Philogen

innovating targeting



Half-year Report 2023

as of 30.06.2023

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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
Business Register:	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
- Councilor delegate (*) Dr. Giovanni Neri
- Director Dr. Sergio Gianfranco Dompé
- Advisor Dr. Nathalie Dompé
- Councilor Dr. Leopoldo Zambeletti
- Councilor (**) Dr. Roberto Ferraresi
- Councilor Dr. Guido Guidi
- Councilor Dr. Maria Giovanna Calloni
- Councilor (**)/(***) Lawyer 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 the new SB will be appointed by the incoming Board of Directors.

Audit, Risk and Sustainability Committee (*)

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

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

Nominating and Compensation Committee

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

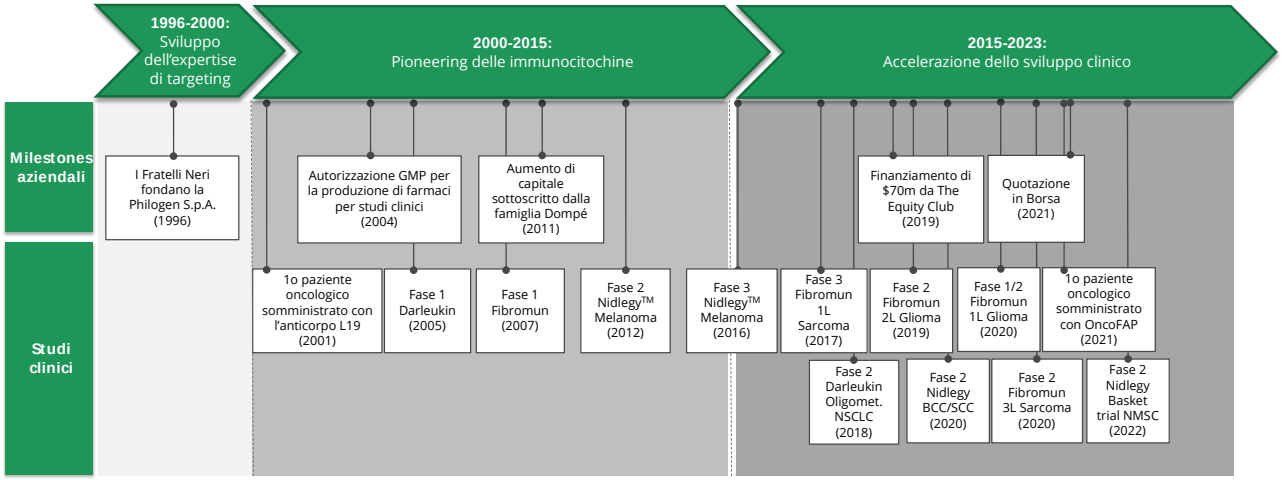
Philogen: introduction to the Group

1. History

Philogen ("the Group" or "the Company"), listed on the Mercato Telematico Azionario ("EXM") 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 diseases. 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 experimental 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 (e.g., 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. A second GMP manufacturing plant was built at the Rosia (Siena) site aimed at the production of commercial drugs. The figure below illustrates the three phases of Philogen's history from 1996 to June 31, 2023, 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

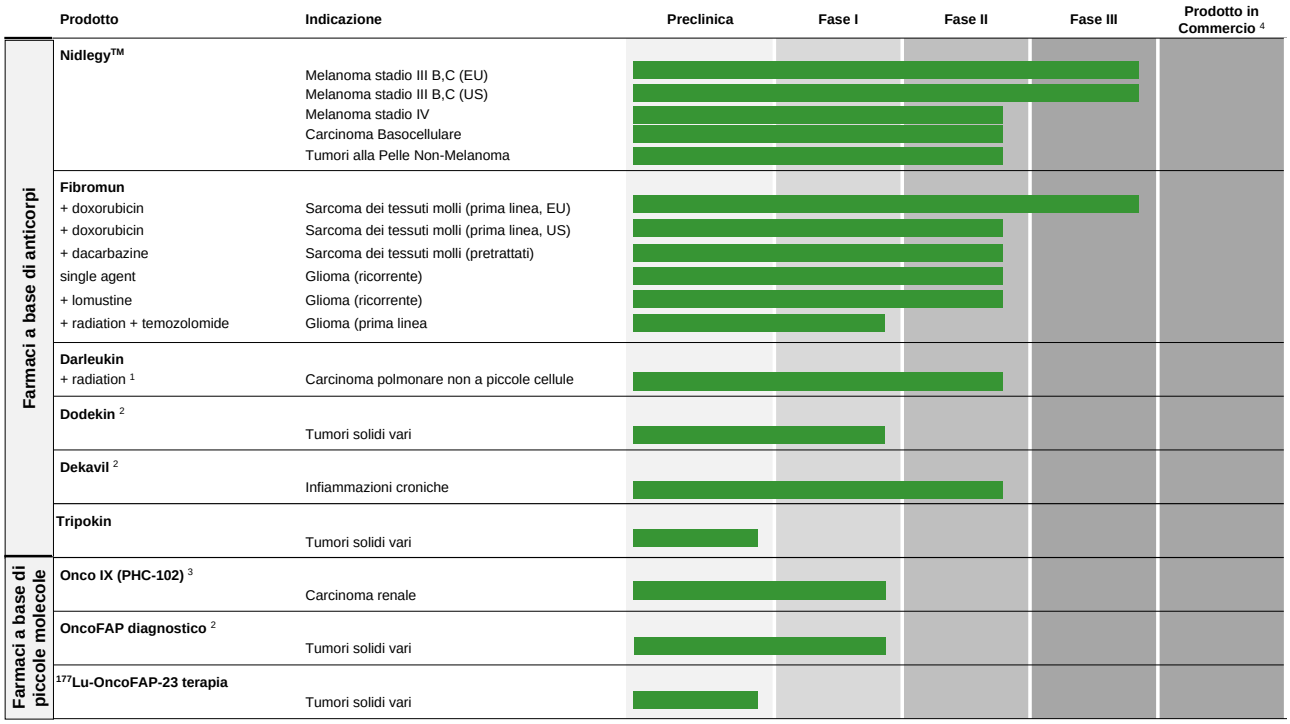
2. Group Strategy

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.

3. 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, Dekavil, and OncoFAP-diagnostic for which certain rights have been granted to third parties, all other products are in the Group's full disposal. Nidlegy is the subject of a licensing and marketing agreement with Sun Pharma for rights in Europe, Australia and New Zealand for the treatment of skin cancer.



1 Progetto EU: ImmunoSABR (studio multicentrico 2 Programma in partnership; 3 Sponsorizzato in parte da Eurostars (Project: !9669 - ATRI; Partner: Medical University of Vienna, Austria); 4 Assieme alla commercializzazione del prodotto, inizia la cosiddetta Fase IV, che consiste nell'estensione delle attività di Farmacovigilanza, atte a confermare la sicurezza del farmaco in ambito commerciale

4. 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, the following is 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, 2023.

Philogen S.p.A.:

Country	Patents Granted/Accepted Applications	Patent Applications
Algeria	1	-
Argentina	-	1
Australia	13	4
Brazil	3	2
Canada	11	2
Chile	-	1
China	2	3
Colombia	-	1
Costa Rica	-	1
Ecuador	-	1
Egypt	-	1
United Arab Emirates	-	1
Eurasia	2	-
Europe	19	9
Guatemala	-	1
Hong Kong	7	5
India	3	1
Indonesia	1	1
Iraq	1	-
Israel	1	1
Japan	13	3
Jordan	-	1
Lebanon	1	-
Malaysia	1	1
Mexico	6	1
New Zealand	3	1
Gulf Countries (GCC)	-	1
Pakistan	1	-
Panama	-	1
Peru	1	1
Philippines	-	1
Russia	4	1
Singapore	1	1
South Africa	4	-
South Korea	9	-
Taiwan	1	1
Thailand	-	1
United States of America	31	6
Uruguay	-	1
Vietnam	-	1
Patent Cooperation Treaty (PCT)	-	6

Philochem AG:

Country	Patents Granted/Accepted Applications	Patent Applications
Australia	4	2
Brazil	-	1
Canada	3	1
China	-	1
Europe	6	3
Hong Kong	2	2
India	-	1
Israel	-	1
Japan	-	1
Mexico	1	1
Singapore	-	1
South Korea	-	1
United States of America	8	3
Patent Cooperation Treaty (PCT)	-	3

Macroeconomic background

In the early months of 2023, global economic activity experienced higher-than-expected growth despite the weak environment in the world economy and international trade caused by persistent geopolitical uncertainty related to the conflict in Ukraine and high inflation. This increase was boosted by the reopening of the Chinese economy after the end of the zero-COVID strategy, along with the resilience of the U.S. labor market despite major tightening of monetary policies.

In the first quarter of 2023, Italy's cyclical change in GDP (+0.6 percent) was influenced by positive growth in domestic demand and a negative contribution from the foreign component. During the spring, consumer prices declined, mainly due to a sharp drop in energy costs, although they remained at high levels.

According to International Monetary Fund estimates, global growth is expected to fall from an estimated 3.5 percent in 2022, to 3.0 percent in both 2023 and 2024. Although the forecast for 2023 is slightly higher than projected in the April 2023 *World Economic Outlook*, it remains weak by historical standards. Central banks' rate hikes to combat inflation continue to weigh on economic activity. Overall headline inflation is expected to fall from 8.7 percent in 2022 to 6.8 percent in 2023 and 5.2 percent in 2024. Underlying (*core*) inflation is expected to decline more gradually, and forecasts for inflation in 2024 have been revised upward.

In March 2023, there were tensions due to the crisis of some banking institutions in the United States and Switzerland, which impacted financial markets. In the second quarter of 2023, these issues eased and market conditions stabilized, despite the economic slowdown, uncertainty regarding inflation trends, and the restrictive monetary policy stance of central banks.

At the monetary policy level, in line with expectations, the European Central Bank (ECB) continued its restrictive monetary policy, and an additional 25 basis points increase in interest rates was applied at the June meeting, bringing the benchmark rate to 4 percent. Rounding out this series of decisions, the ECB Governing Council officially confirmed its intention to cease reinvestment within the Financial Asset Purchase Program (FPA) as of July 2023. Meanwhile, the *Federal Reserve* adopted a change of course, deciding to pause the restrictive policy initiated in March 2022. Indeed, at its meeting in June, the U.S. central bank made no changes to interest rates and kept the benchmark rate stable within a range of 5 percent to 5.25 percent.

In the second half of the year, the restrictive policy of central banks continued and issues related to the financial sector resumed. In detail, the ECB at its July meeting raised rates by 25 basis points, bringing the benchmark rate to 4.25 percent, and the Fed opted for the same increase bringing the benchmark range between 5.25 percent and 5.50 percent, the highest level in 22 years. In most economies, the priority remains to achieve sustained disinflation while ensuring financial stability. Therefore, central banks will maintain their focus on restoring price stability and strengthening financial supervision and risk monitoring.

Philogen stock performance

Philogen's (Ticker: PHIL) stock closed the first half of 2023 with a price per share of €16.30, bringing it closer to the March 3, 2021 IPO price of €17.00, reducing the decrease to €0.70 (-4.12 percent). As of June 30, 2023, the market capitalization was €661.96 million.

Philogen	
Prezzo @ 30 giugno 2023 (Eu)	16,30
N. azioni (n. mn)	40,61
Mkt Cap (Eu mn)	661,96
Prezzo di IPO @ 3 marzo 2021 (Eu)	17,00
Variazione di prezzo (Eu)	-0,70
Variazione di prezzo (%)	-4,12%

The minimum closing price in the first half of 2023, recorded on January 10, was €13.66, while the maximum closing price in the reporting period, recorded on February 22, was €16.70. During the first 6 months of 2023, the trading of Philogen shares on the market managed by Borsa Italiana S.p.A. reached an average daily value of 147,551.17 euros, equivalent to an average daily volume of 9,543.06 shares. Since the listing, the company has not distributed dividends, but on November 24, 2021, it initiated a share buyback program of up to a maximum of 300,000 ordinary shares and renewed on April 28, 2023, for an additional maximum of 270,000 ordinary shares. As of June 3, 2023, Philogen had purchased a total of 250,869 ordinary shares (equivalent to 0.6177 percent of the share capital) for a total consideration of approximately 3.67 million euros.

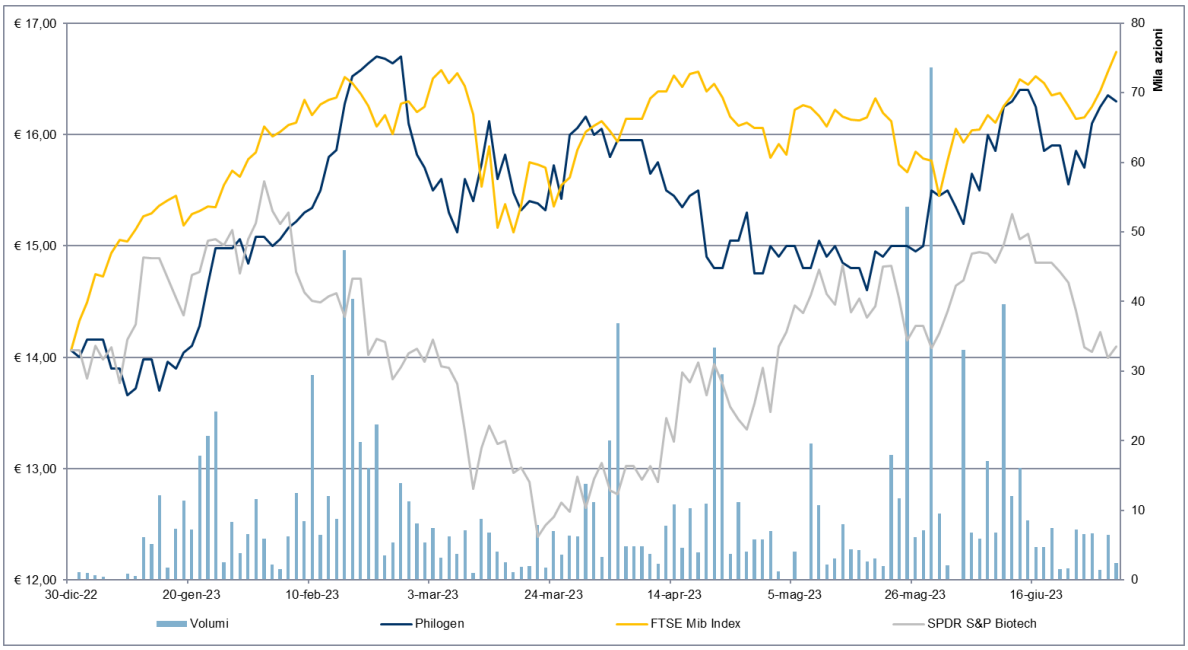
Periodo	Volumi medi Borsa Italiana	Controvalore medio Borsa Italiana	Giorni su Borsa Italiana
mar-21	84.044	1.365.674	21
apr-21	19.241	297.186	20
mag-21	19.614	290.014	21
giu-21	15.192	221.401	22
lug-21	25.044	345.163	22
ago-21	13.709	200.180	22
set-21	19.977	287.286	22
ott-21	15.817	221.544	21
nov-21	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	1.373	19.549	22
set-22	3.145	43.578	22
ott-22	1.705	23.081	19
nov-22	2.145	29.441	21
dic-22	3.942	55.178	20
gen-23	6.386	91.591	22
feb-23	14.262	227.525	20
mar-23	5.537	86.887	23
apr-23	11.524	177.364	18
mag-23	11.463	173.504	22
giu-23	9.058	143.884	22
lug-23	3.783	59.473	21
ago-23	8.131	132.143	15
Media 2023	**8.768**	**136.547**	**163**
Media 2022	**6.503**	**91.002**	**252**
Media 2021	**24.158**	**364.393**	**214**
Media da IPO a 22/08/2023	**12.992**	**194.278**	**629**

Prezzo di chiusura				
	1 mese	3 mesi	6 mesi	12 mesi
Media Semplice (EU)	15,93	15,43	15,33	14,67
Media Poderata per i volumi (EU)	15,94	15,45	15,32	14,67
Max (EU)	16,40	16,40	16,70	16,70
Min (EU)	15,20	14,60	13,66	13,24

In the first six months of 2023, the FTSE MIB index recorded a positive performance of 19.08%, while the SPDR S&P *Biotech was* virtually unchanged, marking +0.24%. In a market environment that is positive but geared toward larger-capitalization companies that provide better liquidity, Philogen's stock performed positively and solidly (+15.93%) in the first six months of 2023, largely outperforming the Italian biotech and *mid-cap* market. The stock benefited from extremely positive *business-related company-specific* news, such as the agreement signed with *Sun Pharmaceutical for the* commercialization of Nidlegy™ , which created a constructive attitude from the financial community about the name.

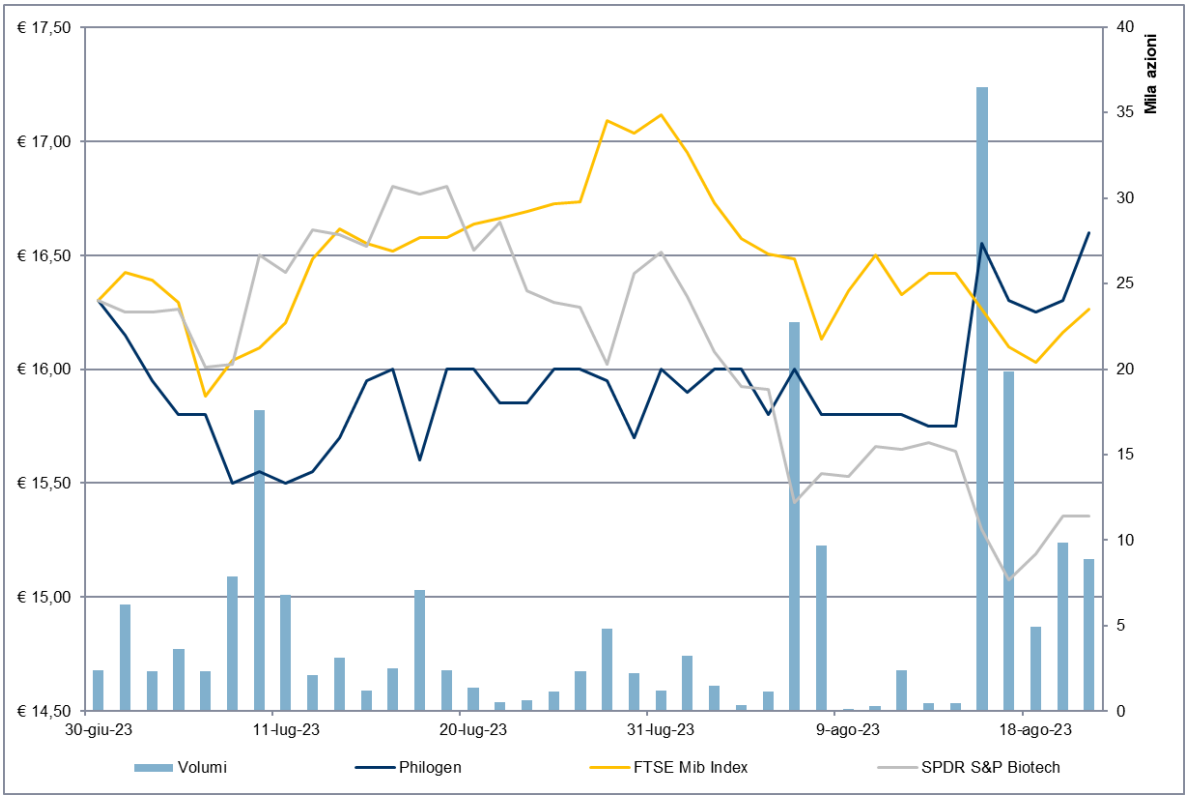
1. Comparison of Philogen's performance against key benchmark indices

Comparison of Philogen's performance against key benchmark indices
(December 31, 2022 - June 30, 2023)

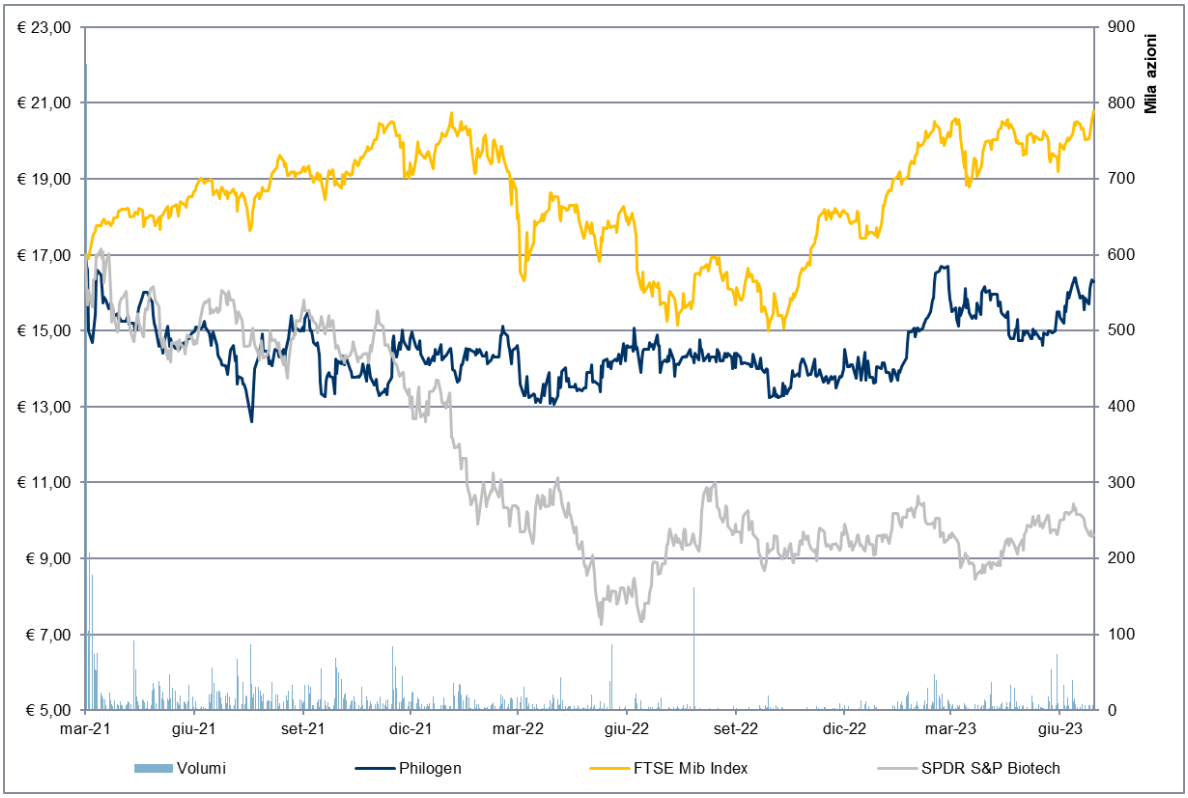


In the summer months of 2023, July and August, Philogen's stock performed positively (+1.84% as of August 22, 2023), and better than the Italian market (FTSE Mib -0.23%), while the biotechnology sector continued the descent that began in mid-June (SPDR S&P *Biotech* -5.81%) after a volatile first half of the year.

Comparison of Philogen's performance against key benchmark indices
(June 30, 2023-August 22, 2023)



Comparison of Philogen's performance against key benchmark indices
(March 3, 2021-June 30, 2023)



Philogen
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Interim management report as of June 30, 2023

Foreword

Shareholders,

the Interim Report on Operations 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, 2023.

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, 2023 are prepared in accordance with the international accounting standard concerning interim reporting (IAS 34 - Interim Financial Reporting).

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, 2023.

1. Group Disclosure

The Group concentrates its activities in the development of drugs based mainly on antibody conjugates, capable of achieving selective accumulation at the sites where the disease to be treated is present.

This is made possible by a scientific approach known as *tumor targeting* of which the Group is one of the recognized scientific leaders in the relevant international field.

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

Since 2019, the Group has focused development activities mainly on two more advanced products in its *pipeline* namely Fibromun and Nidlegy™ by embarking on a pathway of trials for registration purposes of the two drugs. At the same time, it has redesigned a competitive and diversified *pipeline in* order 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;
- Philochem AG, headquartered in Switzerland and 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.

To date, research/development and production activities represent the Group's main activities.

The following table shows the research and development costs recognized in the income statement during the periods ended June 30, 2023 and June 30, 2022 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**	
	2023	**2022**
Research and development costs	9.672	8.291
Incidence on total contract revenue	*44,7%*	*45,8%*
Impact on total operating costs	*69,7%*	*74,5%*

It is specified that research and development costs include all direct costs pertaining to *discovery* activities, basic research, preclinical development, clinical development, and production activities including the cost of personnel employed in these activities.

For more details on the Group's research and development activities, see the introductory section "*The Story*" and Note No. 6 to the condensed consolidated financial statements on operating costs.

3. Scientific facts that occurred during the first half of 2023

The following are the main scientific facts with reference to the period ended June 30, 2023.

3.1 Summary of development and GMP activities carried out during the period ended June 30, 2023

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

Proprietary products

1) Antibody-based 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 Phase II and III clinical trials.

Regarding the European Phase III study in stage IIIB/C melanoma, enrollment of the 214 patients under the protocol has been completed, thanks to the collaboration of twenty-two active clinical centers. *Read-out* of the study will occur upon reaching the ninety-fifth event, where an event is defined as a disease recurrence in a patient or death (as of June 30, 2023, eighty-eight events have been recorded).

Regarding the U.S. Phase III Study in Stage IIIB/C melanoma, patient enrollment is in line with company expectations and is ongoing in thirty-one clinical centers (including twenty-five activated by early 2022).

Finally, two Phase II studies are underway for the treatment of non-melanoma skin cancer (NMSC). The Duncan study is active in Switzerland, Germany, and Poland and focuses on advanced basal cell carcinoma (BCC) and squamous cell carcinoma (cSCC). As of June 30, 2023, twenty-six patients (nineteen BCC and seven cSCC) have been enrolled, compared with nine enrolled as of December 1, 2022. The promising clinical data reported in 2022, will also be confirmed in 2023 in a larger number of patients. The Intrinsic study in Italy and France has also begun, which aspires to explore the activity of Nidlegy™ in 70 patients with various types of NMSC (e.g., Kaposi's sarcoma, cutaneous T-cell lymphoma, malignant adnexal skin tumors, keratocanthoma, Merkel cell carcinoma, cSCC and BCC).

May 30, 2023 Philogen announced that it has entered into an agreement with Sun Pharma to market, license, and supply Nidlegy™ in Europe, Australia, and New Zealand for the treatment of skin cancer. Philogen retains rights to all other territories and indications.

In addition, on June 1, 2023, Philogen announced a clinical collaboration agreement with *Merck Sharp & Dohme*. The agreement will focus on performing a Phase II clinical trial in patients with unresectable stage III and IV melanoma who have previously failed treatment with *check-point inhibitors*.

- **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.

With regard to the European Phase III Study in first-line soft tissue sarcoma (STS) in combination with doxorubicin, sixty-eight of the one hundred and eighteen patients under the protocol have been enrolled thanks to the collaboration of twenty clinical centers (fourteen of which have been activated since the beginning of 2022) opened in Germany, Italy, Spain, Poland, and France. Additional centers are in the process of opening.

Regarding the U.S. Phase IIb Study in first-line leiomyosarcoma (the most common subtype of STS) in combination with doxorubicin, the study is ongoing at seven centers in the United States.

Regarding the European Phase II Study in third-line soft tissue sarcoma (STS) in combination with dacarbazine, thirty-two of ninety-two planned patients at fifteen centers were enrolled.

Regarding the Phase I/II Study in Stage III-IV high-grade second-line Glioma in monotherapy, the study was conducted in three clinical centers in Switzerland where the planned 20 patients were enrolled. The last patient was enrolled in December 2020. Data review is ongoing, and the full results will be presented in a peer-reviewed scientific publication.

Regarding the Phase I/II Study in second-line Glioblastoma in combination with lomustine fifteen patients were enrolled in the Phase I part. The 3 cohorts planned for Phase I have been completed and the study has begun the randomized Phase II portion. Benefits in terms of survival and durable responses observed in both cohorts 1 and 2 are reported while also noting that objective responses are very rare in patients treated with lomustine alone. The encouraging data from cohort 1 were published in the journal *Science Translational Medicine* last May 2023. The study is currently ongoing in Switzerland, but Philogen has already contacted several centers in major European countries, with the goal of opening about eighteen to twenty clinical centers in total.

Regarding the Phase I/II/IIb Study in first-line glioblastoma in combination with radiotherapy and temozolomide, 12 patients have been enrolled in Phase I. Cohorts 1, 2 and 3 have been completed, and cohort 4 is ongoing. A total of five cohorts are planned for Phase I, before proceeding to the single-arm portion of Phase II. Phase II with thirty-two patients is scheduled to begin in 2023. The randomized portion of Phase IIb, with registrational potential, involves between one hundred sixty-six and two hundred six patients and is expected to begin when consolidated Phase II data are available.

2) Small molecule products

- **OncoFAP** is a small-molecule ligand with very high affinity for fibroblast activation protein (FAP). The product is suitable for diagnostic and therapeutic applications of a variety of metastatic solid tumors, as FAP is overexpressed in more than 90% of epithelial tumors (e.g., breast, colorectal, ovarian, lung, skin, prostate, and pancreatic malignancies, as well as in some soft tissue and bone sarcomas).

Regarding the development of OncoFAP-radio-conjugate for diagnostic applications, several patients with different types of cancer have already undergone *imaging* in Germany with ^{68}Ga-OncoFAP. In addition, the Italian Drug Agency (AIFA) has approved the clinical trial application, which has allowed the start of a Phase I clinical trial in Italy.

New derivatives of OncoFAP are also reported such as OncoFAP-23-radio-conjugated for therapeutic applications, which has shown excellent tumor *targeting* properties in preclinical studies. The product selectively localizes to neoplastic lesions, with stable accumulation in the tumor for at least 96 hours, a feature that is very important for the therapeutic activity of the drug. In particular,^{177} Lu-OncoFAP-23 has demonstrated potent antitumor activity in preclinical studies, both as monotherapy and in combination with the Philogen product L19.IL2. GMP manufacturing and future centralized radiolabeling of OncoFAP-23 are underway at a dedicated supplier. It is expected that^{177} Lu-OncoFAP-23 will enter clinical trials by the end of 2023.

Another derivative in pre-clinical trials is OncoFAP-GlyPro-MMAE, consisting of (i) the OncoFAP ligand, (ii) a cleavable linker, and (iii) a cytotoxic drug, which is selectively released at the tumor site and has shown superior performance compared with other linker derivatives commonly used in antibody-drug conjugates (such as those with valine-citrulline). These small-molecule organic-based "*drug-conjugates"* are an attractive alternative to *Antibody-Drug Conjugates* due to their superior *targeting* performance and much lower manufacturing costs.

Products in partnerships

- Initiated *partnerships* on Nidlegy™ with Sun Pharma in Europe, Australia, and New Zealand (marketing, licensing, and supply agreement) and with *Merck Sharp & Dohme* (clinical collaboration in the United States)
- Continued *partnerships on* Dodekin (confidential *partner*), on Dekavil (Pfizer) and on small organic molecules (Janssen, Bracco).

GMP

The production workshop and Quality Control laboratories at the Philogen site in Rosia, Siena, Italy, reached full functionality during 2022. After qualification of all process *equipment* and quality control systems, and after validation of the aseptic production techniques necessary to ensure the quality of injectable pharmaceutical products, through the challenge of three *APS* (*Aseptic Proccess Simulation*) batches, a representative *Demo batch* of the entire process was produced in order to challenge the correctness of personnel flows, materials and product intermediates.

The Documentary Quality Management System has been implemented in accordance with cGMP (*current Good Manufacturing Practice*) and mandatory EU regulatory requirements. The staff *training* plan is formalized on an annual basis, documented and reviewed by the Quality Assurance department. Any deviations and nonconformities are managed according to approved internal procedures, as is the management of corrective actions (CAPAs) generated by such events. In addition, change management and supplier status are monitored continuously. Machines, equipment, computerized systems and personnel, in their critical activities, undergo periodic validation plans in order to ensure a reliable reproducible and safe process.

The implementation of the above made it possible to plan and begin the *Process Validation* activity involving the production of three consecutive batches, the data from which will be used for the next objectives:

- GMP authorization, by AIFA, of the site for commercial production of products for the market.
- The preparation of product registration dossier and obtaining *Marketing Authorization* (MA).

The Company holds an additional production site in Montarioso (Siena) authorized by AIFA for the sole production of experimental drugs for clinical trials. The Company has also invested to modernize the production systems with new bioreactors at that site. It should be noted that, the production site in Montarioso (Siena) during the first half of 2023 was also used for third-party production activities.

4. Significant events that occurred during the first half of 2023

The following are the main events that, with reference to the period ended June 30, 2023, affected the Group's financial position.

4.1 Purchase of own shares

On April 28, 2023, the Ordinary Shareholders' Meeting, having revoked the resolution authorizing the purchase and disposition of treasury shares adopted on November 24, 2021 for the unexecuted part, authorized the Company to purchase, on one or more occasions, treasury shares, empowering the Board of Directors, with the power to delegate to the Chairman of the Board of Directors and/or the Vice Chairman of the Board of Directors, if appointed, and/or the Chief Executive Officer, to proceed, including through specialized intermediaries, specially appointed, to purchase Philogen Sp.A., establishing the related terms and the price per share, in compliance with 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, for the unexecuted portion of the share buyback program authorized on November 24, 2021, the Company to purchase (i) ordinary shares of Philogen S.p.A, with no par value (corresponding to 1.23% of the Company's share capital as of the date on which the purchase takes place) ; (ii) within eighteen months, in whole or in part, on one or more occasions, as of the date of the authorizing shareholders' meeting resolution, within the limits set forth in Art. 2357 paragraph 3 of the Civil Code, and without time limits with reference to the 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 Philogen S.p.A. in the EXM market session on the day preceding each individual transaction.

Then, on May 11, 2023, the Board of Directors met and approved the start of the program to purchase treasury shares (the "Program") with (i) object up to a maximum of 270,000 ordinary shares (unexecuted part of the first program that had resolved the purchase of a maximum of 500,00 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 Euro 4,590,000. The Program has a duration until October 28, 2024, and is aimed at.
(a) establish a securities warehouse to dispose of, dispose of and/or use treasury shares at any time, in whole or in part, on one or more occasions, as part of agreements with strategic *partners* (including but not limited to licensing agreements) and/or corporate/financial transactions of an extraordinary nature, in connection with which the assignment or other act of disposition of treasury shares is necessary or appropriate; and
(b) to acquire shares to be used to service existing or future stock option plans, stock grants or otherwise incentive programs, whether for consideration or free of charge, in favor of corporate officers, employees or collaborators of the Group.

Within the limits described above, as of June 30, 2023, the Company holds in its portfolio:

- 227,770 treasury shares purchased from the beginning of the first Purchase Program until April 28, 2023, equal to 0.5609% of the share capital, for a total outlay, amounting to approximately EUR 3,307 thousand at an average price of EUR 14.52;

- 23,099 treasury shares purchased from the beginning of the Second Buyback Program until June 30, 2023, equal to 0.0569% of the share capital, with a total value of 363 thousand euros at an average price of 15.70 euros.

As of June 30, 2023, Philogen held a total of 250,869 ordinary shares or 0.6177% of the share capital.

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

As of June 30, 2023, the Company's shareholding structure was composed as follows:

Shareholder	Shareholders as of June 30, 2023			
	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%**
Dompè Holdings S.r.l.	*B shares*	2.803.232	6,90%	13,28%
	Ordinary Shares	9.857.236	24,272%	15,56%
	Subtotal	**12.660.468**	**31,17%**	**28,84%**
Philogen S.p.A. (*)	*Ordinary Shares*	250.869	0,62%	0,40%
	Subtotal	**250.869**	**0,62%**	**0,40%**
Market	*B shares*	-	-	-
	Ordinary Shares	11.036.505	27,18%	17,42%
	Subtotal	**11.035.505**	**27,18%**	**17,42%**
Total		**40.611.111**	**100%**	**100%**

(*) 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 License Agreement

In Q1 2023, Sun Pharma and Philogen entered into a Marketing, Licensing and Exclusive Supply Agreement for the innovative product Nidlegy™ in Europe, Australia and New Zealand. Nidlegy™, currently in phase III clinical trials, is a novel anti-tumor immunotropic drug that Philogen is developing for the treatment of melanoma and non-melanoma skin cancers.

Under the terms of the agreement, Sun Pharma will have exclusive rights to commercialize Nidlegy ™ for the treatment of skin cancer in Europe, Australia and New Zealand. Philogen will complete registrational clinical trials in Europe, pursue marketing authorization with regulatory authorities, and manufacture commercial lots. Sun Pharma will be responsible for commercialization activities. The two companies will share post-marketing sales revenues in a ratio of approximately 50:50. Philogen will retain intellectual property rights to Nidlegy ™ for other territories and indications other than skin cancer.

Sun Pharma is the fourth largest specialty generic pharmaceutical company in the world and India's leading pharmaceutical company. The company has a global presence and promotes excellence through innovation, supported by strong research and development capabilities.

4.3 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 28, 2023, in accordance with Article 123-ter TUF, the Shareholders' Meeting, having taken note of the Report on Remuneration Policy and Compensation Paid in FY2022, approved by the Board of Directors on March 28, 2023, approved Section I of the Report on Remuneration Policy and Compensation Paid, 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/) in the *Governance* section *(Shareholder's Meetings*)

Monetary Incentive Plan ("MBO")

As of April 1, 2023 and until March 31, 2024, the executive directors (Dario Neri, Duccio Neri and Giovanni Neri) and one Executive with Strategic Responsibilities 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 targets.

The maximum incidence of MBO on the annual remuneration of Chairman Duccio Neri and CEO Dario Neri , respectively, is 30%, while it affects 22% on the remuneration of the Executive with Strategic Responsibilities and is 20% on the annual remuneration of the other CEO Giovanni Neri.

Notwithstanding the maximum incidence of the MBO described above, on May 11, 2023, 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 and the Executive with Strategic Responsibilities for the period from April 1, 2023 to March 31, 2024.

It should be noted that in line with the Remuneration Policy for the year 2022, executive directors were paid in May 2022 the MBO for the period April 1, 2022 to March 31, 2023.

4.4 Sustainability Report 2022

After publishing the "Sustainability *Brochure* 2021" on September 28, 2022, the Company is continuing on the multi-year "ESG" path in order to comply with European legislation and, in particular, with the Directive (EU) 2022/2464 (so-called *Corporate Sustainability Reporting Directive* - CSRD) by which the obligation to adopt the Sustainability Report is to be gradually extended to companies listed on regulated markets as well.

As part of this process, the Company has appointed an internal ESG Working Group which, under the supervision of the Risk and Sustainability Control Committee, has prepared the "Sustainability Report 2022," i.e., an organic document reporting on the Philogen Group's sustainability impacts, initiatives, and *performance* related to the period between January 1, 2022 and December 31, 2022. In fact, the scope of the data and information examined corresponds to that of the Group's Consolidated Financial Statements as of December 31, 2022.

The benchmark sustainability reporting *standards*, the GRI *Sustainability Reporting Standards (GRI)* published by the *Global Reporting Initiative*, require organizations to focus reporting on the most significant sustainability issues, the so-called material issues.

The document has been prepared in *accordance* with GRIs and contains, in the introductory part, a "Letter to *Stakeholders*," signed by the CEO and the Chairman of the Board of Directors, in which the managing directors represent the Company's commitment to the activities involved in preparing the Sustainability Report 2022 and indicate the strategic principles by which the Group is guided in sustainability matters.

In the preparatory activities for the preparation of the Sustainability Report 2022, the Company's *Management* and the ESG Working Group conducted a "Materiality *Workshop*" in December 2022 with the aim of conducting a materiality analysis to map Philogen's *stakeholders* (all those individuals or groups of individuals who influence or are influenced by the Company, its activities, products or services, and related *performance* outcomes*)* and identify sustainability impacts potentially relevant to the Company.

Eight categories of *stakeholders* relevant to Philogen were identified as a result of the discussion that emerged during the *workshop*:

(i) Employees
(ii) Health Care Workers and Professionals
(iii) Institutions, Regulatory Bodies and Ethics Committees.
(iv) Patients
(v) Suppliers
(vi) Academia and R&D *Partners*
(vii) Business *partners*
(viii) Investors

The concept of materiality is closely related to that of impact: material issues are those that represent the organization's most significant impacts on the economy, the environment and individuals, including those on human rights.

As a result of understanding the context of the organization, the Society has identified these impacts, categorizing them, depending on their nature and type, into actual or potential, negative or positive.

With reference to the process of identifying potentially relevant sustainability impacts for Philogen, the following sources were considered:

- GRI Standards, The Sustainability Yearbook 2022 (S&P) for the *Biotechnology Industry* sector, SASB Standards for the *Biotechnology & Pharmaceuticals* sector, Datamaran for the *Biotechnologies*, *Life Sciences and Pharmaceuticals* sector, and from the UNEP FI *Sector/Impact Map* for the *Manufacture of pharmaceuticals, medicinal chemicals and botanical products* sector;
- Benchmarking analysis against sustainability issues identified by major industry *players;*
- Analysis of key information about Philogen in terms of sustainability.

The significance of each impact was assessed by the Company, considering the scale, scope, and likelihood of individual impacts, as well as the expectations and views of *stakeholders*. Following this assessment, it was then possible to prioritize the impacts.

After defining a materiality threshold, the impacts considered relevant were aggregated to form the list of material issues: the results were also compared with the expectations of the *stakeholders* that the Company has identified.

The results of the analysis are reflected in the following list of material themes, which provides a summary representation of sustainability issues relevant to the organization and its stakeholders:

1. Ethics and compliance
2. Contribution to public health
3. Patient health and safety
4. Attracting, developing and retaining workers
5. Waste Management
6. Inclusiveness in experimentation pathways
7. Health and safety of workers
8. Performance economics and value distribution
9. Data Privacy
10. Local communities
11. Diversity and equal opportunity
12. Energy consumption and emissions

The results of the aforementioned materiality analysis were summarized within a presentation shared with the Board of Directors at its meeting on January 27, 2023, listing the steps the Company has taken for the purpose of preparing the Sustainability Report 2022.

In particular, by the end of February 2023, the cycle of interviews with the identified functions was completed; in order to incorporate the information necessary for the drafting of the Sustainability Report and define the impacts that emerged as a result of the materiality analysis. Following the consolidation of the results of the materiality analysis, collection forms for the reporting of GRI indicators were completed by the functions involved by the end of March 2023.

The Report was approved by the Board of Directors at the meeting held on May 11, 2023. Following approval by the Board of Directors, the document was published in the "Sustainability" section on the Company's website (http://www.philogen.com/) in the *Governance* section (*sustainability-esg*).

The Company has also prepared a courtesy English-language version of the document to facilitate its reading and consultation by foreign investors and, in general, all *stakeholders*.

4.5 Hedging derivative termination

The bank loans stipulated with the Banca Intesa S.p.A. Group, are 90% guaranteed by Medio Credito Centrale, taking advantage of the facilities provided 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).

It should be noted that two interest hedging derivatives (valued at *market to market*) had been negotiated to hedge these loans.

As of March 10, 2023, the Company, depending on favorable market conditions, extinguished the two hedging derivatives and collected 243 thousand euros.

At the same time, the Company, in order to hedge the interest rate risk generated by these floating-rate loans, signed a new hedge with the Banca Intesa S.p.A. Group through an Interest Rate Cap contract.

For more details regarding the hedging derivative, see Note 22 to the condensed consolidated half-year financial statements.

4.6 Realization of new building

In light of the Company's strong growth and expansion, the Company began, during the first half of 2023, preparatory activities for the construction of a new office building/management center (approximately 700 square meters) at its Rosia (Siena) plant. Specifically, in February 2023, the Municipality of Sovicille issued a building permit for the construction of the said office building, and in the following months, work began on the execution and implementation of the work that should lead to the completion of the said office building in the early months of 2024.

For completeness of information, it should be noted that the said building is located in the immediate vicinity of the production plant built by the Company at the Rosia site, which is currently awaiting GMP production certification.

5. Economic and financial results of the Group

5.1 Profit and loss account

The following table shows the Group's consolidated economic data for the periods ended June 30, 2023 and June 30, 2022:

Figures in thousands of euros and in percent	As of June 30				Variations	
	2023	%	2022	%	2023 vs. 2022	%
Revenue from contract with customers	21.625	100,0%	18.085	100,0%	3.540	19,6%
Other income	898	4,2%	2.094	11,6%	(1.197)	(57,1)%
Total Revenues	**22.522**	**104,2%**	**20.179**	**111,6%**	**2.344**	**11,6%**
Operating costs (*)	(13.891)	(64,2)%	(11.130)	(61,5)%	(2.761)	24,8%
EBITDA (**)	**8.632**	**39,9%**	**9.049**	**50,0%**	**(417)**	**(4,6)%**
Depreciation	(1.704)	(7,9)%	(1.249)	(6,9)%	(456)	36,5%
EBIT	**6.928**	**32,0%**	**7.800**	**43,1%**	**(873)**	**(11,2)%**
Financial income	3.119	14,4%	985	5,4%	2.135	216,8%
Financial charges	(1.790)	(8,3)%	(5.344)	(29,5)%	3.554	(66,5)%
Earnings before taxes	**8.257**	**38,2%**	**3.441**	**19,0%**	**4.816**	**140,0%**
Taxes	(585)	(2,7)%	(1.461)	(8,1)%	876	(59,9)%
Profit (Loss) for the period	**7.672**	**35,5%**	**1.980**	**10,9%**	**5.692**	**287,5%**

(*) 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 operating income before depreciation and amortization. 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 an alternative measure for evaluating the Group's operating income 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 the determination of which 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 21,625 thousand euros as of June 30, 2023 compared to 18,085 thousand euros as of June 30, 2022, thus registering an increase of approximately 19.6 percent. This change is mainly attributable to revenues from research and development services, third-party production, *milestones* and *up-front payments* provided for in current customer contracts.

Other income amounted to approximately Euro 898 thousand as of June 30, 2023, showing a decrease of approximately 57.1% compared to the previous period. This change is mainly attributable to:

(i) tax credits, from which the Company benefited during 2022, related to "extraordinary" activities carried out during 2021 and no longer resubmitted during 2023. Specifically, the SME tax credit in the amount of €500 thousand for consulting costs incurred for admission to listing on a regulated market and the ACE tax credit in the amount of €180 thousand related to the capital increase raised during listing;

(ii) in addition, the decrease is due to the reduction in the rate of subsidy of the research and development credit from which the Company benefits on an ongoing basis by virtue of its research activities. This decrease can be attributed to the entry into force of the new percentages provided for in the Budget Law 2022, which envisages a reduction in the subsidy rate from 20% to 10%. As a result of this reduction, as of June 30, 2023, the research and development credit amounted to €493 thousand, while as of June 30, 2022, it amounted to €913 thousand.

Operating costs mainly include production material costs, clinical and preclinical service costs, personnel costs, and other operating costs and show an increase of about 24.8 percent over the previous period. This variance is mainly attributable to:

(i) to the increase in costs for materials from 1,133 thousand euros as of June 30, 2022 to 1,629 thousand euros as of June 30, 2023, and to the increase in costs for services related to the Group's *core business* activities from 2,175 thousand euros as of June 30, 2022 to 2,768 thousand euros as of June 30, 2023;

(ii) to the increase in personnel costs related to the hiring plan aimed at structuring the workforce of the two GMP *facilities* and strengthening management and staff functions, and rising from 5,125 thousand euros as of June 30, 2022 to 5,986 thousand euros as of June 30, 2023.

For more details, see Note 6 of the condensed consolidated half-year financial statements and Paragraph 11 of the interim management report.

As a result of the increase in revenues but also in operating costs, EBITDA was essentially unchanged from the previous period, showing a slight decrease of about 4.6 percent, from a positive value of 9,049 thousand euros as of June 30, 2022, to a still positive value of 8,632 thousand euros as of June 30, 2023.

Depreciation and amortization shows an increase of approximately 36.5% compared to the period ended June 30, 2022 due to the entry into operation of 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 the company's forecasts, the investments for the new GMP have been completed and the new facility entered into operation during the year 2022, in order to carry out the obligatory activities to obtain the AIFA authorization necessary for the production of drugs (for more details on the AIFA authorization, please refer to paragraph 13 of the interim report on operations)

EBIT, calculated as the difference between EBITDA and depreciation and amortization, shows a positive balance of 6,928 thousand euros as of June 30, 2023.

Net financial management for the period ended June 30, 2023 showed a net positive result of €1,330 thousand, negative for €4,359 thousand in the period ended June 30, 2022. The positive result for the period is mainly attributable to (i) net valuation gains of Euro 941 thousand related to changes in the *fair value* of the securities portfolio, (ii) net realized capital gains of Euro 650 thousand, (iii) net foreign exchange losses of Euro 67 thousand (v) interest expenses and other charges of Euro 194 thousand.

The main change from the previous is mainly attributable to valuation items and in particular to the *fair value* of financial assets in which evidence an improvement over the period ended June 30, 2022 mainly due to a recovery in the financial markets as well as the new risk parameters set forth in the "Investment Management Policy" amended and approved in October 2022 by the Board of Directors in order to counter the unstable financial economic environment that characterized the markets during the 2022 fiscal year.

More details on financial management can be found in Note 7 of the condensed consolidated financial statements.

Taxes amounting to 585 thousand euros are attributable to the positive result recorded in the period ended June 30, 2023. These taxes will not generate a financial outflow as they will be fully offset by the foreign tax credit arising from the withholding tax paid in June 2023 on the sale of certain license rights. More details on taxes can be found in Note No. 8 to the condensed consolidated financial statements.

As a result of the above, the Group closed the period ended June 30, 2023 with a net positive result of 7,672 thousand euros.

5.2 Balance Sheet

The following table shows the reclassified statement by "Sources and Uses" of the Group's financial position for the period ended June 30, 2023 and December 31, 2022:

Figures in thousands of euros and in percent	As of June 30	As of December 31	Variations	
	2023	2022	2023 vs. 2022	%
Employment				
Property, plant and equipment	13.046	12.699	347	2,7%
Intangible assets	1.287	1.218	69	5,7%
Activities by right of use	9.988	9.862	126	1,3%
Other non-current assets	3.424	2.987	437	14,6%
Deferred tax assets	133	98	35	35,2%
Employee benefits	(1.032)	(960)	(72)	7,6%
Other non-current liabilities	(1.739)	(1.962)	223	(11,4)%
Deferred tax liabilities	(168)	(191)	(23)	(11,9)%
Net fixed assets (*)	**24.939**	**23.751**	**1.188**	**5,0%**
Inventories	2.533	1.922	610	31,7%
Activities arising from contract	786	2.300	(1.514)	(65,8)%
Trade receivables	1.052	885	167	18,9%
Tax credits	7.132	6.796	336	4,9%
Other current assets	1.212	860	352	40,9%
Trade payables	(7.969)	(6.352)	(1.617)	25,5%
Liabilities arising from contract	(372)	-	(372)	-
Tax debts	(1.157)	(669)	(487)	72,8%
Other current liabilities	(2.381)	(2.010)	(371)	18,5%
Net working capital (*)	**836**	**3.732**	**(2.896)**	**(77,6)%**
Net invested capital (*)	**25.775**	**27.483**	**(1.709)**	**(6,2)%**
Sources				
Shareholders' Equity	104.844	97.921	6.923	7,1%
Net financial debt (*)	(79.069)	(70.438)	(8.631)	12,3%
Total sources	**25.775**	**27.483**	**(1.709)**	**(6,3)%**

(*) 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 79,069 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, 2023 and December 31, 2022 are prepared in accordance with the outline from ESMA Guideline 32-382-1138 of March 4, 2021 and by Consob through Attention Reminder No. 5/21:

Figures in thousands of euros **Net financial debt**	**June 30, 2023**	**December 31, 2022**
(A) Cash and cash equivalents	20.592	8.436
(B) Cash equivalents to cash and cash equivalents.	16.000	16.000
(C) Other current financial assets	57.710	61.764
(D) Liquidity (A+B+C)	**94.302**	**86.200**
(E) Current financial debt	23	29
(F) Current part of non-current financial debt	1.786	1.726
(G) Net current financial debt (E+F)	**1.809**	**1.755**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(92.494)**	**(84.445)**
(I) Non-current financial debt	13.424	14.007
(J) Debt instruments	-	-
(K) Trade and other current payables.	-	-
(L) Non-current financial debt (I+J+K)	**13.424**	**14.007**
(M) NET FINANCIAL DEBT (H+L)	**(79.069)**	**(70.438)**

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."
- "Cash and cash equivalents" (B) 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, 2023 shows a financial *surplus of* 79,069 thousand euros, composed as follows:

- Liquidity (D) in the amount of Euro 94,302 thousand, an increase of approximately 9.4% compared to the year ended December 31, 2022. This change is attributable to the net balance between: (i) receipts for revenues from contracts with customers of approximately Euro 22,618 thousand, (ii) outflows for operations of approximately Euro 12,988 thousand, (iii) outflows for investments related to the construction of the new office building at the Rosia (Siena) site of approximately Euro 1,530 thousand, (iv) purchase of treasury shares of Euro 1,198 thousand, and (v) net positive result from financial management of Euro 1.198 thousand given by: net capital gains from *fair value* valuation for Euro 856 thousand, coupon collection for Euro 538 thousand, extinguishment and collection of hedging derivative on outstanding loans for Euro 219 thousand, positive *market-to-market* change of the new hedging derivative on outstanding loans for Euro 43 thousand, repayment of outstanding loans for Euro 456 thousand;
  It should be noted that in November 2022, the Group signed three term current account contracts for a total amount of Euro 16,000 thousand of which (i) Euro 6,000 thousand at the rate of 2.05% maturing in July 2023, (ii) Euro 5,000 thousand at the rate of 2.35% maturing in November 2023, and (iii) Euro 5,000 at the rate of 2.6% maturing in May 2024. As of June 30, 2023, these deposits have accrued interest in the amount of Euro 168 thousand not prudentially recorded in the financial statements because the full amount of interest will be credited only when the deposits mature if they are not released early.
- Current and non-current financial indebtedness (G+L) in the amount of Euro 15,233 thousand represented by (i) Euro 12,010 thousand from the debt related to the right of use of real estate (IFRS 16), (ii) Euro 3,200 thousand from the two medium-long term loans stipulated with the Banca Intesa Group (formerly Ubi Banca S.p.A.) in January 2021, in order to partially finance the construction and equipping of the new GMP plant at the Rosia (Siena) site with maturity due in April 2024 for the loan in the amount of Euro 2,650 thousand (residual debt as of June 30, 2023 amounting to Euro 821 thousand), and in January 2027 for the loan in the amount of Euro 2,350

thousand, and (ii) in the amount of Euro 23 thousand from the balance of credit cards as of June 30, 2023. For more details on the loans, please refer to Note 22 of the condensed consolidated half-year financial statements.

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 these *covenants, does* not lead to early repayment of the loans, but only results in an increase in the *spread* component of the interest rate, which will be increased by an additional 0.50%.

Commercial *covenants* are verified as of the consolidated financial statements for the year ending December 31, 2021 while financial *covenants are* 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, 2023, the Company certifies that there are no critical issues in complying with the *covenants* described above.

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 half-year financial statements as of June 30, 2023;
- 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	
	2023	2022
Revenue from contract with customers	21.625	18.085
EBITDA (*)	8.632	9.049
EBITDA *Margin*	39,9%	*50,0%*
EBIT	6.928	7.800

(*) EBITDA is operating income before depreciation and amortization. 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 an alternative measure for evaluating the Group's operating income 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	
	2023	2022
Profit (loss for the period)	**7.672**	**1.980**
Income taxes	585	1.461
Financial income and expenses	(1.330)	4.359
EBIT	**6.928**	**7.800**
Depreciation	1.704	1.249
EBITDA	**8.632**	**9.049**

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

Figures in thousands of euros and in percent	Period ended June 30	
	2023	2022
Revenue from contract with customers (A)	21.625	18.085
EBITDA (B)	8.632	9.049
EBITDA Margin (B/A)	**39,9%**	***50,0%***

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
	2023	2022
Net fixed assets	24.939	23.751
Net working capital	836	3.732
Net invested capital	25.775	27.483
Net financial debt	(79.069)	(70.438)
Financial independence index	77,7%	*77,8%*
Structure margin	376,1%	*364,5%*
Liquidity index	781,9%	*917,5%*
Indebtedness index	14,5%	*16,1%*

The following table details the Financial Independence Index:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2023	2022
Equity (A)	104.844	97.921
Total assets (B)	134.895	125.828
Financial Independence Index (A/B)	**77,7%**	**77,8%**

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
	2023	2022
Equity (A)	104.844	97.921
Non-current assets (B)	27.878	26.864
Structure margin (A/B)	**376,1%**	**364,5%**

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
	2023	2022
Current assets (A)	107.017	98.963
Current liabilities (B)	13.687	10.787
Liquidity index (A/B)	**781,9%**	**917,4%**

The following table details the Indebtedness Index:

Figures in thousands of euros and in percent	As of June 30	As of December 31
	2023	2022
Financial debt(*) (A)	15.233	15.763
Equity (B)	104.844	97.921
Indebtedness ratio (A/B)	**14,5%**	**16,1%**

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

The indicators set out in the tables above show the Group's sound and liquid financial position.

6. Impacts from Covid-19

On May 5, 2023, the World Health Organization officially declared the end of the pandemic, and during the first half of 2023, all remaining restrictions and blockades on people and businesses were lifted. However, the overall long-term impacts of the Covid-19 pandemic on the world economy are still uncertain and complex to define, as the deterioration in economic growth forecasts have multiple causes, some of which can be indirectly traced to the Covid-19 pandemic.

At the company level, caution and prevention have always been recommended to avoid possible sources of infection.

Philogen continues to engage all necessary energies, activities, and means aimed at accompanying employees and collaborators in managing any further pandemics to promote their well-being, health, engagement, and development. There are no reported impacts on financial items; Philogen, while continuing to be vigilant for potential pandemic risks, maintains a strong balance sheet, economic and financial profile.

7. Impacts 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

- To 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 annual financial reports, the annual shareholders' meeting, and 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

In application of the current "Procedure for Transactions with Related Parties" (subject to revision on May 12, 2022, by the Company's Board of Directors), the RPT Presidium (consisting of the Chief Financial Officer and the head of the corporate legal department) sent to the RPT Committee the necessary communications regarding the transactions entered into by the Company, which subsequently, were recorded in the relevant register of Related Party Transactions.

During the year, transactions with related entities were carried out at normal market conditions that produced profitability in line with the company's profitability parameters. Transactions with related parties are disclosed in the financial statements and described in detail in the specific Note No. 29 to the condensed consolidated half-year financial statements to which reference should be made, and they do not qualify as atypical or unusual, falling within the normal course of business of Group companies and are settled at arm's length.

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").

Specifically, during 2022, the Company embarked on a process to revise and supplement the Organizational Model, in place at the time of listing, in order to update and adapt the said Model to the company's needs and corporate structure also in light of recent regulatory changes and the corporate *governance* structure implemented in the 12 months after listing.

In the first months of 2023, the Supervisory Board carried out the appropriate internal audits inherent to the Company's application of the adopted Model, proceeding to the constant verification of the Company's activities and noting the absence of any violation and compliance with the Organizational Model adopted by Philogen.

Current versions of the Organizational Model ("*General Part*") and Code of Ethics are available on the Company's website (http://www.philogen.com/) in the *Governance* section (code-ethics-and-model-231).

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.

In particular, the aforementioned "Report on Corporate Governance and Ownership Structure" indicates the process put in place by the Company in 2022, with reference to the implementation of some of the Recommendations and Principles contained in the Corporate Governance Code for Listed Companies.

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

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 (completed 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 conducting the clinical trial activities of compounds, the Group must comply with relevant national and international regulations, including, in particular, Good Manufacturing Practice ("GMP") guidelines 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, asset and financial situation.

11.2 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 Company 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 commercialization of product candidates. The occurrence of such risks could result in serious adverse effects on the Group's economic, financial and asset position.

11.3 Financial risks

Financial risks are defined as financial risks arising from owning or trading financial instruments. Tables detailing financial risks are shown in Note No. 26 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 carrying amount of financial assets and assets arising from contracts 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 the typical variables of the Group's customer portfolio, including the default 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 is cash on hand 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 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).

- Risks related to the *fair value* performance of the securities portfolio

The Group is subject to the risk of changes in the *fair value of* financial instruments held in its portfolio, the value of which as of June 30, 2023 was 57,710 thousand euros. The occurrence of this risk could have significant adverse effects on the Group's economic, financial, and equity position.

- Country risk management

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

More details on financial risks can be found in Note 26 of the condensed consolidated financial statements.

12. 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.

13. Personnel information

As of June 30, 2023, the Group had 157 employees, of which 118 were hired by Philogen S.p.A., at its plants in Siena (Rosia and Montarioso), and 39 by Philochem AG, at its site in Zurich, thus keeping the number of employees unchanged from December 31, 2022. Although the number of employees remained unchanged, there were the following changes: (i) Philochem: 1 hire and 1 termination (ii) Philogen: 10 hires and 10 terminations.

Number of Group punctual employees	As of June 30	As of December 31	Variations	
	2023	2022	2023 vs. 2022	%
Employees	157	157	-	-

The staff recruited during the first half of 2023 appears to be highly qualified, being 64 percent graduates and 9 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	-	**1**	1	-	**1**
Degree	-	1	**1**	1	5	**6**	1	6	**7**
Diploma	-	-	**-**	2	1	**3**	2	1	**3**
No title	-	-	-	-	-	**-**	-	-	**-**
Grand total	**-**	**-**	**1**	**4**	**6**	**10**	**4**	**7**	**11**

The Group is committed to pursuing a personnel policy aimed at selecting professionals in the area of research and development of new technologies, products and processes, fostering training and *know-how* exchanges internationally.

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

The Group has also always been attentive to issues of gender equality and inclusion. About 55% of employees are female, as well as from more than 15 different countries. The top management appears to be gender-balanced, a circumstance that has characterized the Group since before listing: CFO since 2007; HR Manager since 2008, *Company Legal Counsel since* 2016, *Deputy* CMO since 2022, *Corporate Quality Assurance* since June 2023. Philogen also boasts since 2016 a female representation in the Board of Directors, following the appointment of Dr. Nathalie Dompé and post IPO with the inclusion of Avv. Marta Bavasso and Maria Giovanna Calloni. Finally, in adherence to Italian law, Philogen employs six people from protected categories.

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.

In light of what has just been described in this section, the Company, as of the date of this report, does not see the need to adopt specific diversity policies in relation to employee composition, gender composition, and educational and professional background.

14. Significant events after the end of the fiscal year

14.1 Purchase of own shares

The Group continues with the share buyback program approved on May 11, 2023 by the Company's Board of Directors, which was initiated on May 16, 2023 and has a term of 18 months from approval (see Section 4.1 of the Interim Management Report).

Since the start of the program, Philogen has purchased 66,771 ordinary shares (equal to 0.1644% of the share capital) for a total consideration of €1,072,443.79. As of September 25, 2023, Philogen holds a total of 294,541 ordinary shares (equal

to 0.7253% of the share capital).Notifications under the *Buyback* regulations are available on the company's website (https://www.philogen.com).

14.2 Purchase of new building

The Company, in August 2023, purchased a building adjacent to its Philogen plant located in Montarioso (Siena), at which the Company currently conducts production activities according to GMP regulations aimed at the production of experimental drugs for its clinical trials.

The location of the said property, as well as its size, make it suitable for meeting the Company's future production needs, also considering its strategic importance on the Company's industrial development plan. The purchased property, in fact, has a potential cubic capacity of 32 thousand cubic meters and, once renovated, can be used for both the expansion of the current GMP production plant and the construction of new offices/management center.

The purchase of this property is therefore of strategic significance in the business plan that the Company is pursuing with the aim of increasing and/or developing its production capacity to meet both its own production needs and those of third parties with whom the Company has entered into contractual production obligations in accordance with GMP regulations.

15. Foreseeable development of management

The status of various industrial programs during the period ended June 30, 2023, and in the early months of the second half of 2023, can be summarized as follows:

- Nidlegy™ - a biopharmaceutical product designed for the treatment of skin cancers

An *Independent Central Review Committee* is finalizing the analysis of results for the Phase III *trial of* Nidlegy™ in locally advanced melanoma. It is expected that final results will be available in the coming weeks and will be announced immediately in a separate press release.

Patient enrollment in the U.S. Phase III trial in stage IIIB/C melanoma continues in line with company plans. To date 33 centers have been opened and additional centers will be opened during 2023.

Two Phase II studies are ongoing in "*High-Risk*" Basal Cell Carcinoma (BCC) and other non-melanoma skin cancers. The Group has accelerated activities in BCC based on the high rate of durable complete remissions (clinical and/or pathological CR) observed in patients treated with Nidlegy™. The company is planning a *meeting* (so-called *Scientific Advise*) with the *European Medicines Agency*. The two clinical trials also allow Nidlegy™ to be investigated in other non-melanoma skin cancers (e.g., squamous cell carcinoma, *Merkel Cell Carcinoma*).

As disclosed on May 30, 2023, Nidlegy™ was the subject of an exclusive marketing, licensing and supply agreement with Sun Pharma for Europe, Australia and New Zealand. Philogen retains the rights for all other territories and all indications other than skin cancer.

- Fibromun - a biopharmaceutical product, proprietary to Philogen, designed for the treatment of soft tissue sarcoma (STS) and Glioblastoma

In the European Phase III study in the first-line STS in combination with doxorubicin, 22 clinical centers have opened and enrolled 75 patients of the 118 planned in the protocol. The study continues in Germany, Italy, Spain, Poland and France.

The American Phase IIb study in first-line leiomyosarcoma in combination with doxorubicin is ongoing at 7 clinical centers in the United States. Please note that leiomyosarcoma is the most common subtype of STS.

The randomized phase of the European Phase II trial in the third-line STS in combination with dacarbazine continues. The *trial* has enrolled 37 patients of the 92 protocol patients and is ongoing at 8 clinical centers. Additional centers are in the process of being activated.

Regarding the Phase I/II Study in second-line Glioblastoma in combination with lomustine, Phase I is completed with 15 patients divided into 3 cohorts and Phase II is ongoing. The latter involves the treatment of 158 patients. Data from the first

Phase 1 cohort have been published in the journal *Science Translational Medicine (Look et al., Sci Transl Med 2023 eadf2281)*. The study is currently ongoing in Switzerland and Germany. Philogen is working with the aim of opening additional centers in major European countries.

The Phase I/II/IIb trial in first-line Glioblastoma in combination with radiotherapy and temozolomide continues at the University Hospital of Zurich. Cohort 4 of the 5 planned Phase I *trial is* currently underway.

- OncoFAP-small organic molecule with high affinity for Fibroblast Activation Protein (FAP). FAP is highly expressed in more than 90% of epithelial tumors. The Company is to date developing several pharmaceutical derivatives based on the OncoFAP ligand

68Ga-OncoFAP (radio-diagnostic derivative) is being studied in the Phase I clinical *trial* in patients with solid tumors. The study has been approved by AIFA and is conducted in Italy.

The *company-sponsored* clinical study of the 177Lu-OncoFAP-23 derivative (radio-therapeutic derivative) is planned to begin by late 2023/early 2024.

Experimental data obtained in several preclinical models with OncoFAP-GlyPro-MMAE (a nonradioactive derivative of OncoFAP conjugated to cytotoxic drugs) have shown excellent ability to block the growth of several tumor types. On this basis, Philogen will begin GMP production in the coming weeks with the aim of bringing to the clinic.

- Products in *partnerships*

Partnerships continue on (i) Dodekin (Confidential *Partner*), (ii) Dekavil (Pfizer), and (iii) on small organic molecules (Janssen and Bracco) and Nidlegy™ (Sun Pharma and MSD).

- New GMP Plant Rosia (Siena)

The first inspection of the new GMP manufacturing facility in Rosia, Siena, by AIFA's GMP MED office was successful in July 2023. A second inspection by AIFA's GMP API office is scheduled for October 2023. The latter is aimed at approving the new GMP facility for both experimental and commercial purposes. It should be noted that this facility will complement the existing GMP plant at the Montarioso (Siena) site, which is dedicated to the production of experimental drugs.

The Group is also consolidating its *core business* by conducting experimental clinical trials with its proprietary drugs and at the same time planning some industrial activities aimed at the 'commercialization activities of its drugs.

Philogen
innovating targeting

Interim condensed consolidated financial statements as of June 30, 2023

Consolidated statement of income

Figures in thousands of Euros		Year ended June 30			
	Notes	**2023**	*Of which with related parties*	**2022**	*Of which with related parties*
Revenues from contracts with customers	5	21.625		18.085	
Other income	5	898		2.094	
Total revenue and income		**22.522**	**-**	**20.179**	-
Purchases of raw materials and consumables	6	(1.629)		(1.133)	
Costs for services	6	(5.950)	*(743)*	(4.579)	(703)
Costs for the use of third-party assets	6	(102)		(59)	
Personnel costs	6	(5.986)	*(300)*	(5.125)	(300)
Depreciation	6	(1.704)	*(384)*	(1.249)	(375)
Other operating costs	6	(225)		(234)	
Total operating costs		**(15.595)**	***(1.427)***	**(12.379)**	**(1.377)**
Operating income		**6.928**	***(1.427)***	**7.800**	**(1.377)**
Financial income	7	3.119		985	
Financial charges	7	(1.790)	*(172)*	(5.344)	(171)
Total financial income and expenses		**1.330**	***(172)***	**(4.359)**	**(171)**
Earnings before taxes		**8.257**	***(1.599)***	**3.441**	**(1.548)**
Taxes	8	(585)		(1.461)	
Profit (Loss) for the period		**7.672**	***(1.599)***	**1.980**	**(1.548)**
Profit (Loss) for the period attributable to shareholders of the parent company		7.672		1.980	
Earnings (Loss) per share (in Euros)	9	0,19		0,05	
Diluted earnings (loss) per share (in Euros)	9	0,19		0,05	

Consolidated statement of comprehensive income

Figures in thousands of **Euros**	Notes	Period ended June 30 2023	2022
Profit (Loss) for the period (A)		**7.672**	**1.980**
Other gains (losses) that will be later reclassified to net income (loss) for the period			
Translation differences of foreign financial statements	20	49	429
Profit (loss) from *cash flow hedge*	20	602	(147)
Profit (loss) from *cost of hedging*	20	(50)	-
Fiscal effect	20	(154)	41
Total other gains (losses) to be later reclassified to profit (loss) for the period (B)		**447**	**324**
Other gains (losses) that will not be subsequently reclassified to net income (loss) for the period			
Profit (loss) from valuation of financial assets measured at *fair value*	20	(192)	
Actuarial valuation gain (loss) on employee benefits	20	36	113
Fiscal effect	20	36	(31)
Total other gains (losses) that will not be subsequently reclassified to net income (loss) for the period (C)		**(121)**	**81**
Total other components of comprehensive income (B+C)		**326**	**405**
Comprehensive income (loss) after tax (A+B+C)		**7.998**	**2.385**
Comprehensive income (loss) attributable to shareholders of the parent company		7.998	2.385

Consolidated statement of financial position

Figures in thousands of Euros	Notes	June 30, 2023	*Of which with related parties*	December 31, 2022	*Of which with related parties*
ACTIVITIES.					
Property, plant and equipment	10	13.046		12.699	
Intangible assets	11	1.287		1.218	
Activities by right of use	12	9.988	*9.281*	9.862	*9.670*
Other non-current assets	16	3.424		2.987	
Deferred tax assets	8	133		98	
Non-current assets		**27.878**	***9.281***	**26.864**	***9.670***
Inventories	13	2.533		1.922	
Activities arising from contract	14	786		2.300	
Trade receivables	15	1.052		885	*642*
Tax credits	16	7.132		6.796	
Other current financial assets	17	57.710		61.764	
Other current assets	18	1.212		860	
Cash and cash equivalents	19	36.592		24.436	
Current Assets		**107.017**	**-**	**98.963**	***642***
Total assets		**134.895**	***9.281***	**125.827**	***10.312***
EQUITY					
Capital		5.731		5.731	
Share premium reserve		99.755		106.097	
Other reserves		(8.315)		(8.531)	
Profit (loss) for the period		7.672		(5.376)	
Equity attributable to shareholders of the parent company	**20**	**104.844**	**-**	**97.921**	**-**
Total equity	**20**	**104.844**	**-**	**97.921**	**-**
PASSIVITY.					
Employee benefits	21	1.032	*48*	960	*26*
Non-current lease liabilities	12	11.074	*10.888*	11.020	*10.829*
Non-current financial liabilities	22	2.350		2.987	
Other non-current liabilities	24	1.739		1.962	
Deferred tax liabilities	8	168		191	
Non-current liabilities		**16.364**	***10.936***	**17.120**	***10.855***
Current financial liabilities	22	873		884	
Current lease liabilities	12	936	*820*	871	*771*
Trade payables	23	7.969	*44*	6.351	*75*
Liabilities arising from contract	14	372		-	
Tax debts	16	1.157		669	
Other current liabilities	24	2.381	*88*	2.010	*166*
Current liabilities		**13.687**	***952***	**10.785**	***1.012***
Total liabilities		**30.051**	***11.888***	**27.906**	***11.867***
Total equity and liabilities		**134.895**	***11.888***	**125.827**	***11.867***

Statement of changes in consolidated shareholders' equity

Data in thousands of Euros	Capital	Share premium reserve	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	Reserve from valuation of financial assets measured at *fair* value	Share-based payment reserve	Reserve from translation differences	Cash flow hedge reserve	Retained earnings (losses)	Total other reserves	Profit (loss) for the year	Total consolidated shareholders' equity
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
Result for the year														**-**	1.980	1.980
Other comprehensive income (loss) after tax effect								81	-		429	(106)		**405**		405
Ending balances as of June 30, 2022	**5.731**	**106.097**	**(124)**	**(2.132)**	**892**	**(1.265)**	**449**	**(18)**	**-**	**59**	**1.479**	**(110)**	**(7.121)**	**(7.891)**	**1.980**	**105.916**
Opening balances as of January 1, 2023	**5.731**	**106.097**	**(124)**	**(2.461)**	**892**	**(1.265)**	**449**	**(14)**	**(87)**	**125**	**1.261**	**(186)**	**(7.121)**	**(8.531)**	**(5.376)**	**97.921**
Allocation of previous year's result		(6.341)											965	**965**	5.376	-
Purchase of own shares				(1.196)										**(1.196)**		(1.196)
Stock Grant Plan										122				**122**		122
Result for the year														**-**	7.672	7.672
Other comprehensive income (loss) after tax effect								26	(147)		49	398		**326**		326
Ending balances as of June 30, 2023	**5.731**	**99.755**	**(124)**	**(3.658)**	**892**	**(1.265)**	**449**	**12**	**(234)**	**246**	**1.310**	**212**	**(6.156)**	**(8.315)**	**7.672**	**104.844**

Consolidated Statement of Cash Flows

Figures in thousands of Euros		Period ended June 30			
	Notes	**2023**	*Of which with related parties*	**2022**	*Of which with related parties*
Cash flow from operating activities					
Result for the period		7.672	*(2.707)*	1.980	*(1.548)*
Adjustments for:					
Depreciation of tangible and intangible assets	6	1.704	*(798)*	1.249	*375*
Net financial income/(expense)	7	(1.330)	*(344)*	4.359	*171*
Provisions for funds and employee benefits	21	113		96	
Provisions for group incentive plans.	20	122		38	
Income taxes	7	585		1.461	
Other non-cash adjustments		(431)		(182)	
Variations of:					
Inventories	13	(610)		(626)	
Activities arising from contract	14	1.514		(612)	
Trade receivables	15	9	*(642)*	16	
Liabilities arising from contract	14	372		(505)	
Trade payables	23	1.612	*(3)*	548	*(34)*
Other assets and liabilities (*)	16, 18, 24	(747)	*124*	(1.517)	
Use of funds and employee benefits	21	(22)		(2)	
Interest paid	7	(259)		(345)	
Income taxes paid	8	-		-	
Cash flow generated/(absorbed) from operations (A)		**10.305**	***(4.369)***	**5.959**	***(1.037)***
Cash flow from investing activities					
Interest collected	7	733		16	
Proceeds from the sale of financial assets	17	5.162		2.666	
Purchase of property, plant and equipment	10	(1.518)		(3.259)	
Purchase of intangible assets	11	(160)		(216)	
Purchase of other financial assets	17	(302)		-	
Cash flow generated/absorbed by investing activities (B)		**3.935**	**-**	**(792)**	**-**
Cash flows from financing activities					
Proceeds from the issuance of shares	20	-		-	
Receipts from the assumption of financial liabilities	22	-		-	
Repayment of financial liabilities	22	(409)		(628)	
Payment of lease liabilities	12	(480)	*(410)*	(388)	*(370)*
Purchase of own shares	20	(1.196)		(1.594)	
Cash flow generated/absorbed by financing activities (C)		**(2.085)**	***(410)***	**(2.610)**	***(370)***
Total cash flow (A + B + C + D)		**12.155**	***(4.778)***	**2.557**	***(1.407)***
Beginning cash and cash equivalents	**19**	**24.436**		**8.880**	
Change in cash and cash equivalents for the period		12.155		2.557	
Translation effect on cash and cash equivalents		1		29	
Closing cash and cash equivalents	**19**	**36.592**		**11.466**	

(*) Includes: other non-current assets, other current assets, other non-current liabilities, other current liabilities, 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 of the Council of July 19, 2002 (the "EU Regulation") prescribed the obligation, as of the 2005 fiscal year, for all companies with securities admitted to trading on a regulated market to prepare condensed consolidated half-yearly 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 for the first half of 2023 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, 2022, which are published on the institutional website (http://www.philogen.com/) *Financial Statements* 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, 2022 and the consolidated income statement figures as of June 30, 2022.

These condensed interim consolidated financial statements were approved and authorized for publication by the Company's Board of Directors on September 28, 2023.

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

Functional and presentation coin

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 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 financial statements are provided in the notes below:

- Note No. 5 and 32 - accounting for revenues from contracts with customers: analysis of contracts with customers, with particular reference to the recognition at a particular point in time or over time of revenues from licensing and research and development activities on behalf of third parties and the identification of individual *performance obligations*.

(ii) Assumptions of uncertainties in estimates

For the period ended June 30, 2023, 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 32 - revenue accounting: assumptions in determining the total cost of *performance obbligation* in relation to customer contracts accounted for over time;
- Note No. 32 - valuation of financial instruments: main assumptions underlying the calculation of *fair value*;
- Note No. 32 - definition of the discount rate: main assumptions on the calculation of the Incremental Borrowing Rate (IBR), where the implicit interest rate is not present.
- Notes No. 8 and 32 - recognition of deferred tax assets: availability of future taxable profits against which deductible temporary differences and tax loss carryforwards can be used.

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	
	2023	**2022**
Revenues from contracts with customers	21.625	18.085
Other income	898	2.094
Total revenue and income	**22.522**	**20.179**

Revenues from contracts with customers

Revenues from contracts with customers mainly refer to *upfront payments*, *milestones* and/or *maintenance fees*, research and development services as well as revenues from third-party production that the Group performs under existing contracts.

For the period ended June 30, 2023, revenues from contracts with customers amounted to 21,625 thousand euros, an increase of 3,540 thousand euros from the previous period. The change is attributable to new third-party contracts signed in 2023 and the advancement of previous 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	
	2023	**2022**
Revenues from *up-front,* from *milestones*	20.052	15.885
Revenues from research and development services	1.573	2.199
Total revenue from contracts with customers	**21.625**	**18.085**

Detail by mode of recognition

Figures in thousands of Euros	Period ended June 30	
	2023	**2022**
Revenue recognized *at a point in time*	20.082	15.742
Revenues recognized *over time*	1.543	2.343
Total revenue from contracts with customers	**21.625**	**18.085**

Detail by geographic area

Figures in thousands of Euros	Period ended June 30	
	2023	**2022**
USA	52	727
European Union	20.243	16.686
Extra EU (Switzerland)	1.330	672
Total revenue from contracts with customers	**21.625**	**18.085**

Detail by product or service type

Figures in thousands of Euros	Period ended June 30	
	2023	**2022**
Product Development 1	52	535
Good Manufacturing Practices (GMP) Services.	1.573	1.634
Services related to activities on small organic molecules	-	15.916
Product Development 2	20.000	-
Total revenue from contracts with customers	**21.625**	**18.085**

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. 30:

Figures in thousands of Euros	Period ended June 30			
	2023	*Inc.*	2022	*Inc.*
Customer 1	20.000	*92%*	-	-
Customer 2	-	-	15.351	*85%*
Client 3	-	-	-	-
Customer 4	-	-	-	-
Other customers < 10%.	1.625	*8%*	2.734	*15%*
Total revenue from contracts with customers	**21.625**	***100%***	**18.085**	***100%***

Other income

Figures in thousands of Euros	Period ended June 30	
	2023	2022
Operating grants	704	1.856
Equipment grants	194	139
Miscellaneous income	-	99
Total other income	**898**	**2.094**

Other income mainly relates to the contribution for tax benefits provided by law and to a small extent to research grants for projects co-financed by the European Community, the Region of Tuscany and Eurostars projects. This item mainly includes the recognition of certain credits from which the Group benefits on an ongoing basis by virtue of its research activities, such as:

(i) research and development tax credit amounting to 493 thousand euros as of June 30, 2023;
(ii) technology innovation tax credit amounting to 162 thousand euros as of June 30, 2023, related to the implementation of the new GMP production process.

The item also includes the Industry 4.0 grant related to the investments made for the equipment and interconnection of the new GMP *facility* at the Rosia (Siena) site, provided for by Law 160/2019 (so-called Budget Law 2020) and Law 178/2020 (so-called Budget Law 2021). The Industry 4.0 credit related to the interconnection of the new GMP facility is a total of €2,586 thousand (it is specified that the accounting of this contribution is based on the amortization rate for the period).

And other credits of smaller amounts, among which we can mention the tax credit in favor of non-energy companies in the amount of 39 thousand euros and the contribution related to a Project financed by the European Community in the amount of about 27 thousand euros.

Compared with the period ended June 30, 2022, other income showed a decrease of approximately 1.197 thousand mainly due to two factors: (i) receivables related to extraordinary activities carried out during 2021 and 2022 for which the company benefited in the previous period from two facilitations (SME tax credit of Euro 500 thousand for consulting costs incurred for admission to listing in a regulated market for Euro 500 thousand and ACE tax credit of Euro 180 thousand related to the capital increase raised during the listing phase, provided for by art. 19 of Decree-Law 73/2021); (ii) for the abatement of the concessional rates of the research and development credit, from 20 to 10 percent of eligible costs, as provided by Law 234/2021 (so-called Budget Law 2022).

6. Operating costs

Details of operating costs as of June 30, 2023 and June 30, 2022 are shown below:

Figures in thousands of Euros	Period ended June 30	
	2023	2022
Purchases of raw materials and consumables	1.629	1.133
Costs for services	5.950	4.579
Lease and rental costs	102	59
Personnel costs	5.986	5.125
Depreciation	1.704	1.249
Other operating costs	225	234
Total operating costs	**15.595**	**12.379**

Cost of purchasing raw materials and consumables

Costs for purchases of raw materials and consumables, amounting to 1,629 thousand Euro in the period ended June 30, 2023 (1.133 thousand in the previous period), are mainly attributable to the cost of materials used in operations, 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, the commissioning of the new GMP production at the site in Rosia (Siena) as well as the increase in raw material prices related to the 'inflation trend in the market during 2022 and continued in the first half of 2023 due to the Russian-Ukrainian conflict.

Costs for services

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

Figures in thousands of euros	Period ended June 30	
	2023	2022
Costs related to Clinical Centers and CROs	1.926	1.539
Outsourcing services for research and development activities	842	636
Compensation of corporate bodies (net of contributions)	543	505
Social contributions on corporate body compensation	71	71
Management by objectives (MBO)	77	77
Severance pay (TFM)	20	129
Corporate and consulting expenses	373	427
Utilities and overhead	784	465
Other costs for services	1.314	732
Total costs for services	**5.950**	**4.579**

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 increase of Euro 388 thousand in costs related to clinical centers is attributable to higher costs incurred in the period ended June 30, 2023 compared to the previous period due to the progress of ongoing *trials*;

(ii) The increase in utilities, overhead and other service costs of 319 thousand Euro is related to the increase in company size, the commissioning of the new GMP *facility*, the increase in activities and personnel and the consequent increase in overhead costs in particular the cost of energy

(iii) The increase of 206,000 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 during 2021 and 2022;

(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 2022-March 2023 (for more details on the incentive plan, see section 4.3 of the interim management report);

(v) The decrease compared to the period ended June 30, 2022 of 109,000 euros related to the TFM paid in 2022 for the outgoing executive directors with the approval of the financial statements as of December 31, 2021 (for more details on the termination indemnity, see Section 4.3 of the Interim Management Report);

(vi) The increase of 582 thousand euros in other costs for services and corporate and consulting expenses is mainly related to an increase in employee travel expenses due to an increase in both employees th emselves and travel related to an acceleration of clinical *trials*.

Lease and rental costs

Lease and rental costs amounted to 102 thousand euros in the period ended June 30, 2023. This item includes rental costs, exclusively with reference to leases of less than twelve 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. Specifically, in view of the increase in the number of staff in the reporting year, there was an increase in lease and rental costs attributable to higher costs incurred for business licenses/software with a duration of less than one year.

Personnel costs

The breakdown of personnel cost in the period ended June 30, 2023 and June 30, 2022 of the Group is shown below:

Figures in thousands of Euros	Period ended June 30	
	2023	2022
Wages and Salaries	4.678	4.077
Personnel cost for group incentive plans	121	37
Management by objectives (MBO)	9	-
Social charges	999	850
Provision for severance pay	179	160
Total personnel costs	**5.986**	**5.125**

The increase in personnel cost, amounting to €861 thousand, is mainly attributable to the increase in the average number of employees, as shown in the table below, as well as to the higher cost associated with the group incentive plans due to the provision, as of June 30, 2023, of the cost associated not only with the First Allocation Cycle 2021-2024, but also with the Second Allocation Cycle 2022-2025. More details on the incentive plan can be found in Section 4.3 of the Interim Management Report and Note No. 25 to the condensed interim consolidated financial statements.

	June 30, 2023	June 30, 2022	Change
Average number of employees	156	135	16

For the exact number of employees as of June 30, 2023 and December 31, 2022, please refer to Paragraph 11 of the Interim Management Report.

Depreciation

The breakdown of "Depreciation and amortization" for the period ended June 30, 2023 and June 30, 2022 is shown below:

Figures in thousands of Euros	Period ended June 30	
	2023	2022
Amortization of intangible assets	93	65
Depreciation Property, plant and equipment	1.150	769
Depreciation of assets by right of use	461	414
Total depreciation	**1.704**	**1.249**

The increase in depreciation and specifically in the item "Depreciation of property, plant and equipment" amounting to 456 thousand euros in the period ended June 30, 2023, reflects the completion and commissioning of the new *facility* in Rosia (Siena), in line with the company's strategy, during fiscal year 2022.

Other operating costs

The breakdown of "Other operating expenses" for the period ended June 30, 2023 and June 30, 2022 is shown below:

Figures in thousands of Euros	Period ended June 30	
	2023	2022
Membership contributions	19	18
Company vehicle costs	10	7
Taxes and fees	34	102
Entertainment expenses	9	22
Miscellaneous operating costs	153	85
Total other operating costs	**225**	**234**

Other operating costs are mainly attributable to contingent liabilities and miscellaneous operating expenses.

7. Financial income and expenses

Financial income and expenses are composed as follows:

Figures in thousands of Euros	Period ended June 30	
	2023	2022
Financial income		
Capital gains from realization of financial assets	670	16
Capital gains from the valuation of financial assets at *fair value*	1.074	268
Interest income	62	-
Realized foreign exchange gains	22	102
Foreign exchange valuation gains	1.291	598
Financial income	**3.119**	**985**
Financial charges		
Losses on valuation of financial assets at *fair value*	(133)	(3.526)
Capital losses on realization of financial assets	(21)	(151)
Interest expense on leasing	(175)	(172)
Interest expense on bank loans	(63)	(22)
Interest cost for employee benefits	(17)	(5)
Realized foreign exchange losses	(36)	(337)
Losses on foreign exchange from valuation	(1.344)	(1.131)
Financial charges	**(1.790)**	**(5.344)**
Total financial income (expense)	**1.330**	**(4.359)**

Net financial management for the period ended June 30, 2023 showed a net positive result of 1,330 thousand euros (negative 4,359 thousand euros for the period ended June 30, 2022).

As can be seen from the detail above, the main change from the previous year is attributable to net foreign exchange valuation gains and net *fair value* valuation gains on financial assets due to more stable exchange rates and financial markets than in the previous period.

The positive change in financial management recorded in the first half of 2023 is also related to the update of the "Investment Management Policy" approved by the Board of Directors in October 2022. This update was necessary in view of the macroeconomic environment during the year ended December 31, 2022, in order to ensure greater profitability of the financial instruments held.

More details on the composition of the securities portfolio can be found in Note No. 17 to the condensed consolidated interim financial statements.

8. Taxes

Below is a table detailing the income taxes recorded for the period ended June 30, 2023 and June 30, 2022:

Figures in thousands of Euros	Period ended June 30	
	2023	2022
Current taxes	(616)	(1.332)
Deferred taxes	31	(130)
Total taxes	**(585)**	**(1.461)**

Current taxes refer to accrued taxes calculated on the result for the period while deferred taxes refer exclusively to the reversal of tax effects recognized upon transition to IAS/IFRS.

Reconciliation of effective tax rate

The reconciliation between the tax burden from the condensed consolidated financial statements and the theoretical tax burden determined based on the IRES and IRAP rates applicable to the Group for the period ended June 30, 2023 and June 30, 2022, respectively:

Figures in thousands of euros	Period ended June 30	
	2023	2022
Earnings before taxes	8.257	3.441
Theoretical tax rate(*)	-27,9%	-24,0%
Theoretical tax burden (A)	**(2.304)**	**(826)**
Adjustments for:		
Fiscal effect on R&D credit facility	114	219
Tax effect on facilitation for Technology Innovation Credit	39	30
Tax effect on Industry 4.0 credit facility	44	31
Tax effect on credit facility for SME listing	-	120
Tax effect on relief for ACE credit	-	43
Tax effect on Energy Credit facility	9	-
Tax effect on ACE deduction from IRES	336	-
Tax effect on unrecognized accrued tax losses	(381)	(2.878)
Tax effect on tax losses used	1.972	1.693
Tax effect on other changes in increase (decrease)	(240)	(82)
Tax effect on the Group's different tax rates	(175)	210
IRAP effect on temporary differences	-	(21)
Total adjustments (B)	**1.718**	**(635)**
Total actual income taxes (A+B)	**(585)**	**(1.461)**
Effective tax rate	***(7,1)%***	***(42,5)%***

(*) As of June 30, 2023, the Company calculated a total tax burden of IRES and IRAP such that the theoretical tax rate applied was 27.9% (of which IRES 24% and IRAP 3.9%). In contrast, as of June 30, 2022, the IRAP tax burden was zero such that the theoretical tax rate applied was 24%.

The current taxes recognized in the financial statements as of June 30, 2023, net of tax benefits and the use of prior losses, amount to €616 thousand and are entirely attributed to the Parent Company and to the higher revenues incurred in the period compared to the previous period where, on the contrary, taxes were instead entirely attributed to the Swiss subsidiary (/Philochem AG). These taxes will not generate a financial outflow as they will be fully offset by the foreign tax credit arising from the withholding tax paid in June 2023 on the sale of certain license rights. More details on taxes can be found in Note No. 8 to the condensed consolidated financial statements.

It should be noted that the tax position of the Parent Company evidences accumulated tax losses, from 2017 to date, amounting to more than 50,649 thousand euros that could lead to a future tax benefit of approximately 12,156 thousand euros. these losses were generated mainly from past year losses and tax benefits, from which the Group benefits permanently by virtue of the research activity carried out which do not contribute to the tax base. Among the main tax benefits we can mention the Research and Development Credit, the Technology Innovation Credit, and the Industry 4.0 Credit.

As of June 30, 2023, however, consistent with what has been done in the past, it was decided not to recognize deferred tax assets on tax losses in view of the uncertainties that characterize research and development activities and consequently the possibility of having convincing evidence about the ability to achieve future taxable income.

Changes in deferred taxes during the period

Details and changes in deferred tax assets and liabilities from January 1 to December 31, 2022, and from January 1 to June 30, 2023, the balances of which originate exclusively from transition entries to IAS/IFRS, are provided below:

Figures in thousands of Euros	Book value as of January 1, 2022	Use	Acc.to	Change effect	Book value as of December 31, 2022
Deferred tax assets					
Liabilities from contracts with customers	623	(623)	-	-	-
Intangible assets	1	(1)	-	-	-
Activities by right of use(*)	2.467	(129)	-	(12)	2.326
IAS 19 reserve (recognized in comprehensive income)	38	(33)	-	-	5
Cash flow hedge reserve (recognized in comprehensive income)	1	-	59	-	60
IFRS 9 reserve (recognized in comprehensive income)	-	-	33	-	33
Total Deferred Tax Assets	**3.130**	**(786)**	**92**	**(12)**	**2.424**
Deferred tax liabilities					
Other financial assets	9	(3)	-	-	6
Activities by right of use(*)	2.456	(100)	-	(11)	2.345
Intangible assets	169	(13)	3	1	160
IFRS 9 reserve (recognized in comprehensive income)	-	-	6	-	6
Activities from contracts with customers	5	(5)	-	-	-
Total Deferred Tax Liabilities	**2.639**	**(121)**	**9**	**(10)**	**2.517**

(*) The values as of January 1, 2022 and December 31, 2022 for Deferred income on lease liabilities, Deferred expense on right-of-use assets, and Deferred income for other temporary differences have been restated as a result of the adoption of the Amendment to IAS 12 that became effective on January 1, 2023.

Figures in thousands of Euros	Book value as of January 1, 2023	Use	Acc.to	Change effect	Book value as of June 30, 2023
Deferred tax assets					
Activities by right of use(*)	2.326	(84)	-	11	2.253
Other financial assets	-	-	1	-	1
IAS 19 reserve (recognized in comprehensive income)	5	(10)	-	-	(5)
Cash flow hedge reserve (recognized in comprehensive income)	60	(14)	11	-	57
IFRS 9 reserve (recognized in comprehensive income)	33	(2)	48	-	79
Total Deferred Tax Assets	**2.424**	**(110)**	**61**	**11**	**2.386**
Deferred tax liabilities					
Other financial assets	6	(6)	-	-	-
Activities by right of use(*)	2.345	(96)	-	4	2.253
Intangible assets	160	(6)	2	-	156
IFRS 9 reserve (recognized in comprehensive income)	6	-	-	-	6
Reserve cost of hedging	-	-	6	-	6
Total Deferred Tax Liabilities	**2.517**	**(108)**	**8**	**4**	**2.421**

Uncertainties regarding the accounting treatment to be applied to taxes

It should be noted that as of June 30, 2023, there are no outstanding disputes with tax authorities that could generate uncertainties regarding the treatment of income taxes.

9. Earnings/(loss) per share

Basic earnings per share were calculated by considering the loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period ended June 30, 2023 and June 30, 2022.

The calculation of diluted earnings per share was made considering the loss attributable to holders of ordinary shares and the weighted average number of ordinary shares outstanding during the period to account for 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** **2023**	 **2022**
Profit (Loss) for the year - in Euro thousands (A)	7.672	1.980
Weighted average number of ordinary shares outstanding (B)	40.398.464	40.611.111
Weighted average number of potential dilutive common shares outstanding (C)	-	-
Weighted average number of outstanding share options granted (D)	-	-
Weighted average shares outstanding adjusted for dilution effects (E=B+C+D)	40.398.464	40.611.111
Basic earnings (loss) per share - in Euros (A/B*1000)	0,19	0,05
Diluted earnings (loss) per share - in Euros (A/C*100)	0,19	0,05

(A) Profit (Loss) for the year.

(B) Weighted average number of ordinary shares outstanding.

(D) The weighted average number of outstanding weighted average number of vested share options potentially amounting to 139,000 thousand Units as of June 30, 2023 and 133,000 thousand Units 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. For further information, please refer to Note 25 of the condensed interim consolidated financial statements.

Activities

10. Property, plant and equipment

Changes in property, plant and equipment from January 1 to December 31, 2022 and from January 1 to June 30, 2023 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	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 January 1, 2022	**1.437**	**3.647**	**154**	**282**	**5.464**	**10.984**
Increases	1.104	1.871	-	247	631	3.853
(Decreases)	-	-	-	-	(526)	(526)
Reclassifications	4.456	1.088	-	-	(5.543)	-
Depreciation	(637)	(910)	(15)	(101)	-	(1.663)
Exchange rate effects (historical cost)	(31)	80	-	(108)	-	(59)
Exchange rate effect (depreciation fund)	72	(68)	-	107	-	111
Historical cost	8.654	12.076	181	1.192	25	21943
Sinking Fund	(2.253)	(6.369)	(42)	(665)	-	(9.243)
Net book value as of December 31, 2022	**6.401**	**5.707**	**139**	**427**	**25**	**12.699**
Increases	266	395	92	11	753	1.518
(Decreases)	-	(26)	-	(30)	-	(56)
Reclassifications	-	-	-	-	-	-
Amortization	(533)	(549)	(11)	(58)	-	(1.150)
Exchange rate effects (historical cost)	8	15	-	2	-	25
Exchange rate effect (depreciation fund)	(2)	13	-	(1)	-	10
Historical cost	8.928	12.486	273	1.027	778	23.493
Sinking Fund	(2.788)	(6.931)	(53)	(675)	-	(10.447)
Net book value as of June 30, 2023	**6.140**	**5.556**	**220**	**352**	**778**	**13.046**

Plant and machinery refers mainly to the setup of laboratories and production sites instrumental to operations.

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 advances paid for the construction of the new office building at the Rosia (Siena) site.

11. Intangible assets

Changes in intangible assets from January 1 to December 31, 2022 and from January 1 to June 30, 2023 are shown below:

Figures in thousands of Euros	Patent rights and rights to use intellectual works	Concessions, licenses, trademarks and similar rights	Imm.ni in progress and advances	Total
Historical cost	2.451	218		2.893
Sinking Fund	(1.580)	(139)		(1.943)
Net book value as of January 1, 2022	**871**	**79**	**-**	**950**
Increases	217	155	91	463
(Decreases)	-	-	-	-
Reclassifications	-	83	(83)	-
Amortization	(127)	(76)	-	(203)
Foreign exchange effect	13	83	-	92
Historical cost	2.639	456	8	3.103
Depreciation fund	(1.670)	(215)	-	(1.885)
Net book value as of December 31, 2022	**970**	**241**	**8**	**1.218**
Increases	99	61	-	160
(Decreases)	-	-	-	-
Reclassifications	-	8	(8)	-
Amortization	(47)	(46)	-	(93)
Foreign exchange effect	2	-	-	2
Historical cost	2.743	525	-	3.268
Depreciation fund	(1.720)	(261)	-	(1.981)
Net book value as of June 30, 2023	**1.023**	**264**	**-**	**1.287**

As of June 30, 2023, the Group owns more than 40 international patent families and more than 100 valid national patents. The increases recognized in the period ended June 30, 2023, amounting to 99 thousand euros, relate to 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 of the World .

Concessions, licenses and trademarks mainly include the cost of corporate software licenses. The increases recognized in the period ended June 30, 2023, amounting to 61 euros, together with reclassifications from fixed assets in progress amounting to 8 thousand euros, relates to the purchase and commissioning of new business software necessary for the realization of an integrated and efficient system.

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	11.770	100	68	11.939
Sinking Fund	(1.801)	(93)	(39)	(1.933)
Book value as of January 1, 2022	**9.969**	**7**	**29**	**10.005**
Increases	347	84	212	643
(Decreases)	-	(22)	-	(22)
Depreciation	(798)	(22)	(95)	(915)
Change effect	151	-	-	151
Historical cost	12.337	161	281	12.779
Sinking Fund	(2.625)	(115)	(177)	(2.917)
Book value as of December 31, 2022	**9.713**	**46**	**103**	**9.862**
Increases	485	85	-	569
(Decreases)	-	-	-	-
Amortization	(411)	(12)	(38)	(461)
Change effect	18	-	-	18
Historical cost	12.845	246	281	13.371
Sinking Fund	(3.040)	(127)	(215)	(3.382)
Book value as of June 30, 2023	**9.804**	**119**	**65**	**9.989**

Assets for right of use for the period ended June 30, 2023 are mainly attributable to leases of real estate used by the Group for operations. The increases recognized in the first half of 2023, amounting to 485,000 euros, relate to Istat adjustments to the contractually stipulated rent and the integration of the lease agreement for the Rosia site following the completion of the building used for GMP production.

Changes in financial lease liabilities from January 1 to December 31, 2022 and from January 1 to June 30, 2023 are provided below:

Figures in thousands of Euros	
Lease liabilities as of January 1, 2022	**11.842**
Increases	643
Decreases	(22)
Capital repayments	(808)
Foreign exchange effect	236
Lease liabilities as of December 31, 2022	**11.891**
Increases	569
Decreases	-
Capital repayments	(480)
Foreign exchange effect	29
Lease liabilities as of June 30, 2023	**12.010**
Of which current	936
Of which non-current	11.074

The following table shows the reconciliation of cash outflows with respect to leases for the period ended June 30, 2023 and 2022:

Figures in thousands of Euros	Period ended June 30	
	2023	2022
Real estate capital share	410	370
Interest expense for leasing (real estate)	172	171
Automobile capital share	34	15
Interest expense for leasing (cars)	1	-
Capital share IT services	37	4
Interest expense for leasing (IT services)	3	-
Total cash outflows for *leasing*	**656**	**560**

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, 2023, 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, 2023, 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; there were also no 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 2023	December 31 2022
Raw materials and consumables	2.533	1.922
Total inventories	**2.533**	**1.922**

Stocks of raw materials and consumables accommodate inventories valued at the lower of purchase cost and market value.

As of June 30, 2023, inventories, amounting to 2,533 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.

Assets arising from contracts are entered as assets net of the related liabilities if, based on an analysis conducted on a contract-by-contract basis, the gross value of the assets performed as of the date is greater than the advances received from customers. Conversely, if the advances received from customers are found to be greater than the related assets from contracts, the excess is entered as liabilities.

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 2023	December 31 2022
Advances received from customers	(3.141)	(2.359)
Revenue recognized on advances received	3.928	4.659
Contract activities with clients	**786**	**2.300**

Contracts with negative net balance

Figures in thousands of Euros	June 30 2023	December 31 2022
Advances received from customers	1.318	2.233
Revenue recognized on advances received	(946)	(2.233)
Liabilities from contract with customers	**372**	**-**

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 2023	December 31 2022
Receivables from customers	1.052	885
Total trade receivables	**1.052**	**885**

As of June 30, 2023, trade receivables from customers amounted to 1,052 thousand euros, an increase compared to December 31, 2022 of approximately 19%. The change is mainly attributable to invoices issued for concluded actives related to third-party production contracts, in June 2023 and with collection expected in thirty days.

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 insignificant 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 2023	December 31 2022
Italy	192	830
European Union	1	-
Extra European Union (USA)	52	-
Extra European Union (Other)	807	55
Total trade receivables	**1.052**	**885**

16. Tax receivables and payables

The item "Tax receivables" is composed as follows:

Figures in thousands of Euros	June 30 2023	December 31 2022
VAT Credits	3.318	2.729
Other tax credits	1.011	26
Miscellaneous tax credits	2.803	4.041
Total tax credits	**7.132**	**6.796**

"VAT receivables" amounted to 3,318 thousand Euro showing an increase compared to December 31, 2022 of approximately 22%. 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. As of June 30, 2023, they amounted to 1,011 thousand euros, showing an increase of approximately 985 thousand euros compared to the year ended December 31, 2022. This change is related to the payment of a foreign withholding tax in the first six months of 2023 on the sale of certain license rights.

"Miscellaneous tax credits," as of June 30, 2023 includes the portions of tax credits from which the Company benefits, which can be offset horizontally within the fiscal year. The portion of these credits beyond the fiscal year is reclassified to non-current assets under "Other non-current assets."

As of June 30, 2023, the share of tax credits, which can be offset beyond the fiscal year is 3,424 thousand euros (2,987 thousand as of December 31, 2022).

Figures in thousands of Euros	June 30 2023	December 31 2022
Tax receivables non-current portion	3.424	2.987
Other non-current assets	**3.424**	**2.987**

"Tax liabilities" is composed as follows:

Figures in thousands of Euros	June 30 2023	December 31 2022
Current income tax liabilities	997	383
Amounts owed to the tax authorities for withholding taxes	142	229
Other tax liabilities	18	57
Total tax liabilities	**1.157**	**669**

The Group has quantified a tax liability for current taxes in the amount of Euro 997 thousand net of tax benefits and past tax losses, of which Euro 383 thousand relates to income taxes related to the subsidiary's 2022 fiscal year result and Euro 614 thousand relates to estimated taxes on the result for the period ended June 30, 2023. It should be noted that the latter taxes will not generate a financial outflow as they will be fully offset against the foreign tax credit arising from the foreign *withholding tax* paid in June 2023 on the sale of certain license rights.

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.

These tax liabilities do not represent a future cash outflow but will be offset against credits available to the Company.

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 1, 2022	**92.797**
Increases	26.232
(Decreases)	(54.431)
Gains/losses from *fair value* adjustment	(2.955)
Accrued income on accruing coupons	121
Book value as of December 31, 2022	**61.764**
Increases	302
(Decreases)	(5.182)
Gains/losses from fair value adjustment	766
Accrued income on accruing coupons	17
Market to Market derived CAP	43
Book value as of June 30, 2023	**57.710**

The Group invests excess liquidity in financial instruments, held at Mediobanca, which also acts as manager, in compliance with the "Investment Management Policy" approved by the Board of Directors in May 2021 and amended in October 2022.

The item "Other current financial assets" includes:

i) the balance related to financial instruments 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 compulsorily 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 that was measured at *fair value* without impact recognized in the profit (loss) for the period (FVTOCI) (as they pass the so-called "SPPI test").

Details of financial assets broken down by instrument type and accounting method are provided below:

Data in Euro thousands	June 30 2023	December 31, 2022
Other financial assets (FVTPL)		
Actions	2.036	3.408
Certificates	2.178	2.334
Funds	3.759	4.192
Insurance investment products	27.334	28.905
Total	**35.308**	**38.839**
Other financial assets (FVOCI)		
Bonds	22.359	22.925
Derivative	43	-
Total	**22.402**	**22.925**
Total other current financial assets	**57.710**	**61.764**

The table above shows the change in *asset allocation* that occurred during the first six months of 2023 as a result of the change in the "Investment Management Policy" approved by the Board of Directors in October 2022. This change became necessary due to the instability in the financial markets throughout the year 2022.

It should be noted that following the early extinguishment of the IRS derivative negotiated during 2022 to hedge the risk of interest rate fluctuations on loans payable, on March 10, 2023 the Company collected 243 thousand euros. At the same time, the Company in order to hedge the interest rate risk generated by these floating-rate loans signed with the Banca Intesa S.p.A. Group a new hedge through an Interest Rate Cap contract.

In order to verify the effectiveness of the hedging relationship, the effectiveness test was carried out based on the requirements of IFRS 9. The tests carried out showed that the derivative meets the substantial requirements for the application of *hedge accounting in* accordance with IFRS 9, in view of the substantial alignment between the characteristics of the derivative and those of the underlying loan. The ineffectiveness portion that emerged from the quantitative tests performed, amounting to 2 thousand euros, was recognized in the income statement as of the date under review.

18. Other current assets

"Other current assets" consists of the following:

Figures in thousands of Euros	June 30, 2023	December 31, 2022
Other current receivables	768	634
Other current assets	444	226
Other current assets	**1.212**	**860**

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

Other current assets mainly comprise prepaid expenses related to costs incurred in advance and recorded in the financial statements for the accrued portion.

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, 2023	December 31, 2022
Bank and postal deposits	36.591	24.443
Cash and valuables on hand	1	3
Cash and cash equivalents	**36.592**	**24.436**

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

It should be noted that in November 2022, the Group signed three term current account contracts for a total amount of Euro 16,000 thousand of which (i) Euro 6,000 thousand at the rate of 2.05% maturing in July 2023, (ii) Euro 5,000 thousand at the rate of 2.35% maturing in November 2023, and (iii) Euro 5,000 at the rate of 2.6% maturing in May 2024. As of June 30, 2023, these deposits have accrued interest in the amount of Euro 168 thousand not prudentially recorded in the financial statements because, the total amount accrued will be credited at the time of maturity, only if they are not released early.

Net Financial Indebtedness

The details of Net Financial Indebtedness as of March 30, 2023 and December 31, 2022 are prepared in accordance with the outline from ESMA Guideline 32-382-1138 of March 4, 2021 and by Consob through Attention Reminder No. 5/21:

Figures in thousands of euros **Net financial debt**	**June 30, 2023**	**December 31, 2022**
(A) Cash and cash equivalents	20.592	8.436
(B) Cash equivalents to cash and cash equivalents.	16.000	16.000
(C) Other current financial assets	57.710	61.764
(D) Liquidity (A+B+C)	**94.302**	**86.200**
(E) Current financial debt	23	29
(F) Current part of non-current financial debt	1.786	1.726
(G) Net current financial debt (E+F)	**1.809**	**1.755**
(H) NET CURRENT FINANCIAL DEBT (G-D)	**(92.494)**	**(84.445)**
(I) Non-current financial debt	13.424	14.007
(J) Debt instruments	-	-
(K) Trade and other current payables.	-	-
(L) Non-current financial debt (I+J+K)	**13.424**	**14.007**
(M) NET FINANCIAL DEBT (H+L)	**(79.069)**	**(70.438)**

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."
- "Cash and cash equivalents" (B) 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."

For more details on the change in cash flows for the period ended June 30, 2023, 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, 2023 can be found in the financial statements section.

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 Actions	June 30, 2023
Ordinary shares (listed on the EXM 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. Specifically, 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 articles of incorporation 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
c) 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 2023	December 31, 2022
Capital			5.731	5.731
Negative reserve of treasury stock(*)			(3.658)	(2.461)
Share premium reserve	Capital	A, B, C	99.755	106.097
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	12	(14)
Cash-flow hedge reserve	Useful	A, B	212	(186)
Financial instruments valuation reserve	Useful	A, B	(233)	(87)
Reserve from translation differences	Useful	A, B	1.310	1.261
Earnings reserve restricted capital increase to service the 2024-2026 Stock Grant Plan (**)	Useful	A	(124)	(124)
Share-based payment reserve(***)	Useful	A	246	125
Retained earnings (losses)	Useful	A, B, C	(6.156)	(7.121)
Profit (loss) for the year			7.672	(5.376)
Net worth			**104.844**	**97.921**

(*) 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 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.

(***) 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 to the condensed consolidated financial statements.

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 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 and defining the performance objectives and related *targets*, of the first granting cycle 2021-2024, awarding a total of 145,000 Units.

On Oct. 11, 2022, the Company's Board of Directors, subject to the positive opinion of the Nomination and Remuneration Committee, identified the beneficiaries and defined the performance objectives and related *targets*, of the second allocation cycle 2022-2025, awarding a total of 139,000 units.

The reserve as of June 30, 2023 represents the accrued cost to date of shares to be granted to beneficiaries related to the first and second round of grants.

Please refer to Note 25 of the condensed consolidated financial statements for further information.

D. Purchases of own shares

The Shareholders' Meeting, having revoked the authorization of the Shareholders' Meeting of November 24, 2021 for the unexecuted part, resolved on April 28, 2023 to authorize the purchase of treasury shares, in order to (i) 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; (ii) to fulfill obligations arising from incentive plans, whether for a consideration or free of charge, in favor of corporate officers, employees or collaborators of the Group (for more detailed information on the share buyback program, please refer to sections 4.1 and 12.1 of the interim management report).

21. Employee benefits

This item includes all pension obligations and other benefits for employees and executive 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 984 thousand euros for the period ended June 30, 2023 (933 thousand euros as of December 31, 2022). Changes for the period ended June 30, 2023 and December 31, 2022 are shown below:

Figures in thousands of Euros	June 30, 2023	December 31, 2022
Balance at the beginning of the period	933	1.033
Uses	(22)	(172)
Provision for severance pay	93	171
Financial charges	17	18
Actuarial gains/(losses)	(36)	(117)
Total employee benefits	**984**	**933**

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, 2023 and December 31, 2022, 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, 2023	December 31, 2022
Annual rate of inflation	2,30%	2,30%
Annual discount rate	3,67%	3,63%
Annual rate of increase in severance pay	3,225%	3,23%

Annual frequencies of turnover and severance pay advances	June 30, 2023	December 31, 2022
Frequency of advances	2,00%	2,00%
Turnover frequency	10,00%	10,00%

Demographic assumptions	June 30, 2023	December 31, 2022
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 Legislative Decree No. 4/2019	100% upon achievement of AGO requirements adjusted to Legislative Decree No. 4/2019

Severance pay

The Termination Benefit, 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 term of office.

Liabilities for severance pay amounted to 48 thousand euros for the period ended June 30, 2023 (26 thousand euros as of December 31, 2022). Changes for the period ended June 30, 2023 and December 31, 2022 are shown below:

Figures in thousands of Euros	June 30, 2023	December 31, 2022
Balance at the beginning of the period	26	-
Uses	-	-
Provision for severance pay	20	27
Financial charges	-	-
Actuarial gains/(losses)	1	(1)
Total employee benefits	**48**	**26**

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, 2023	December 31, 2022
Annual discount rate	4%	3,34%
Annual compensation revaluation rate	-	-

Demographic assumptions	June 30, 2023	December 31, 2022
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	100% upon achievement of AGO requirements
Frequency of termination	0,00%	0,00%

22. Current and non-current financial liabilities

The following table shows the changes during the period ended June 30, 2023 and December 31, 2022 in current and non-current financial liabilities:

Figures in thousands of Euros	Amount
Financial liabilities as of January 1, 2022	**4.651**
Funding ignitions	-
Financial liability from hedging derivatives	239
Liabilities for interest on loans	11
Capital repayments	(1.030)
Foreign exchange effect	-
Financial liabilities as of December 31, 2022	**3.871**
Funding ignitions	-
Financial liability from hedging derivatives	(244)
Liabilities for interest on loans	12
Capital repayments	(415)
Foreign exchange effect	-
Financial liabilities as of June 30, 2023	**3.223**
Of which current	873
Of which non-current	2.350

Figures in thousands of Euros	June 30 2023	December 31 2022
Current financial liabilities	873	884
Non-current financial liabilities	2.350	2.987
Total financial liabilities	**3.223**	**3.871**

Financial liabilities are represented by two medium-long term loans taken out with Banca Intesa S.p.A. (formerly UBI Banca S.p.A), which have a total balance of Euro 3,200 thousand as of June 30, 2023, and Euro 3,580 thousand as of December 31, 2022. The decrease with respect to December 31 is attributable for Euro 415 thousand to the repayment of principal carried out during the first half of 2023 and for Euro 244 thousand from the extinguishment of the hedging derivative collected on March 10, 2023 in accordance with favorable market conditions (refer to Note 17 of the condensed consolidated half-year financial statements).

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 amounting to 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.

During the period ended June 30, 2023, commercial and financial *covenants* appear to have been met.

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.

23. Trade payables

Trade payables to suppliers amounting to 7,969 thousand euros as of June 30, 2023 (6,352 thousand euros as of December 31, 2022) 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.

Below are the changes in trade payables during the period ended June 30, 2023:

Figures in thousands of Euros	June 30 2023	December 31 2022
Trade payables	7.969	6.351
Total trade payables	**7.969**	**6.351**

Breakdown of payables by geographic area

Figures in thousands of Euros	Geographical area	
	June 30 2023	December 31 2022
Italy	3.473	2.961
European Union	2.666	2.411
Extra European Union (USA)	852	507
Extra European Union (other)	977	472
Total trade payables	**7.969**	**6.351**

24. Other current liabilities and non-current liabilities

The Group's other current liabilities for the period ended June 30, 2023 and December 31, 2022 are detailed below:

Figures in thousands of Euros	June 30 2023	December 31 2022
Payables to social security institutions	439	456
Accrued expenses and deferred income	583	541
Other debts	1.359	1.013
Other current liabilities	**2.381**	**2.010**

Amounts owed to social security institutions express the amount owed to INPS and INAIL for withholdings to be paid and amounted to 429 thousand euros as of June 30, 2023 and were essentially unchanged from the year ended December 31, 2022.

"Accrued expenses and deferred income" amounting to Euro 583 thousand are mainly attributable to the deferred income of the grant related to the Industry 4.0 tax credit certified in fiscal year 2022 totaling Euro 2,586 thousand and specifically to its method of accounting as a grant related to the duration of depreciation of the assets subject to the facility. For this reason, in the period ended June 30, 2023, the deferrals related to Industry 4.0 are classified under current liabilities for the portion that will be reversed to the income statement by the period July 2023-June 2024 and under noncurrent liabilities for the portion beyond June 30, 2024 in the amount of Euro 1,739 thousand.

Other payables, amounting to 1,359 thousand euros as of June 30, 2023, mainly refer to:

- Payables to employees for outstanding salaries amounting to 1,288 thousand Euro;

- Other payables of various kinds amounting to 71 thousand Euro.

Below is a breakdown of Other non-current liabilities:

Figures in thousands of Euros	June 30 2023	December 31 2022
Deferred income non-current portion	1.739	1.962
Other non-current liabilities	**1.739**	**1.962**

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.

In addition to the first cycle awarded on Sept. 28, which provides a total of 145,000 units, on Oct. 11, 2022, the Company's Board of Directors, subject to the positive opinion of the Nomination and Remuneration Committee, identified the beneficiaries and set the performance objectives and related *targets* for the second cycle of 2022-2025 awards, awarding a total of 139,000 units.

Summary of the regulation

The Plan is divided into three cycles (2021, 2022, and 2023) each lasting three years 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 over 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 awarded to each beneficiary. Specifically, the Board of Directors, after determining that the gate, if any, has been passed, 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 Nomination 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, having consulted 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 second Cycle of the Plan (2022-2025) was carried out reflecting the financial market conditions valid on the grant date (October 11, 2022).

The evaluation was carried out by considering separately the two performance targets, corporate and personal, assigned to each beneficiary. Specifically, the corporate performance component (so-called '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, based on appropriate assumptions, 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:

First allocation cycle 2021-2024:

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%

Second allocation cycle 2022-2025

Number of rights	Date of assignment	Due date	Course on the date of evaluation	Annual volatility	Dividend rate	Exit rate
139.000	November 01, 2022	October 31, 2025	13,820	29%	0%	0%

Overall evaluation results

Regarding the first round of grants as of December 31, 2022, the value of the Plan was updated due to the departure of three Group employees (beneficiaries of the Plan on the date of the first valuation). The total *fair value* increased from 250 thousand euros as of December 31, 2021 to 214 thousand euros as of December 31, 2022. The portion attributable to as of June 30, 2023 is €34 thousand, of which €23 thousand relates to Philochem AG and €11 thousand relates to Philogen S.p.A.

With regard to the second allocation cycle, a total *fair value of* €527 thousand emerged, of which €152 thousand related to the Company and €375 thousand related to the subsidiary. The portion pertaining to June 30, 2023 was €87 thousand, of which €62 thousand related to Philochem AG and €25 thousand related to Philogen S.p.A.

26. 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. Contract-derived assets 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, 2023:

Figures in thousands of Euros	June 30, 2023				
	Within 90 days	**90 days to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Liabilities for leasing	231	1.505	2.909	7.364	**12.010**
Financial liabilities	257	616	2.350	-	**3.223**
Trade payables	7.969	-	-	-	**7.969**
Total	**8.457**	**2.122**	**5.259**	**7.364**	**23.201**

Figures in thousands of Euros	June 30, 2023				
	Within 90 days	**90 days to 1 year**	**1 to 5 years**	**Over 5 years**	**Total**
Trade receivables	1.052	-	-	-	**1.052**
Total	**1.052**	**-**	**-**	**-**	**1.052**

In addition, the Group, besides cash and cash equivalents, holds a portfolio of financial investments totaling 57,710 thousand euros as of June 30, 2023, which is readily liquid and can be used to meet any liquidity needs. Please refer to Note No. 17 of the condensed consolidated interim financial statements.

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 June 30, 2023, revenues from contracts with customers were mainly realized in Euro (the Group's functional currency) and accounted for approximately 94% of total revenues.

The following is a breakdown of revenues with customers by currency for the period ended June 30, 2023 and June 30, 2022:

Figures in thousands of Euros	Period ended June 30			
	2023	**%**	**2022**	**%**
U.S. dollar (USD)	52	-	727	4%
Euro (EUR)	20.243	94%	16.686	92%
Swiss Franc (CHF)	1.330	6%	672	4%
Total revenue from contracts with customers	**21.625**	**100%**	**18.085**	**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 period ending June 30, 2023 and June 30, 2022:

Figures in thousands of euros in absolute value	Period ended June 30	
	2023	**2022**
U.S. dollar (USD)	1	7
Euro (EUR)	202	167
Swiss Franc (CHF)	13	7
Total effect on revenue from contracts with customers	**216**	**181**

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, 2023 and June 30, 2022:

Figures in thousands of Euros	Period ended June 30			
	2023	%	2022	%
U.S. dollar (USD)	488	3%	500	4%
Euro (EUR)	11.603	74%	9.131	74%
Pounds Sterling (GPB)	7	-	14	-
Polish Zloty (PLN)	9	-	4	-
Swiss Franc (CHF)	3.487	22%	2.729	22%
Total operating costs	**15.595**	**100%**	**12.379**	**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 period ending June 30, 2023 and June 30, 2022:

Figures in thousands of euros in absolute value	Period ended June 30	
	2023	2022
U.S. dollar (USD)	5	5
Euro (EUR)	116	91
Pounds Sterling (GPB)	-	-
Polish Zloty (PLN)	-	-
Swiss Franc (CHF)	35	27
Total effect on operating costs	**156**	**123**

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, 2023	June 30 2022
EUR	56.710	84.856
GBP	-	-
RUB	-	-
USD	1.000	2.017
TRY	-	-
Total Current Financial Assets	**57.710**	**86.874**

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, while passing the SPPI Test resulted in its evaluation at FVTOCI.

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.

27. 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, 2023 and December 31, 2022.

Figures in thousands of Euros	June 30 2023	December 31 2022
Financial assets:		
Financial assets measured at amortized cost		
Trade receivables	1.052	885
Current financial assets	-	-
Cash and cash equivalents	36.592	24.436
Other current assets	1.212	860
Financial assets measured at *fair value*		
Current financial assets	57.710	61.764
Non-current financial assets	-	-
Total financial assets	**96.566**	**87.945**
Financial liabilities measured at amortized cost		
Non-current financial liabilities	2.350	2.987
Non-current lease liabilities	11.074	11.020
Current financial liabilities	873	884
Current lease liabilities	936	871
Trade payables	7.969	6.352
Other current liabilities	2.381	2.010
Total financial liabilities	**25.583**	**24.124**

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, 2022			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* recognized In the profit (loss) for the year	32.859	28.905	-	**61.764**
Total assets measured at *fair value*	**32.859**	**28.905**	-	**61.764**

Figures in thousands of Euros	June 30, 2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Current financial assets measured at *fair value* recognized In the profit (loss) for the period	30.375	27.334	-	**57.710**
Total assets measured at *fair value*	**30.376**	**27.334**	**-**	**57.710**

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.

28. 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 6 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, 2023

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	6.256	3.025	-	-	-	**9.281**	93%
Financial liabilities for current leases	553	267	-	-	-	**820**	88%
Financial liabilities for non-current leases	6.445	4.443	-	-	-	**10.888**	98%
Employee benefits	-	-	-	48	-	**48**	5%
Accounts payable to corporate bodies(*)	-	-	-	15	29	**44**	1%
Other current liabilities	-	-	55	38	-	**88**	4%
Profit and loss account							
Depreciation	279	105	-	-	-	**384**	23%
Costs for services	-	-	-	711	32	**743**	12%
Personnel costs	-	-	300	-	-	**300**	5%
Financial charges	97	75	-	-	-	**172**	10%

Period ended December 31, 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	6.558	3.112	-	-	-	**9.670**	98%
Trade receivables	642					**642**	73%
Financial liabilities for current leases	510	261	-	-	-	**771**	88%
Financial liabilities for non-current leases	6.279	4.550	-	-	-	**10.829**	98%
Employee benefits	-	-	-	26	-	**26**	3%
Accounts payable to corporate bodies(*)	-	-	-	15	60	**75**	1%
Other current liabilities	-	-	51	115	-	**166**	8%

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

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
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%

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 the 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, 2023	June 30, 2022
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
Nathalie Francesca Maria Dompé - Councilor	15	15
Leopoldo Zambeletti Pedrotti	15	15
Roberto Ferraresi	16	16
Guido Guidi	16	16
Marta Bavasso (*)	15	15
Maria Giovanna Calloni	16	5
Other Directors (**)	72	53
Total compensation	**450**	**431**
Monetary incentive plan (***)	76	76
Severance pay (****)	20	130
Total	**546**	**636**

(*) Lead independent director.

(**) The item Other Directors includes compensation related to the Board of Directors of the subsidiary (Philochem).

(***) The cost for the MBO Plan provided for executive directors (section 4.5 of the interim management report) includes the last installment related to MBO 2021 and the provision for 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).

ii) Strategic executives

Figures in thousands of euros	June 30, 2023	June 30, 2022
Duccio Neri	46	46
Dario Neri	158	158
John Neri	96	96
Compensation Strategic executives	**300**	**300**

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, 2023	June 30, 2022
Stefano Mecacci - President	14	14
Pierluigi Matteoni - Statutory Auditor	9	9
Alessandra Pinzuti - Statutory Auditor	6	6
Remuneration Board of Auditors	**29**	**29**

(*) Acting auditor until March 2021.

iv) Endoconsiliar organs

Figures in thousands of euros	June 30, 2023	June 30, 2022
Marta Bavasso	15	15
Roberto Marsella	-	7
Leopoldo Zambeletti Pedrotti	-	3
Roberto Ferraresi	10	7
Maria Giovanna Calloni	10	3
Endoconsiliar Committees Compensation.	**25**	**35**

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

Remuneration and Appointments Committee: Marta Bavasso (Chair), Roberto Ferraresi, Maria 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

29. 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.

30. 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 statement is presented by showing current and noncurrent assets and current and noncurrent liabilities separately 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 third-party shareholders;
- Amounts related to transactions with shareholders (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 according to the indirect method, whereby net income is adjusted for the effects of non-cash transactions, 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.

Cash equivalents are those held to meet short-term cash commitments, rather than for investment or other purposes. For an investment to qualify as cash equivalent it must be readily convertible into a known amount of cash and be subject to an insignificant risk of change in value.

Cash equivalents include short-term restricted bank deposits.

Consolidation criteria

The condensed interim 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 condensed 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 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 remaining difference, if positive, is recorded 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 the condensed consolidated interim financial statements, balances of intercompany transactions as well as unrealized intercompany revenues and expenses are eliminated. Unsupported losses are eliminated in the same manner 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, 2023 and December 31, 2022 for the 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)	2023	2022
Spot exchange rate (for conversion of assets and liabilities)	0,9788	0,98470
Average change for the year (by converting costs and revenues)	0,9764	1,00518

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 client 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 even one of the above criteria is not 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 expected conditions for 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.

Government grants are shown in the balance sheet under current and non-current assets in relation to their possibility of utilization.

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 at FVTPL;
- Net gains or losses from financial assets to FVOCI;
- 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. These 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/loss 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 calculation of the dilutive effect of potential ordinary shares was made on the basis of the *treasury share method* prescribed 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) *Depreciation*

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 of use of 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 resulting 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 this category 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 derecognizing 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. Realization value that can be inferred from market trends is equal to the estimated selling price of goods and finished goods 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 valuation: 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 through 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).

The business model thus represents how the Group manages its financial assets, that is, how it intends to realize 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 assessment 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 extinguished financial liability 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 respect to the carrying values of its nonfinancial 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 amounts 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. Where 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 net income/(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 substantially homogeneous type of business, together with the status 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 geographic 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 adopted as of January 1, 2023.

Amendments to IAS 12: Deferred Taxes Relating to Assets and Liabilities Arising from a Single Transaction

The amendments narrow the scope of the exemption to the initial recognition of deferred taxes in order to exclude transactions that give rise to equal and offsettable temporary differences, such as in the case of leases and decommissioning obligations. The changes will take effect for fiscal years beginning on or after January 1, 2023. Deferred tax assets and liabilities related to leases and decommissioning obligations will then have to be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or among other components of equity as of that date. For all other transactions, the changes apply to transactions occurring after the beginning of the first period presented. The Group is currently evaluating the impact that the amendments will have on the statement of financial position; from the analyses carried out at the moment, an effect on retained earnings is not expected and the Group will recognize the deferred tax asset and liability separately. THESE SHOULD HAVE BECOME APPLICABLE..... PERHAPS THEY SHOULD BE PUT ON TOP

Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of "accounting estimates." The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for fiscal years beginning on or after January 1, 2023, and apply to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of that period. Earlier application is permitted provided that this fact is disclosed. The changes are not expected to have a significant impact on the Group.

Amendments to IAS 1 and IFRS Practice Statement 2 - Disclosure of Accounting Policies.

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to disclosures about accounting policies. The amendments aim to help entities provide more useful accounting policy disclosures by replacing the requirement for entities to disclose their "significant" accounting policies with a requirement to disclose their "materiality" accounting policies; in addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions. The amendments to IAS 1 are applicable from fiscal years beginning on or after January 1, 2023, early application is permitted. Since the amendments to IFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on the application of the definition of materiality to accounting policy disclosures, an

effective date for these amendments is not required. The Group is currently assessing the impact of the amendments to determine the impact they will have on the Group's accounting policy disclosures

Accounting standards, amendments and interpretations not yet endorsed by the European Union as of June 30, 2023

The following accounting standards, amendments and interpretations have been issued by the IASB but not yet transposed by the EU:

- Amendments to IAS 1 - Non-current Liabilities with Covenants and Classification of Current and Non-current Liabilities (mandatory application from January I, 2024);
- Amendments to IFRS 16 - Lease Liabilities in a Sale and leaseback (mandatory application from January I, 2024);
- Amendments to IAS 28 and IFRS 10 - sale or contribution of assets between an investor and its related entities or joint ventures (possible optional application for which the effective date is postponed indefinitely).

The Group has not early adopted any principles, interpretations or improvements issued but not yet in force.

The Group is still evaluating the possible impact related to the adoption of the new standards listed above, but from a preliminary *assessment,* no significant impact on the Group's consolidated financial statements is expected.

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 drafting 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 administrative and accounting procedures for the preparation of the condensed consolidated financial statements during the period from January 1 to June 30, 2023.

It is also certified that the Condensed Consolidated Financial Statements as of June 30, 2023 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 result 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 29, 2023



Executive chairman (Duccio Neri)



Financial reporting manager (Laura Baldi)