financial Statements, the relevant bodies of the European Union have not yet completed the endorsement process necessary for the adoption of the following accounting standards and amendments:

- In January 2020, the IASB published amendments to IAS 1 that clarify that the definition of "current" or "noncurrent" of a liability is a function of the right outstanding at the balance sheet date. The amendments will be applicable effective January 1, 2024.

- In May 2021, the IASB published amendments to IAS 12 - Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction. The amendments require companies to recognize deferred taxes upon initial recognition of an asset or liability in a transaction that results in equal amounts of deductible and taxable temporary differences. The amendments will be applicable effective January 1, 2023.

- In December 2021, the IASB published an amendment called "*Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 - Comparative Information.*" The amendment is a transition option related to comparative information on financial assets presented at the date of initial application of IFRS 17. The amendment is intended to avoid temporary accounting mismatches between financial assets and liabilities of insurance contracts, and thus improve the usefulness of comparative information for readers of financial statements. The amendments will apply from January 1, 2023, together with the application of IFRS 17.

The Group will adopt these new standards, amendments and interpretations, based on their expected date of application, and assess their potential impacts when they are endorsed by the European Union.

Attestation of the condensed interim consolidated financial statements pursuant to Article 81 ter of Consob Regulation No. 11971 of May 14, 1999 and subsequent amendments and supplements Legislative Decree No. 58 of February 24, 1998

The undersigned, Duccio Neri, in his capacity as Executive Chairman, and Laura Baldi, in her capacity as Manager in charge of preparing the accounting and corporate documents of Philogen S.p.A. , attest, also taking into account the provisions of Article 154-bis, paragraphs 3 and 4, of Legislative Decree 58 of February 24, 1998:

a) The adequacy in relation to the characteristics of the enterprise and

b) the effective application, of the administrative and accounting procedures for the preparation of the condensed interim consolidated financial statements during the period from January 1 to June 30, 2022.

It is also certified that the Condensed Consolidated Financial Statements as of June 30, 2022 of the Philogen Group:

- is prepared in accordance with the applicable international accounting standards recognized in the European Community pursuant to Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002, as amended;
- corresponds to the findings in the books and records;
- is suitable to give a true and fair view of the financial position, results of operations, and financial position of the Issuer and the companies included in the consolidation.

The interim management report includes a reliable analysis of the performance and results of operations, as well as the situation of the Issuer and all the companies included in the consolidation, together with a description of the main risks and uncertainties to which they are exposed.

Siena, September 28, 2022

Presidente esecutivo (Duccio Neri)

Dirigente preposto alla redazione dei documenti contabili e societari (Laura Baldi)